

Djibouti—Policy Matrix, 1999–2002

Policy Area and Objectives	Strategies and Measures	Timing/Status	Technical Assistance Requirements
A. Growth Policies			
Improve the market environment to promote private sector growth and employment	<ul style="list-style-type: none"> • Implement the fiscal, financial sector, external sector, structural, and sectoral reforms cited below. 	1999–2002	
B. Macroeconomic Policies			
1. Fiscal Policies			
a. Overall deficit			
Strengthen public finance in order to contain the budget deficit	<ul style="list-style-type: none"> • Implement the tax and expenditure policies and structural reforms cited below in order to contain the cash budget deficit on average to about 3 percent of GDP. • Obtain National Assembly (NA) approval of a supplementary budget for 1999 incorporating the petroleum product tax reform and the 1999 budget as amended for the ESAF program. 	1999–2002	Implemented
b. Revenue			
Simplify the tax system; improve efficiency, equity, and compliance; and reduce the income tax			
i. <i>Indirect taxes</i>			
	<ul style="list-style-type: none"> • Reach understandings with the IMF staff on a revenue-increasing reform of the excise tax law as it applies to petroleum products; obtain NA approval; and implement the reform in conjunction with the liberalization of petroleum product trade and prices (see below) and introduction of the supplementary 1999 budget. 	Implemented	IMF
	<ul style="list-style-type: none"> • Reach understandings with IMF staff on a revenue-increasing reform of the consumption tax law entailing: at most a three ad valorem tax rate structure that will apply uniformly to imports as well as domestically produced goods; the elimination of specific rates; limiting exemptions allowed under a reformed Investment Law; and elimination of all other ad hoc exemptions except those required by international agreements. 	By end-1999	IMF

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ii. <i>Direct taxes</i>	<ul style="list-style-type: none"> • Reach understandings with IMF staff on reform of the excise tax as applied to alcohol, tobacco, and <i>khat</i> and elimination of the export tax. • Obtain NA approval of the reformed consumption, excise, and export tax laws for implementation with the 2000 budget. • Reach understandings with IMF staff: on reforms of the personal income tax law entailing unification of income from all sources, unified and simplified tax and income brackets, limited exemptions and deductions, and reduced tax rates; and on an accompanying reform of corporate taxation ensuring consistency with the personal income tax reform. 	<p>By end-1999</p> <p>By end-1999</p> <p>By end-September 2000</p>	<p>IMF</p> <p>IMF</p>
iii. <i>Other taxes and fees</i>	<ul style="list-style-type: none"> • Reach understandings with the IMF staff on a reformed corporate income tax law entailing: the elimination of exemptions except those allowed by the reformed Investment Law; a lowering of the taxable income threshold; and a single tax rate equal to the top marginal personal income tax rate. • Obtain NA approval of the reformed personal and corporate income tax laws for implementation with the 2001 budget. • Reach understandings with IMF staff on the elimination of nuisance taxes and fees (including the stamp tax and the patent) and the simplification of the structures of other retained taxes and fees. Set levels of retained fees for government services which ensure that administrative costs are recovered. • Obtain NA approval of the reformed other tax and fee structures for implementation with the 2001 budget. 	<p>By end-September 2000</p> <p>By end-2000</p> <p>By end-September 2000</p> <p>By end-2000</p>	<p>IMF</p> <p>IMF</p>
iv. <i>Tax administration</i>	<ul style="list-style-type: none"> • Establish a system of salary incentives to be specified by the Ministry of Economy and Finance (MOEF) for high performers in the tax collection units. 	<p>By end-1999</p>	

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	<ul style="list-style-type: none"> • Reach understandings with IMF staff on a law to introduce a taxpayer identification number (TIN) system and require that the Tax Administration and all taxpayers utilize the TIN for all tax-related transactions. • Obtain NA approval of and implement the TIN Law with the 2001 budget. • Reach understandings with IMF staff on a comprehensive tax administration reform program to be implemented beginning 2001 and in conjunction with the tax reforms cited above. 	<p>By end-September 2000</p> <p>By end-2000</p> <p>By end-2000</p>	<p>IMF</p> <p>IMF</p>
c. Expenditure			
Enhance expenditure efficiency and reallocate resources to the priority purposes of education, health, social safety net, operations and maintenance (O and M) and infrastructure in the transport sector			
<i>I. Wage expenditures</i>			
Reduce the wage bill to GDP ratio in order to release resources for the priority sectors	<ul style="list-style-type: none"> • Pending completion of the civil service reform (see below), continue to implement a hiring freeze applying to the total number of government (civilian and military) personnel in all government ministries and agencies (except for the Ministries of Health and Education.) and a freeze on their total wage bill. • Reach understandings with IMF staff on a program for early, regular, and overdue retirement of government (civilian and military) personnel to be implemented beginning with the 2000 budget to the extent that cash budget resources are available for settlement of government arrears to the two public sector pension funds. • Complete implementation of the second and third phases of the military and security personnel demobilization program. 	<p>1999-2001</p> <p>By end-1999</p> <p>Second phase: by end-1999 Third phase: by end-2000</p>	<p>IMF</p>

