

**POVERTY REDUCTION STRATEGY PAPER**  
**PREPARATION STATUS REPORT**

**I. INTRODUCTION**

Over the past two decades, Djibouti's economy has been characterized by series of political crises (regional wars, domestic armed conflict) and economic shocks that have led to a continuous decline in Djibouti's financial situation and an erosion of its external competitiveness. At the same time, the main sustainable human development indicators (incidence of poverty, school attendance rate, infant mortality rate...) have reached alarming proportions.

To address this situation, the government has since 1996 been implementing an economic adjustment and restructuring program supported by the Fund and the World Bank and has instituted reforms in several areas: government finances, social security, public enterprises, education, and health.

Together with these reforms, the government is committed to fight poverty. In this context, the government conducted a survey of household living conditions in 1996 and prepared an interim PRSP, which was submitted to the World Bank and IMF Boards in November 2001. The government intends to submit a full PRSP by end-2002.

The purpose of this report is to take stock of progress in preparing the full PRSP one year after the submission of the interim PRSP to the Bretton Woods institutions. This report is divided into five sections: the main poverty reduction strategy areas; the institutional framework for preparing the PRSP; the participatory dimension; the process of drafting the document; and national consultations. The preparation of this document involves a participatory process and partnership between the government, civil society, and the donors and creditors. The methodology is based on an iterative and dynamic process and is built on a pyramid structure: I-PRSP → SRAG → Full PRSP → Advisory Group.

**II. THE WEAKNESSES OF THE INTERIM PRSP**

Although Djibouti's interim PRSP constitutes a major stepping stone in the formulation of a national poverty reduction strategy, it falls significantly short of the standards and requirements of a full PRSP. The main weaknesses of the interim PRSP lie in the following areas:

- the setting for preparing a PRSP and the participatory dimension;
- the inadequacy of the data and the analysis of poverty: the evaluation of the poverty situation and identification of its causes is the starting point of any poverty reduction strategy. This is a prerequisite for determining the priority intervention areas, setting the objectives and, to some extent, the vision itself.

Djibouti's statistical infrastructure is relatively weak. Population data and demographics are very scarce and, when available, very old. The national accounts are not up to date and sectoral or thematic surveys are practically nonexistent.

- Djibouti has not yet prepared a long-term vision of development and poverty reduction. However, various aspects that could be included are to be found in a number of papers and documents, especially those of the government seminar held in February 2002, programs with the World Bank and the IMF, and the law on economic and financial programming.
- Incorporation of the fight against poverty dimension in the macroeconomic framework. Available data on the production accounts are contradictory, depending upon issuing sources. The administration has not prepared any medium-term projections. The Directorate of the Economy of the Ministry of Economy and Finances has acquired an economic model for projections, but it is not yet operational. The only available projections on national accounts are the IMF's, but they do not go beyond 2005.
- the weaknesses of the sectoral strategies and the lack of an action plan or PIP consistent with priorities set by the government, namely education, water, health, and safety nets.
- the lack of data-supported targets and monitoring indicators for implementing the PRSP.

The assessment of the preparation of the full PRSP was basically conducted in terms of these questions. The final objective was to explore how the gaps can be filled to ensure production of a quality PRSP within the given time frame.

### **III. THE MAIN AREAS OF THE POVERTY REDUCTION STRATEGY**

The poverty reduction strategy is based on a long-term vision of Djibouti, as well as on the analysis of the national poverty situation and its causes. Because there will be no sustainable rise in the standard of living without strong growth and to the extent that, in turn, there will be no sustainable growth without developing human resources, the poverty reduction strategy must be viewed as an integrated development framework aiming to remove the barriers to Djibouti's competitiveness and integration into the world economy, develop human capital, and improve the living conditions of the poor.

The strategy is based on four areas:

1. The first area concerns relaunching economic growth and reinforcing Djibouti's competitiveness through a set of measures and reforms in the macroeconomic area, the corporate law environment, and the infrastructure and public enterprise sectors.

2. The second area aims at promoting the progressive development of human resources through coherent strategies in the education and health sectors, as well as the role of women, and improving access to drinking water.

