

~~UNCLASSIFIED~~

Country Development Strategy Statement

FY 1986

DJIBOUTI

BEST AVAILABLE

January 1984



Agency for International Development
Washington, D.C. 20523

UNCLASSIFIED

DJIBOUTI

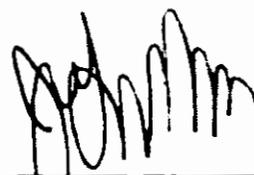
FY 86 CDSS/SPS UPDATE

	PAGE
I. Country Situation	1
A. Background	1
B. GROD Development Efforts	4
II. US Position	7
A. Background	7
B. USAID Assistance Strategy	8
C. The USAID/Djibouti Program	9
1. Fisheries Development	9
2. Food and Nutrition	10
3. Manpower Development and Training	11
4. Energy Initiatives	13
5. Housing/Urban Development	14
6. Summary	17
D. Response to Agency Priorities and Policy Considerations	17
1. Policy Framework	17
2. Private Sector	18
3. Technology Transfer and Research	18
4. Institutional Development	19
5. Special Role of Participant Training	19
6. P.L.480,ESF and Local Currency	20

JANUARY 1984

DJIBOUTI

FY 86 CDSS/SPS UPDATE



John A. Lundgren
AID Representative

I. Country Situation

A. Background

Djibouti is faced with an array of social and economic problems, both external and internal. It is small (23,000 square kilometers), arid, lacking in resources, and bordered by two powerfully armed neighbors. The small number of educated citizens and lack of institutional infrastructure hinder efforts to develop those resources which do exist.

The natural resources of the Republic of Djibouti are scanty even by Least Developed Nations standards. It is estimated that only 50-200 hectares of the total land area of Djibouti are cultivated, these being irrigated plots near town on which fruits and vegetables are grown. The country is dependent on somewhat saline underground aquifers for irrigation and consumption; there is no permanent surface water flow. Practically all food is imported. There is some artisanal fishing, but there is no local tradition of commercial fishing or seafaring. Nomadic herders raise cattle, sheep, and camels in the hinterlands. Manufacturing is limited to small-scale bottling, though there are plans to establish milk reconstitution and cement plants.

The country's money economy is service oriented and consists of three economic sub-units : the city of Djibouti with its port, airport, railway terminal and government services; a French military base, the country's largest single source of economic and commercial activity; and the sparsely populated hinterland where access is difficult and which has little contact with the first two sub-units.

In 1980 the tertiary sector dominated the economy, providing 76 % of the Gross Domestic Product (GDP). This included 40 % from commerce, hotels, etc., and 36 % from public administration. In contrast, agriculture, livestock, fisheries and industry together accounted for only 23 % of GDP. The service sector (exclusive of public administration) accounts for 50 % of the GDP and reflects the importance of activities related to the port, airport and expatriate community and, to a growing extent, the role of Djibouti as a regional financial center.

Prior to independence, from 1970 to 1976, real GDP increased at an annual average rate of 6 %, half the growth coming from the construction of roads, schools and other public works. The Djiboutian economy has fluctuated since independence for a number of reasons, not all of them amenable to donor assistance. Closing of the Djibouti-Addis railway for security reasons (March 1977 -June 1978) began a reduction in service activities from which recovery is not yet complete. The French military presence has been reduced, and devaluation of the French franc has effectively cut the economic input of those troops who remain. Lack of investment can in part be blamed on instability in the Horn which makes Djibouti's long-term economic independence uncertain. Since 1976, capital formation has revenues from taxes paid almost entirely by expatriate personnel, and income from Djibouti's port and rail facilities. These problems are compounded by an embryonic government which lacks an adequate data base and qualified personnel to devise national economic development policies or to implement them. (One fortunate result of this lack is the GROD's acceptance of non-statist, free-market-oriented economic policies.)

The obstacles to effective development planning and donor interventions remain serious. Little accurate statistical data is available to support review and analysis of Djibouti's economic situation. At the same time, donor interest has increased to such an extent that close coordination is increasingly necessary ^{to avoid} the inauspicious likelihood of donor competition, (evidenced by a tripling of other-donor commitments since 1980) with predictably negative effects on the quality of GROD planning and support.

Trained GROD personnel needed to improve the administration of Djibouti are lacking at all levels. This weakness of public administration hinders GROD decision-making and has resulted in the persistent difficulties GROD, even with substantial consultant assistance, has had in defining an appropriate overall economic development strategy and in developing individual projects for outside financing.

The Republic's limited natural resources have heretofore prevented development of significant primary economic activity. Djibouti's economic livelihood and in the long run its national survival are dependent on trade, and the port, rail, and air-terminal facilities which sustain it. Failure to upgrade transport infrastructure in a time of increasing competition within the region has adversely affected the Djiboutian economy, although substantial improvements are currently in process.