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ii. <i>Priority sector expenditures</i>	<ul style="list-style-type: none"> • Reach understandings with IMF staff on levels of expenditures for priority purposes—particularly for education, health and the social safety net—to be incorporated in the supplementary 1999 budget. • Complete in collaboration with World Bank (WB) staff a public expenditure review focusing on medium-term priority spending requirements. On this basis, reach understandings with the WB and IMF staffs on a program for increases in the shares relative to GDP of outlays for priority purposes for implementation over 2001-02. 	Implemented	WB
iii. <i>Expenditure administration</i>	<ul style="list-style-type: none"> • Establish and implement the staffing of an independent public authority to act as external controller and auditor general for the government (<i>Cours des Comptes</i>). • Review with IMF staff the system for government procurement and reach understandings on reforms to be implemented beginning in 2001 entailing: reforms of the tender law; the establishment of a transparent open-bid system for tenders; award of contracts to the lowest-cost bidder; and a performance bond requirement. 	By end-2000	WB/IMF
iv. <i>Domestic debt and arrears</i>	<ul style="list-style-type: none"> • Reach understandings with the IMF staff on explicit annual schedules and modalities for the phased settlement over 1999–2002 of government domestic arrears relating to the wage bill, private suppliers, and the three pension funds. • Reach understandings with the IMF staff on a program for the phased settlement over 2000–02 of arrears and debt of ONAC assumed by the government following its closure (see below). • Update the compilation of domestic cross-debt and cross-arrears as of end-1998 among the government and all public enterprises; undertake a netting out of cross-debt and cross-arrears; and reach understandings with IMF staff on explicit annual schedules and modalities for the phased settlement beginning 2000 of the net cross-debt and net cross-arrears among the government and the public enterprises as may be required in relation to the privatization program (see below). 	Implemented	IMF

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v. <i>Financing</i>	<ul style="list-style-type: none"> • Avoid any new domestic payment arrears. • Avoid any domestic bank borrowing (except for the counterparts to IMF and AMF net purchases) and public enterprise borrowing for the budget. • Initiate implementation of a program for issuance of treasury bills as may be needed during 2000–02 for the purposes of: nonbank budget financing; bank liquidity management; and the settlement of government domestic net debt and arrears. 	<p>1999–2002</p> <p>1999–2002</p> <p>2000–02</p>	IMF
vi. <i>Budget management reform</i>	<ul style="list-style-type: none"> • Reach understandings with World Bank and IMF staff on a comprehensive budget management reform program to be implemented beginning with the 2002 budget. 	By end-2000	WB/IMF
2. Financial Sector Policies			
Promote the strengthening and development of the financial sector	<ul style="list-style-type: none"> • Maintain the integrity of the currency board arrangement operated by the National Bank of Djibouti (BND) through: implementation of prudent fiscal policies and zero budget recourse to domestic bank and public enterprise borrowing. • Maintain the present free-market determination of interest rates in order to facilitate internationally competitive positive real interest rates. • Require the BND to discourage collusion within the banking system in the setting of loan and deposit interest rates by requiring banks: to abrogate the agreement among banks on interest rate levels sponsored by the bankers association; to publicly post and update at least weekly their full loan and deposit rate structures; and to report these rates to the BND. 	<p>1999–2002</p> <p>1999–2002</p> <p>Implemented</p>	

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	<ul style="list-style-type: none"> Require BND to discourage collusion within the banking system in the setting of bank charges by requiring banks: to abrogate the agreement among banks on charges sponsored by the bankers association; to publicly post and keep current their full charge structures; and to report these structures to the BND. 	Implemented	
	<ul style="list-style-type: none"> Require the BND to implement a notification system which addresses commercial bank lending to borrowers in default beyond threshold amounts and time periods. 	Implemented	
	<ul style="list-style-type: none"> Review with IMF staff the BND Law, the Banking Law, and BND banking and prudential regulations; reach understandings on reforms that may be needed; and obtain NA approval of and implement the reformed Laws by end- 2000. 	By end- June 2000	IMF
	<ul style="list-style-type: none"> Reach understandings with the Commercial Bank of Ethiopia on the modalities and schedule for resolving prudential issues relating to its subsidiary. In the absence of a resolution, initiate action to close the subsidiary. 	By end-1999	
	<ul style="list-style-type: none"> Complete the liquidation of Al-Baraka Bank (BAB) and the Banque de Djibouti et du Moyen Orient (BDMO). 	BDMO: by end-1999 BAB: by end-July 2000	IMF
	<ul style="list-style-type: none"> Maintain the freeze on operations of the Djibouti Development Bank (BDD) (apart from loan collections) by prohibiting the bank from making new loans or contracting new liabilities until its status is resolved. 	Implemented in April 1999	
	<ul style="list-style-type: none"> Review with IMF staff prospects for restructuring BDD with donor assistance; if donor assistance has not been forthcoming, reach understandings on a program for its liquidation and incorporate the related costs in the budget for 2001. 	By end-1999	IMF