3. The third area concerns stimulating sustainable local development and promoting and protecting the poor segment of the population. The objective is to implement a set of supplementary actions targeting the poor and directly addressing raising their incomes, developing local resources and access to infrastructure, and building the capacities of the poor.

4. The fourth area deals with the promotion of good governance through progressive decentralization, building government capacities at all levels, and the transparent management of public resources.

#### **IV. PROGRESS MADE AND CONSTRAINTS**

##### **A. The Institutional Arrangements for Preparing the PRSP**

The process of preparing the PRSP is based on a hierarchical institutional structure with, at the top, an interministerial committee, chaired by the Prime Minister, assisted by a national commission, chaired by the Minister of Finance and composed of representatives from relevant government branches, civil society, and the private sector. The national commission also has a permanent secretariat and the eight subcommittees meet every week. However, given the limited number of suitably qualified staff, the difficulty at this stage resided in the mobilization of members of the subcommittees. The professional staff who are members of these subcommittees have frequently found it difficult to free themselves from their day-to-day activities.

For the past two months, the President of the Republic of Djibouti has been holding discussions on issues relating to the PRSP. As a result, such topics as habitat, employment, HIV/AIDS, the energy sector have been debated in the most recent Council of Ministers meetings.

##### **B. The Participatory Dimension**

The open and participatory nature of the PRSP arrangements is often considered to be its distinctive feature and most important accomplishment. Work on the PRSP has allowed us to have a more fruitful dialogue not just among the government agencies but also between the government and the other parties involved. The scope of the participatory initiative has expanded considerably over the past two years. It was initiated during the preparation of the interim PRSP and was at the very heart of the government seminar and the President's tour in February 2002.

The involvement of local community associations and NGOs is one of the key strategies of the initiative. In this connection, an awareness seminar for the most active associations in the country was held in July 2002 and was attended by almost 200 persons who debated over two days the role of civil society in development and the needs of national associations and NGOs. On September 25, 2002, a workshop on legal and judicial reforms brought together a large number of practitioners of the law under the chairmanship of the President of the Supreme Court, to clarify the legal environment.

With regard to the process of promoting a strengthened partnership with donors and creditors, a series of meetings to provide information on progress with the PRSP was, during which our development partners reaffirmed their desire to participate actively in the process.

### C. Sectoral Strategies

The preparation of sectoral strategies is relatively far advanced, especially in the priority areas of government, such as education, water, health, and safety nets. Substantial amounts of financing are being mobilized to support various programs. The difficulty lies in the incorporation of sectoral program budgets in the medium-term macroeconomic framework. This work is under way.

### D. The diagnosis of poverty

The National Directorate for Statistics and Population Studies (DISEP) has just concluded an exploratory survey on poverty in Djibouti, EDAM-IS2, with financial assistance from the World Bank, UNDP, UNFPA, and the French Cooperation mission. This survey which is a follow-up to the 1996 survey, EDAM-IS1, was conducted in 2002 with a view to obtaining a profile of poverty in Djibouti, in the absence of a conventional household Budget/Consumption survey (EBC), initially planned for 1997 but postponed until 2003. The decision to carry out EDAM-IS2 was made in the course of the cartographical work and the establishment of a survey base for future surveys, especially the EBC. Despite the experience acquired in the area of exploratory surveying (EDAM-IS1 in 1996), this reasoned but hasty decision, and the simultaneous survey operations, caused problems in preparing and monitoring the EDAM-IS2 by the DISEP technical team. These problems arose in the early stages of the survey, affecting a number of areas ranging from the methodology to computer collation of data; their inclusion is critical for the analysis of data produced by EDAM-IS2 on the profile of poverty. The origins of these difficulties are to be found in (i) the hasty preparation of EDAM-IS2, (ii) the excessive workload of the DISEP technical team, (iii) the delicate supervision of collecting and processing information by too few people, and (iv) the lack of experience of the new staff recruited by the DISEP. It should, however, be noted that even if these difficulties have repercussions on the quality of the data, **the EDAM-IS2 is still one of the relatively exhaustive surveys Djibouti has undertaken and provides a lot of socio-demographic information on Djibouti's sedentary population.**

The EDAM-IS2 has a broad coverage of the national territory, because it covers a sample of 19,888 sedentary households (48.2 percent of the total), of which 16,394 households on which an in-depth data analysis can be performed. As a reminder, the EDAM-IS1 covered a total sample of 2,400 sedentary households.