For development to take place, investments for the improvement of infrastructure and the facilities of the city are important. Support for the development of rural areas is equally important from the perspective of balanced development. Considering Djibouti's scarcity of natural resources, but keeping in mind its strategic location and its success so far as a service oriented economy, education, and professional and technical training are of the greatest importance. Economic success will largely depend on the quality of the work-force in both the private and public sectors.

B. GROD Development Efforts

According to a relevant decree in 1982 relating to economic and social development over the next years, the GROD will pursue the following objectives : (a) develop Djibouti as a major international maritime center; (b) combat poverty in urban and rural areas; (c) reduce the country's dependence on imported food supplies; (d) develop industries and (e) reduce the country's dependence on energy imports. To further realize these goals, the GROD is instructed to continue to observe fiscal equilibrium and maintain the status, the parity and free convertibility of the Djibouti franc which is backed by external U.S. dollar deposits. The implementation of the GROD's development strategies will clearly depend on substantial amounts of external assistance.

The GROD is fully aware of the need for international donor assistance. The Djiboutian economy, as noted, is essentially artificial, with not much prospect for self-support in the near future, and the GROD has undertaken a definite policy of encouraging and attracting a maximum number of foreign donors in an effort to diversify its sources of support. This policy is unlikely to change in view of France's decision to phase out its massive budget support for Djibouti by 1990. The international donors conference held in Djibouti, November 21-23, 1983, organized and convoked by the GROD, was a manifestation of this policy.

The GROD had been making efforts to arrange such a conference of its principal and prospective donors for some time. An initial donor round table in February 1981 was not fruitful, chiefly because of a lack of data at all levels of planning. The recent gathering was first scheduled for November 1982 and envisioned as a World Bank sponsored session similar to a regular Consultative Group meeting. Difficulties in making the necessary staff preparations and producing consultant studies compelled repeated postponement until the November 1983 date. The World Bank evaluated the Djiboutian preparations as unsuitable for organization of a Consultative Group. The meeting was therefore held as a donor conference, essentially as a host government event with limited UNDP support.

Documentation prepared in anticipation of the conference can be likened to the capital investment component of a national development plan, the first such plan that the GROD has succeeded in elaborating. This documentation, without substantive analytic content, consists essentially of a projectized listing of desired interventions. As such, it provides an outline for a development plan.

Prior to the conference, the World Bank prepared a draft economic report, originally intended for use at the conference. The GROD did not clear the report for release, due to disagreement with some aspects of the report's analysis and findings.

The objectives of the Donor Conference, as expressed by the GROD foreign minister at the closing session, were the following :

- (a) first and foremost, as an opportunity to obtain expressions of political support from the international community;
- (b) as an opportunity to obtain the support of neighboring countries in order to promote regional cooperation; and
- (c) as a means of raising financial support.

From the viewpoint of the GROD, the conference can be considered as a tremendous success, politically and financially. Political aspects prevailed, with Donors essentially accepting tacitly the sectoral and project framework laid out by the GROD with emphasis placed almost exclusively on the positive aspects of the GROD's investment program. The GROD received from Djibouti's friends and neighbors the manifestations of political support it was seeking.

The financial benefits deriving to Djibouti from the conference were substantial. According to the GROD, the conference succeeded in gaining funding for approximately 70 percent of the projects (worth \$ 310 million) for which funding was sought. The actual amount, however, is probably closer to \$ 155 million in new hard pledges. The major contributions came from the Arab moderates and France, with a sizeable World Bank program shaping up. The transportation and telecommunications sectors were heavily endowed with funding pledged for major projects dealing with : maritime port improvements (communications, cranes, container facilities, dock construction); airport improvements (railway construction, aeronautical communications); railroad improvements, including the rail link with Ethiopia;

construction of the road linking the South with Tadjourah in the North; rural road maintenance; integration of Djibouti into the Arab telecommunications network, including the underwater cable linking Djibouti with the Arabian peninsula; and extension of internal telephone and television networks. Funding was also obtained for important projects dealing with the exploitation of geothermal energy; housing/urban renewal; and a number of industrial activities including the construction of a cement plant and the manufacture of a variety of consumable items. Funding was also obtained for projects concerned with livestock, fisheries, rural development and the satisfaction of basic human needs.

Notwithstanding the financial success of the conference with respect to the obtaining of financing for Djibouti's near-term development program, a number of the cautionary observations made by the World Bank's unreleased economic study were cited by the IBRD delegate. Principal bank observations were that Djibouti's dependence on external aid appears to be on the increase and its optimum use remains to be determined; the GROD's program does not include measures needed to check the recent disturbing trends with respect to decreasing reserves; more attention is needed with respect to the management of public finances and the exercise of strict controls on recurrent costs; and realistic policies and planning are required for the development of Djibouti's resources, including a training program which can reinforce the GROD's development strategy.