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	<ul style="list-style-type: none"> Review with IMF staff the prudential supervision of the banking system and the supervision capacity of the BND, and reach understandings on a medium-term program for increased staffing and training as may be required for implementation beginning in 2000. 	By end-1999	IMF
	<ul style="list-style-type: none"> Review with IMF staff the operations of the commercial bank sector and reach understandings on a medium-term development program for implementation beginning 2001 that includes measures to facilitate expanded support to the private sector (including through leasing) and increased competition. 	By end-2000	IMF
3. External Sector Policies			
a. Exchange system			
Maintain external competitiveness	<ul style="list-style-type: none"> Monitor the appropriateness of external competitiveness policies on the basis of international price and wage relativities and developments in net foreign assets of the banking system, export performance, and (for the future) real effective competitiveness. Implement corrective measures as may be indicated. 	1999–2002	IMF
	<ul style="list-style-type: none"> Maintain the present restrictions-free exchange system. 	1999–2002	
b. Trade system			
	<ul style="list-style-type: none"> Maintain the current free trade system. 	1999–2002	
c. Export promotion			
Strengthen export performance	<ul style="list-style-type: none"> Pursue an appropriate external competitiveness stance and implement the structural reforms cited elsewhere in the matrix. 	1999–2002	
d. External debt policies			
Maintain prudent debt management policy	<ul style="list-style-type: none"> Strictly limit public sector contracting or guaranteeing of nonconcessional foreign debt. 	1999–2002	
	<ul style="list-style-type: none"> Avoid any external debt service arrears. 	1999–2002	
	<ul style="list-style-type: none"> Request from all official bilateral creditors multi-year debt reschedulings on most generous available terms over 1999–2002. 	By end-October 1999	

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e. External financing	<ul style="list-style-type: none"> Settle public enterprise debt service arrears to multilateral institutions. Improve MOEF monitoring of foreign debt contracting and servicing by adopting and computerizing the UNCTAD/DMFAS system utilizing EU financial assistance. 	By end- 1999	UNCTAD
Expand external resources available for increasing social and infrastructure outlays	<ul style="list-style-type: none"> Request the World Bank to organize a formal donors group for Djibouti in order to identify additional financing for current and public investment for the education and health sectors and for transport and non-urban sector. 	Implemented	
C. Structural Reform Policies			
1. Civil Service Reform			
Modernize institutional arrangements and pursue downsizing in order to reduce the wage bill and enhance quality	<ul style="list-style-type: none"> Reach understandings with WB staff on the first phase of a formal civil service reform to be implemented beginning in 2001 and entailing: a comprehensive reform of the civil service law; reformed organization charts for all ministries and agencies; a reformed civil service grade structure; definition of minimum qualifications for each grade; assignment of an identification number for each retained position; decisions whether to retain staff based on evaluations of their qualifications; assignment of a personal identification number for each retained staff member; assignment of staff to retained positions and identification of redundant staff; release of redundant staff with retirement/buyout packages; and a reformed salary structure. 	By end-2000	WB

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	<ul style="list-style-type: none"> • In preparation for the first phase of civil service reform, undertake to: <ul style="list-style-type: none"> (i) Prepare in collaboration with WB staff an action plan that: defines the role of government and the reformed organization of government; identifies the major objectives, strategy, and priorities of civil service reform; defines the operational framework to conduct the reform; identifies the information and analyses required for reform decision-making; specifies the benchmarks and timetable for the reform to be monitored by the WB and IMF staffs; and identifies the responsibilities of the government and outside experts. (ii) Complete a civil service staff census specifying the identity, location, and qualifications of each civil servant. 	By end-June 2000	WB
Ensure financial viability and capacity to underpin civil service reform	<p style="text-align: center;">2. Pension Fund Reform</p> <ul style="list-style-type: none"> • Reach understandings with WB staff on a medium-term pension fund reform program for implementation beginning in 2001 and entailing: a comprehensive reform of the pension laws; consolidation of the three pension funds; legal autonomy for the pension authority; phased settlement of net cross-debt and net cross-arrears between the government and the pension funds; reform of the contribution and benefits systems; and establishment of adequate pension levels. 	By end-June 2000	WB
Privatize public enterprise operations in order to improve efficiency, lower operating costs and consumer prices, and promote private sector-led growth	<p style="text-align: center;">3. Privatization</p> <ul style="list-style-type: none"> • Finalize the privatization of: <ul style="list-style-type: none"> – Laiterie de Djibouti (LDD) – Société des eaux de Tadjoura (SEET) – Société d'aliments de bétail (SAB) – Pharmacie Indépendance. Privatization will entail receipt by the government of payment for the enterprise. 	Implemented	