From the very outset, the technical assistance mission found itself facing a delicate problem of data quality and completeness: 49.9 percent of the data collected were unusable, because there was no single identifier for the population count area (ZD) and consequently of the household (within its section). Thus, to guarantee a reasonable quality of data in the EDAM-IS2, the priority among the consultant's tasks has been given to consistency and verification of the data, the result of which is the compilation of a usable and totally consistent database for 16,394 households from a total of 19,888 households surveyed.

### **E. The Macroeconomic Framework**

The preparation of a macroeconomic framework is under way. One of the main difficulties is to strike a balance between the budgetary discipline and the needs to include more spending to alleviate poverty. Secondly, the medium-term growth potential also remains limited, at least until 2006, when it is expected that reforms and development programs for the port will enable levels of about 7 percent to be reached, a level deemed adequate to reduce poverty significantly without budget deficits. Until that time, in the absence of any other measures, the fiscal deficit will automatically deepen under the effect of the priority spending programs in the social sectors and in the sectors that create jobs and reduce poverty. The teams from the various administrations are currently exchanging views on these questions.

### **F. PRSP monitoring and evaluation indicators**

Apart from the difficulty raised by the selection of a core of appropriate and observable indicators, the PRSP process requires that a whole strategy of monitoring and evaluation of the poverty reduction strategy be designed. In view of the weaknesses of the country's data system, it is important to put in place **a program aimed at reinforcing the long-term statistical capacity to monitor poverty in Djibouti.**

The EDAM-IS2 process brought to light a number of problems in the national statistics system, especially in the human resources area. Any specialized statistical program runs the risk of failure if the targeted structural components, especially technical and operational coordination, training, and the transfer of knowledge, are not carried out. The DINAS and the BCR were merged to provide a partial response to these difficulties and establish the National Directorate for Statistics and Population Studies (DISEP).

Furthermore, to ensure coordination and monitoring of reforms and policies, two committees, the Interministerial Steering Committee for Government Action and the Technical Monitoring and Coordination Committee for the Reforms Program were also created in September 2002.

## **V. LATER ACTIONS AND STAGES**

### **A. Statistics and Poverty**

The analysis of the poverty profile is coming to an end. The next step is to include it in the PRSP. However, the PAFAM health survey is expected to be completed in January 2003 and will be used to supplement the data on the health system.

### **B. Sectoral Strategies**

Most of the sectoral strategies are available in one form or another.

### **C. Macroeconomic Framework**

The subcommittee in charge of this matter has met with difficulties in preparing the framework, which requires specialized expertise. For the time being, the expert assigned to support the Commission in drafting the paper is helping the members during this phase. However, the need for technical assistance is strongly felt. In this connection, an official request will shortly be sent to the Bank so that a joint team of experts and technicians from the ministry of finance would be able to complete work on a macroeconomic framework.

### **D. PRSP Monitoring and Evaluation Indicators**

A core group of appropriate indicators has been identified. Most of the indicators selected can either be collected by the DISEP and the relevant agencies or calculated on the basis of EDAM data. The next step is to identify a collection system, the periodicity of surveys, and the people who will be in charge.

### **E. The National Consultations**

The various consultations will start in early January 2003: interministerial, regional (4) and by category of players (5), which should all converge on the holding of the national forum to validate the full PRSP. These consultations will last two months. In early March 2003, the revised PRSP will be submitted to the Council of Ministers for adoption. The paper will then be forwarded to the Bretton Woods institutions so that their respective Boards can examine it.

### **F. Needs for Assistance**

Djibouti is suffering from a lack of human resources, which is especially acute in the macroeconomic, monitoring, and evaluation areas, in conducting workshops, and in taking into account the gender aspects in the PRSP.