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	<ul style="list-style-type: none"> • Implement the main features of the Public Enterprise Law and in particular issue a presidential decree stipulating that a cabinet minister may not be a member of the board of directors of a public enterprise. 	Implemented	
	<ul style="list-style-type: none"> • Require all public enterprises to submit to the MOEF by end-September 1999 their balance sheets and operating accounts for 1998 in order to facilitate privatization and reform. 	Implemented	
	<ul style="list-style-type: none"> • Require all public enterprises to submit to the MOEF a compilation for end-1998 of their arrears and debt to third parties (i.e., arrears and debt to entities other than the government and other domestic public enterprises.); and reach understanding with IMF staff on schedules and modalities for the phased settlement beginning 2000 of third party debt service arrears 	By end-1999	
	<ul style="list-style-type: none"> • Adopt and publish the core principles of the strategy for privatization of each of the six major public enterprises: <ul style="list-style-type: none"> – PAID (port) – EDD (electricity) – ONED (water) – AID (airport) – STID (international telecommunications) – Telecommunications component of OPT. 	By end-June 2000	WB
	<ul style="list-style-type: none"> • Finalize with WB staff an action plan for each enterprise as indicated in items (i)-(iii) below entailing: the privatization of the main operational functions and services of the port; for the national electricity and telecommunications utilities and the urban water utility, sale of a controlling interest to a private sector strategic operator; and privatization of the management of the airport. 	By end-June 2000 for the port and the merged telecommunications companies. By end-2000 for the power and water utilities and the airport.	WB
	<ul style="list-style-type: none"> • For the above-listed activities, the following principles will be followed: 		

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	<p>(i) Specify in the ownership privatization action plan the modalities and timetable for: the recruitment of financial and transaction advisors; the preparation and reception of bids; selection of the winning bid; the signing of the <i>protocole d'accord</i>; and the transfer of assets. Also specify the role of USREP and its staffing including foreign technical assistance.</p>		
	<p>(ii) Specify in the management privatization action plan the modalities and timetable for: the recruitment of a management firm; the preparation and reception of contract bids; selection of the winning bid; and signing of the management contract.</p>		
	<p>(iii) Specify in both types of action plan: the magnitude and treatment of redundant labor; the costs of downsizing through buyout/retirement packages; the sources of financing for buyout/retirement packages; and the phased settlement of enterprise debt and arrears (including to third parties) consistent with the program's arrears and debt settlement objectives.</p>		
	<ul style="list-style-type: none"> • Recruit one financial advisor for each enterprise to be privatized 	<p>By end-September 2000</p>	<p>WB</p>
	<ul style="list-style-type: none"> • Enact a Privatization Law which establishes transparent rules and procedures regarding tendering, sales conditions, liquidation, use of sales proceeds, treatment of redundant labor, and buyout policies; obtain NA approval of and implement the Law. 	<p>By end-June 2000</p>	<p>WB</p>
	<ul style="list-style-type: none"> • Offer the port and the merged telecommunications utility for bids. 	<p>By end-June 2001</p>	<p>WB</p>
	<ul style="list-style-type: none"> • Offer the national power and urban water utilities and the airport for bids. 	<p>By end-2001</p>	<p>WB</p>

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	<ul style="list-style-type: none"> Complete the privatization of the six major enterprises. Completion is to entail: for the five enterprises whose assets will be sold, receipt by the government of the sale proceeds; and for the airport, assumption of operational control by the private managing firm. 	<p>By end-2001 for the port and merged telecommunications companies</p> <p>By end-June 2002 for the power and water utilities and the airport</p>	WB
	<p>4. Regulatory Framework</p>		
	<ul style="list-style-type: none"> Reach understandings with WB staff on a regulatory law to establish a regulatory agency or agencies and a simple and flexible regulatory framework applicable to the private sector companies that purchase the assets of former public enterprises (particularly the private port, power, water, and telecommunications companies) in order to avoid possible adverse economic effects from possible monopoly positions. Obtain NA approval of and implement the Regulatory Law by end-2000. 	<p>By end-June 2000</p>	WB
	<ul style="list-style-type: none"> Prepare for and initiate with WB staff the regulatory oversight of the privatized port and national electricity, water, and telecommunications companies. 	<p>Following establishment of each private company.</p>	WB
	<ul style="list-style-type: none"> Reach understandings with WB staff on reform of the Public Enterprise Law to establish an appropriate legal framework applicable to the private sector management of public enterprises—particularly the airport. Obtain NA approval of and implement the reformed Public Enterprise Law. 	<p>By end-2000</p>	WB

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5. Labor Market Reform			
Enhance labor market efficiency and wage flexibility	<ul style="list-style-type: none"> Review with IMF staff the draft reformed Labor Code and reach understandings on the reform content of the Code that would in particular remove obstacles to a competitive labor market and full wage flexibility, including full authority for private sector entities to hire and release employees and for private sector entities and their workers to freely negotiate wage levels—both without reference to any government agency. Obtain NA approval of and implement the reformed Code. 	By end- June 2000	IMF
6. Investment Reform			
Promote increased private investment	<ul style="list-style-type: none"> Reach understandings with IMF staff on reforms of the Investment Law including in particular a comprehensive deregulation of private investment procedures relating to licensing requirements and other government controls and the rationalization of tax exemptions. Obtain NA approval of and implement the reformed Law. 	By end- June 2000	IMF
7. Price and Trade Liberalization			
Liberalization of trade and prices	<ul style="list-style-type: none"> Obtain NA approval of a law eliminating all government controls over petroleum products trade and prices (including those enforced by EPH) in conjunction with implementation of the reformed excise tax on petroleum products cited above. Close and liquidate ONAC. 	Implemented	
		Closed and liquidation initiated. Liquidate: by end-1999	
8. Legal Reform			
Enhance the quality and transparency of laws and the judicial system, particularly regarding commercial and financial matters	<ul style="list-style-type: none"> Reach understandings with IMF staff on reforms of the Commercial Code conducive to private sector development and on a Competition Law conducive to the establishment of competitive economic practices and markets including in the banking sector. 	By end-June 2000	IMF

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	<ul style="list-style-type: none"> Obtain NA approval of the reformed Commercial Code and the Competition Law for implementation beginning in 2001. Reach understanding with WB staff on a program for the establishment and staffing of commercial courts for initiation beginning 2001. 	<p>By end-2000</p> <p>By end-June 2000</p>	<p></p> <p>WB</p>
D. Sectoral Policies			
1. Transport			
a. Port (PAID)			
Improve efficiency and lower operating costs of the port with the goal of establishing Djibouti as a regional maritime hub	<ul style="list-style-type: none"> Reach understandings with the WB staff and implement a new and comprehensively reformed PAID tariff structure based on completion of the presently ongoing study in order to provide PAID with increased financial resources for maintenance and rehabilitation. Reach understandings with WB staff on an action plan for privatization of the port as cited above. 	<p>By end-1999</p> <p>By end-June 2000</p>	<p>WB</p> <p>WB</p>
b. Roads			
Ensure adequate maintenance of and investment in the road system, particularly in relation to port operations	<ul style="list-style-type: none"> Implement a road user charge payable by all trucks (registered locally and abroad) upon exit from PAID at the rate of US\$1/ton of cargo in order to provide adequate financial resources for a Road Maintenance Fund. Initially commit these new resources on a priority basis to fully repair the main road link to Ethiopia relying solely on private road maintenance contracts. Until new weighing stations are built (see below), monitor the truck cargo load for purposes of the tax upon exit from the port and by reliance on bills of lading. Establish in collaboration with the WB staff an enforcement program regarding the maximum legal road load limit of 13 tons per axle applicable to all trucks (registered locally or abroad) and provide for significant penalties for violations. Until new weighing stations are built, monitor the axle load limit by reliance on the truck's bill of lading. 	<p>Implemented</p> <p>By end-1999</p>	<p>WB</p> <p>WB</p>

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	<ul style="list-style-type: none"> Complete construction of weighing stations to monitor truck axle loads as follows: one station immediately outside the port exit for tax purposes; and 2 stations on the main truck transit route for enforcement of the legal road-load limit. 	By end-June 2000	
	<ul style="list-style-type: none"> Reach understandings with WB staff on a long-term program for development of the national road network beginning in early 2001 with new investment outlays initially focusing on road links to Ethiopia in order to underpin the role of the port. 	By end-2000	WB
c. Railroad			
Improve the efficiency, expand the capacity and lower the costs of the railroad (CDE)	<ul style="list-style-type: none"> Undertake with WB staff a study of the Chemins de Fer Djibouti (CDE) and reach understandings on a long-term development program to improve its efficiency and expand its cargo capacity beginning in 2001. 	By end-2000	WB
	<ul style="list-style-type: none"> On the basis of the long-term program, reach understandings with the Ethiopian government on new institutional arrangements for CDE entailing its privatization or a concession agreement with a private sector company. 	By end-2000	
2. Telecommunications			
	<ul style="list-style-type: none"> Reach understandings with WB staff on an action plan for the merger and privatization of STID and the telecommunications component of OPT as cited above. 	By end-June 2000	WB
3. Electricity			
Improve efficiency in order to significantly reduce production costs and consumer tariffs	<ul style="list-style-type: none"> Require EDD to: bill large consumers of electricity monthly and other consumers at two-month intervals, enforce the policy of discontinuing the supply of electricity to any customer in arrears for more than three months; and adopt a program to limit the illegal taking of power. 	By end-1999	
	<ul style="list-style-type: none"> Reach understandings with the WB staff on an action plan for the privatization of EDD as cited above. 	By end-2000	WB

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4. Water and Wastewater			
Ensure access to safe water and sanitation for the urban and rural population	<ul style="list-style-type: none"> Require ONED: to bill customers monthly; adopt a policy of discontinuing the supply of water to any customer in arrears for more than three months; and adopt a program to limit the illegal taking of water. 	By end-1999	
	<ul style="list-style-type: none"> Reach understanding with the WB staff on an action plan for the privatization of ONED as cited above. 	By end-2000	WB
	<ul style="list-style-type: none"> Reach understanding with WB staff on a long-term program for development of the non-urban water sector beginning in 2001. 	By end-2000	WB
E. Social Policy and Poverty Reduction			
1. Social safety net			
Provide income support to the poor by expanding employment opportunities	<ul style="list-style-type: none"> Complete with WB technical and financial assistance the re-insertion program for demobilized personnel. 	By end-2001	WB
	<ul style="list-style-type: none"> Reach understandings with WB staff on the content of a public works/job creation program and implement the program over 2000–2003. 	Understandings reached. Program is to begin in January 2000	WB
	<ul style="list-style-type: none"> Reach understandings with the AfDB staff on the content of the AfDB Social Fund Program (including a micro-enterprise assistance program and the development of education and health sector infrastructure) and implement the program over 1999–2002. 	Understandings reached. Program began in March 1999	AfDB