## **VI. CONCLUSION**

The first draft of the PRSP is expected to be ready by November 21, 2002. To guarantee the quality of the final paper, the chairmen of the subcommittees will examine this draft to provide their input and endorse it. Working sessions are then planned to start in December 2002. The teams in charge of the survey on poverty and of the preparation of the macroeconomic framework coordination will travel to Washington to discuss with the Fund and Bank staffs the macroeconomic framework and the poverty profile. The paper will also be circulated to donors and creditors based in Djibouti. Their comments will be incorporated in the paper.

## **TIMETABLE FOR PREPARATION OF THE UPDATED PRSP**

<b>Components</b>	<b>Activities</b>	<b>Those responsible</b>	<b>Timetable</b>	<b>Expected results</b>	<b>Constraints</b>
<b>Macro-economic framework coordination</b>	<ul style="list-style-type: none"> <li>● Updating the macro-economic framework over MT</li> <li>● Updating PIP</li> <li>● Organization of PIP</li> <li>● Organization of framework coordination</li> <li>● Financing requirements</li> </ul>	MEFP TC-PRSP	October November 2002	First draft of the macro-economic framework	Problems faced by the members of the sub-committee in conceptualizing the macro-model which calls for highly-specialized expertise
<b>Drafting the 1<sup>st</sup> draft of the Strategy</b>	<ul style="list-style-type: none"> <li>● Design of updated paper</li> <li>● Drafting annexes</li> <li>● Drafting main report</li> <li>● Drafting executive summary</li> </ul>	TC-PRSP International consultant	November 1-20, 2002	First version of the PRSP drafted	Difficulties in mobilizing the scant human resources available, otherwise occupied with their day-to-day activities
<b>Endorsement of the paper by the chairmen of the sub-committees</b>	<ul style="list-style-type: none"> <li>● Forwarding the draft</li> <li>● Examination of the draft</li> </ul>	TC-PRSP	November 21-30, 2002	Recommendations to improve the 1 <sup>st</sup> draft of the PRSP	
<b>Discussions with the Bretton Woods institutions</b>	<ul style="list-style-type: none"> <li>● More thorough development of the macro-economic framework and of the analysis of survey data</li> </ul>	TC-PRSP WB	First half of December 2002	Macro-economic framework and data interpretation	
<b>Discussions with</b>	<ul style="list-style-type: none"> <li>● Discussions and comparison of viewpoints with donors and creditors</li> </ul>	TC-PRSP Partners	December 2002	Recommendations to improve the content of the	



<b>development partners</b>				PRSP	
<b>Improvement of the paper</b>	<ul style="list-style-type: none"> <li>● Inclusion of the recommendations</li> </ul>	TC-PRSP	December 2002	Second draft of the PRSP	
<b>Validation of the strategy</b>	<ul style="list-style-type: none"> <li>● Regional Forums: examination of 2<sup>nd</sup> draft of the PRSP</li> </ul>	TC-PRSP Civil Society, elected officials, partners	January-February 2003	Recommendations to improve the content of the PRSP	
	<ul style="list-style-type: none"> <li>● Forums on the 2<sup>nd</sup> draft by category of players</li> </ul>	TC-PRSP	January-February 2003	Recommendations to improve the content of the PRSP	
	<ul style="list-style-type: none"> <li>● Improvement of the 2<sup>nd</sup> draft of the PRSP based on the above</li> </ul>	TC-PRSP	January-February 2003	Third draft of the PRSP	
	<ul style="list-style-type: none"> <li>● National meeting to validate the strategy</li> </ul>	TC-PRSP, Government	January-February 2003	Recommendations to improve the content of the PRSP	
	<ul style="list-style-type: none"> <li>● Improvement of the 3<sup>rd</sup> draft of the PRSP based on the above</li> </ul>	TC-PRSP, government	January-February 2003	Full PRSP	
	<ul style="list-style-type: none"> <li>● Adoption of the strategy by the government</li> </ul>	TC-PRSP, government	March 2003	Full PRSP adopted	
	<ul style="list-style-type: none"> <li>● Submission to Bretton Woods institutions Boards</li> </ul>	WB-IMF	March 2003	Full PRSP submitted	