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2. Human Resource Development			
a. Education	<ul style="list-style-type: none"> Reach understandings with WB staff on a long-term reform and development program for the national education sector to be implemented beginning in 2001 and entailing: required enrollment at the primary and secondary level for all children; strengthened vocational training; diversified higher education; establishment of national per pupil current and capital expenditure allocation targets; and allocation of expenditures among governates on the basis of enrollment but with additional per pupil allocations on a one-for-one basis to the extent rural or female enrollment is below the national average. 	By end-2000	WB
b. Health	<ul style="list-style-type: none"> Reach understandings with WB staff on a long-term reform and development program for the national health sector to be implemented beginning in 2001 and entailing: the rehabilitation and expansion of health facilities below the tertiary level and the expansion of preventive care programs; increased current and capital expenditures for equipment and supplies; improved essential drug availability by establishing community pharmacies outside Djibouti-ville; and establishment of administrative and financial autonomy (to be achieved by cost recovery mechanisms) for the major medical care providers. 	By end-2000	WB
3. Rural Development			
Improve living standards of rural population			
a. Agriculture	<ul style="list-style-type: none"> Reach understandings with the FAO staff on a long-term national agricultural development program (focused on livestock and oasis agriculture) to be implemented beginning 2001. 	By end-2000	FAO
b. Fisheries	<ul style="list-style-type: none"> Reach understandings with A/DB staff on a long-term national fisheries development program to be implemented beginning 2001. 	By end-2000	A/DB

Djibouti—Policy Matrix, 1999–2002

Policy Area and Objectives	Strategies and Measures	Timing/Status	Technical Assistance Requirements
F. Macroeconomic Management			
1. Statistical Policies			
Improve quality and availability of economic, financial and social data	<ul style="list-style-type: none"> • Initiate with IMF technical assistance programs to upgrade the national income, fiscal, and balance of payments statistics. • Undertake with UNFPA technical and UNDP financial assistance a national population census. • Require all banks to initiate a program for improvements in their monetary data reporting effective end-December 1999 that will clearly identify the residency status (resident or nonresident) of all present and future depositors and borrowers. 	<p>By end-1999</p> <p>By end-2001</p> <p>Implemented</p>	<p>IMF Afristat</p> <p>UNFPA/UNDP</p>
2. ESAF Program Implementation			
Timely implementation of the reform program through enhanced administrative coordination	<ul style="list-style-type: none"> • Issue a presidential decree designating the Minister of Finance as Chairman of the Interministerial Committee to coordinate implementation of the ESAF reform program. 	Implemented	
G. Environment			
Adoption of macroeconomic policies conducive to environmental preservation	<ul style="list-style-type: none"> • Address deforestation by eliminating the excise tax on kerosine. • Require through regulatory oversight the privatized national water company to address water scarcity by adopting water pricing policies that ensure the sustainable use of natural aquifers. • Reach understandings with the UNDP (UNEP) on a long-term national environmental protection program focusing in particular on the establishment of an Environmental Law and creation of a national environmental monitoring and control agency. 	<p>By end-2000</p> <p>Beginning 2002</p> <p>By end-2001</p>	UNDP (UNEP)

Table 1. Djibouti: Selected Economic and Social Indicators, 1995–2002

	1995	1996	1997	Jan-June		1999	2000	2001	2002
				1998	1999				
				Prov.	Prov.	ESAF Program			
I. Economic and Financial Indicators									
(Annual percentage changes)									
National income and prices									
GDP at current prices	0.7	1.2	1.6	1.8	...	3.5	4.4	5.2	6.3
GDP at constant prices	-3.6	-1.5	0.0	1.7	...	1.4	2.3	3.2	4.3
Adjusted GDP at constant prices 1/	...	...	...	3.3	...	3.6	4.1	4.1	4.3
Consumer prices (annual average) 2/	4.5	2.6	1.6	0.1	0.0	2.0	2.0	2.0	2.0
(In percent of GDP)									
Government finance									
Total revenue and grants	31.1	30.6	31.0	34.2	13.8	34.4	36.2	34.9	34.5
Revenue	29.1	28.8	27.2	25.4	10.2	25.2	26.3	26.8	27.0
Grants	2.0	1.8	3.8	8.9	3.6	9.2	9.9	8.1	7.6
Total expenditure	39.2	34.5	35.3	33.4	16.7	34.8	35.5	34.4	35.0
Current expenditure	35.6	30.6	31.0	26.7	14.9	30.2	30.0	28.9	29.5
Capital expenditure	3.7	3.9	4.3	6.7	1.8	4.6	5.5	5.5	5.5
Overall balance (payment order basis)	-8.1	-3.9	-4.3	0.9	-2.8	-0.4	0.7	0.5	-0.5
Change in arrears (decrease-)	3.2	-0.7	2.4	-0.8	1.7	-1.2	-4.5	-4.3	-2.8
Overall balance (cash basis)	-4.9	-4.6	-1.9	0.1	-1.2	-1.6	-3.8	-3.9	-3.3
Financing	4.9	4.6	1.9	-0.1	1.2	1.6	3.8	3.9	3.3
External	1.6	3.3	1.4	0.7	1.0	1.4	2.6	2.9	2.3
Domestic	3.3	1.2	0.5	-0.9	0.2	0.2	1.2	0.9	1.0
Banks 3/	1.3	0.0	1.1	-0.8	0.4	0.3	1.1	1.1	0.8
Nonbank	2.0	1.2	-0.7	0.0	-0.3	-0.1	0.1	-0.2	0.2
Government domestic arrears (stock) 4/	23.1	22.0	23.9	22.9	23.8	20.8	13.6	7.6	3.2
Government domestic debt 4/	18.7	19.0	18.8	17.6	17.8	17.2	19.4	20.7	21.2
(Change in percent of broad money) 5/									
Money and credit									
Money and quasi money	3.3	-10.0	-1.4	8.2	0.2	2.2	5.4	5.8	6.4
Net foreign assets	-3.6	-10.3	-4.0	-2.6	-2.0	-0.9	0.5	0.4	0.8
Net domestic assets	6.9	0.2	2.7	10.7	2.2	3.1	5.0	5.4	5.6
Claims on the central government (net) 3/	2.0	0.0	2.0	-1.1	0.9	0.6	2.2	2.1	1.7
Claims on nongovernment sector	8.0	2.1	-0.3	11.2	5.0	6.1	2.8	3.3	3.9
Interest rates (in percent)									
Lending rates	9.4-13.1	9.5-13.3	9.2-12.4	13.0-14.0	...	...	...	...	...
Deposit rates	4.2-6.0	2.1-4.0	3.6-6.0	3.6-4.0	...	...	...	...	...
(In millions of U.S. dollars; unless otherwise indicated)									
External Sector									
Exports	37.6	39.6	42.6	59.1	...	65.0	70.2	75.9	82.4
Locally produced goods	13.6	13.7	12.9	13.9	...	14.7	16.0	17.1	18.5
Re-exports	24.0	25.9	29.7	45.3	...	50.3	54.2	58.8	63.9
Imports	206.8	200.7	204.0	238.8	...	242.9	254.4	259.9	272.8
For domestic use	178.7	171.0	174.7	190.8	...	193.4	201.0	202.0	209.9
For re-exports	28.1	29.7	29.2	48.0	...	49.5	53.4	57.9	62.8
Services (net)	85.9	82.3	85.5	85.6	...	62.0	62.7	70.6	83.1
Income (net)	17.3	15.7	12.2	11.7	...	12.5	12.2	12.4	12.4
Of which : Interest obligations	-3.9	-3.7	-5.0	-6.5	...	-6.3	-6.7	-7.0	-7.3
Transfers (net)	49.0	46.9	52.2	67.9	...	70.8	73.3	65.4	61.5
Of which : Official transfers	60.1	57.0	61.0	72.2	...	74.9	77.1	68.7	64.5
Current account	-17.0	-16.3	-11.5	-14.4	...	-32.9	-35.9	-35.5	-33.4
Capital account	9.4	19.6	20.4	22.5	...	17.6	21.7	21.6	22.3
Net borrowing	6.1	16.3	18.0	19.1	...	14.3	15.4	14.9	15.4
Disbursements	15.9	26.0	24.2	30.7	...	26.9	28.6	27.1	27.0
Amortization obligations	-9.7	-9.6	-6.3	-11.6	...	-12.6	-13.2	-12.2	-11.6
Errors and omissions (incl. priv. capital)	-2.4	-37.4	-20.9	-19.5	...	0.0	0.0	0.0	0.0
Overall balance	-10.0	-34.0	-12.0	-11.4	...	-15.0	-14.2	-14.0	-11.0
Financing									
Monetary movements (increase-)	11.2	33.1	11.5	10.4	...	-1.7	-9.8	-9.7	-10.1
Change in overdue obligations	-1.2	0.9	-3.8	-0.5	...	-8.9	0.0	0.0	0.0
Change in non-overdue obligations 6/	-18.4	-0.6	0.0	0.0	...	-10.1	-10.1	-10.1	0.0
Secured debt relief	18.4	0.6	4.3	1.6	...	13.3	10.1	10.1	0.0
Financing gap	0.0	0.0	0.0	0.0	...	22.4	24.1	23.7	21.2
Residual gap	0.0	0.0	0.0	0.0	...	16.5	9.0	8.6	8.5

Table 2. Djibouti: Income and Social Indicators

	Latest single year 1992-97	ESAF Program			
		1999	2000	2001	2002
Population					
Total population, mid-year (millions)	0.6	0.7	0.7	0.7	0.8
Growth rate (percentage annual average)	2.5	2.5	2.5	2.5	2.5
Urban population (percentage of population)	82.6	...	...	...	...
Total fertility rate (births per woman)	5.3	...	...	...	...
Poverty (percentage of population)					
National headcount index	...	...	...	...	...
Urban headcount index	...	...	...	...	...
Rural headcount index	...	...	...	...	...
Income					
GNP per capita (in U.S. dollars)	...	...	...	...	...
Consumer price index (1995=100)	...	...	...	...	...
Food price index (1995=100)	...	...	...	...	...
Income/consumption distribution					
Gini index	38.6	...	...	...	...
Lowest quintile (percentage of income or consumption)	6.3	...	...	...	...
Highest quintile (percentage of income or consumption)	45.4	...	...	...	...
Social indicators					
Public expenditure					
Health (percentage of GDP) 1/	...	2.3	2.1	3.9	4.4
Education (percentage of GDP) 1/	...	4.2	4.6	5.1	5.5
Social security and welfare (percentage of GDP)	...	...	...	...	...
Net primary school enrollment rate (percentage of age group)					
Total	32	...	...	...	...
Male	36	...	...	...	...
Female	27	...	...	...	...
Access to safe water (percentage of population)					
Total	80	...	...	...	...
Urban	...	...	...	...	...
Rural	...	...	...	...	...
Immunization rate (percentage under 12 months)					
Measles	59	...	...	...	...
DPT	62	...	...	...	...
Child malnutrition (percentage under 5 years)					
Total	23	...	...	...	...
Life expectancy at birth (years)					
Total	50	...	...	...	...
Male	49	...	...	...	...
Female	52	...	...	...	...
Mortality					
Infant (per thousand live births)	106	...	...	...	...
Under 5 (per thousand live births)	175	...	...	...	...
Adult (15-59)					
Male (per 1,000 population)	377	...	...	...	...
Female (per 1,000 population)	321	...	...	...	...
Maternal (per 100,000 live births)	...	...	...	...	...

Sources: World Bank, 1999 World Development Indicators CD-ROM; and Bank staff projections.

1/ For 1999–2002 ESAF program projections.

Table 3. Djibouti: External Financing Requirements, 1995–2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
				Prov.		ESAF Program			Proj.
	(In millions of U.S. dollars)								
External financing requirements	37.1	13.8	35.3	57.5	100.5	106.5	97.0	90.7	84.4
Current account excluding official grants, of which:	37.3	38.3	37.1	55.8	77.3	83.4	75.0	69.0	64.9
Interest obligations	3.9	3.7	5.0	5.4	6.0	6.7	7.0	7.3	7.7
Amortization obligations	9.7	9.6	6.3	11.6	12.6	13.2	12.2	11.6	13.1
Government	2.3	1.6	1.0	2.6	3.3	4.0	3.4	3.3	4.7
Public enterprises	7.4	8.0	5.3	9.0	9.3	9.2	8.8	8.3	8.5
Change in overdue obligations (decrease +)	1.2	-0.9	3.8	0.5	8.9	0.0	0.0	0.0	0.0
Currency board monetary and LOLR cover (increase +)	-7.2	5.6	-9.2	-3.4	3.5	3.6	3.6	3.7	3.7
Commercial bank net foreign assets (increase +)	-4.0	-34.6	-0.4	-3.9	-1.4	3.9	3.9	3.9	0.9
IMF (SBA)	0.0	-4.2	-1.5	-3.2	-0.4	2.4	2.3	2.5	1.8
AMF	0.0	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Regular financing	37.0	13.8	31.3	56.0	75.3	82.4	73.2	69.7	69.5
Official grants	20.4	18.6	25.6	41.4	44.7	47.5	39.4	35.7	35.5
Loan disbursements	15.9	26.0	24.2	30.7	26.9	28.6	27.1	27.0	26.9
Government	10.0	17.6	9.4	8.0	9.8	7.7	9.7	8.4	8.5
Public enterprises	5.8	8.4	14.8	22.6	17.1	20.9	17.4	18.6	18.3
Foreign direct investment	3.2	3.3	2.4	3.5	3.4	6.3	6.7	7.0	7.1
Other private capital net (incl. errors and omissions)	-2.4	-34.0	-20.9	-19.5	0.0	0.0	0.0	0.0	0.0
Change in non-overdue obligations 1/	-18.4	-0.6	0.0	0.0	-10.1	-10.1	-10.1	0.0	0.0
Secured debt relief	18.4	0.6	4.3	1.6	13.3	10.1	10.1	0.0	0.0
Rescheduling	0.0	0.0	4.3	1.6	3.2	0.0	0.0	0.0	0.0
Debt forgiveness	18.4	0.6	0.0	0.0	10.1	10.1	10.1	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	22.4	24.1	23.7	21.2	15.0
Exceptional financing	0.0	0.0	0.0	0.0	5.8	15.1	15.1	12.7	5.0
IMF (ESAF)	0.0	0.0	0.0	0.0	3.8	7.7	7.7	7.7	0.0
AfDB	0.0	0.0	0.0	0.0	1.6	1.6	1.6	0.0	0.0
AMF	0.0	0.0	0.0	0.0	0.4	0.8	0.8	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.0	5.0	5.0	5.0	5.0
Residual gap	0.0	0.0	0.0	0.0	16.5	9.0	8.6	8.5	10.0

Source: Djibouti authorities; and IMF staff estimates.

1/ For 1999-2001 pertains to debt for which repayment terms were previously pending.