II. US Position

A. Background

The Republic of Djibouti became independent in 1977 after over a century of French colonial rule. United States relations with this small country have been continuously friendly, beginning with provision of relief supplies to help support an influx of refugees from the fighting in the Ogaden and continuing to include participation in the present conference.

Djibouti has been an outpost of relative stability in the Horn of Africa and has set a generally good example of respect for individual liberties and economic freedom. The United States seeks to encourage the Government of the Republic of Djibouti to maintain a policy of true non-alignment, and to continue to accord access to US naval vessels.

Despite our recognition of French predominant interests in Djibouti, the USG played an active role in encouraging participation of potential donors in the November 1983 donor conference. (France likewise made efforts to support greater donor participation). For obvious reasons, including US strategic interests in the country, US performance in Djibouti is subject to wide international scrutiny.

Long range USG objectives in the area of economic development are to encourage Djibouti to take a realistic approach to the development process, including an objective assessment of the country's strengths and weaknesses, acceptance of inherent circumstances which defy economic solutions, and development of rational long-range policies to correct other weaknesses and exploit present and potential strengths. Effective donor coordination and collaboration are considered essential to Djibouti's development process. USG program strategy reflects this.

Given USG interests in Djibouti, other donor activity and the potential for USAID program development, it would appear appropriate for Djibouti's program level for the planning period commencing FY 86 to approximate annually \$ 6 million ESF and \$ 1 million PL 480 Title II.

B. USAID Assistance Strategy

The USAID strategy is to provide economic and social assistance which is consistent with Djibouti's perceived needs and in a form which minimizes USAID oversight responsibilities. This has not been an easy task : the GROD lacks a rational development plan (although documents prepared for a November 1983 Donor's Conference elaborate a five-year investment program); qualified Djiboutian counterparts are few; the GROD is reluctant, in part because of its limited economic base, to contribute funding to donor projects; baseline data is largely absent; donor cooperation is uneven; and colonial-era attitudes on the appropriate form and substance that donor assistance should take differs sometimes from USAID criteria.

Given Djibouti's strategic location and its successes as a service oriented economy, emphasis will continue to be placed on human resources and institutional development since economic success will largely depend on the quality of the work force and institutions in both public and private sectors. USAID strategy is mindful of Djibouti's small domestic and shrinking external revenue base and the consequential dictum that the GROD should curtail investment in projects incurring excessive recurrent costs beyond reasonable prospects of revenue generation.

USAID strategy for ongoing and future program development emphasizes the following :

- Close collaboration with other donors;
- Logical continuation and expansion of successful ongoing USAID program activities where we can build upon our own past experiences; and
- Increased utilization of American PVO's as implementing agents.

One or more of these criteria would be an important element in the rationale behind any new program proposal. In keeping with this strategy, we anticipate participation in multidonor endeavors through the utilization of cash transfer and/or commodity import program (CIP) mechanisms, as well as strengthening the role of PVO's as implementing agents through the continued use of PVO grant procedures. Particular attention will be given to maximum participation in projects where other donors bear the burden for project design and implementation management with a view toward maximizing impact while cutting costs for AID administration at all levels. These are the means by which USAID/Djibouti proposes to strengthen its on-going program, within any given budget level,

and to streamline its portfolio for effective project management within present staffing limitations:

USAID assistance strategy will continue support of ongoing activities which show or promise progress, namely :

- expansion of the artisanal fishing industry to capitalize on Djibouti's fishing potential, its sole meaningful natural resource;
- a manpower development program emphasizing adult education and skills needed to meet Djibouti's critical need for qualified service sector personnel;
- development of alternative renewable energy technologies to lessen Djibouti's almost total dependence on fossil fuels;
- improved well-being of the rural and urban poor through better nutrition, increased income through small-scale agriculture and better access to primary health care facilities; and one new initiative, i.e.,
- low-income housing and urban renewal to alleviate the living environment plight of Djibouti's urban population.

USAID is also exploring the potential for associating its program with relatively large-scale capital transfer and/or infrastructure projects which might be undertaken by larger donors such as France, Arab moderates or the international financial institutions. The feasibility of funding such programs, with a high degree of U.S. participation through CIP and cash transfer mechanisms, will be studied. In addition, we plan to continue, and to expand, PVO involvement in activities which promote small-scale agriculture, improved health and nutrition, and non-formal education.

C. The USAID/Djibouti program

The following are the specific areas addressed by our program :

1. Fisheries Development : The strengthening of Djibouti's artisanal fishing industry will continue as a program priority. The design has been completed for our Phase II Fisheries Project which, for the most part, is oriented to technical assistance. We anticipate continued project implementation in collaboration with IFAD, UNICEF and FAC. It should be noted, also, that the CRS Food/Nutrition project provides activities complementary to our fisheries activity. Consultation will continue with respect to the FAO Red Sea Project.

It is anticipated that as the Fisheries Project moves forward concomitant with the activities of other donors additional activities of an operational nature will undoubtedly be identified to strengthen further Djibouti's artisanal fishing industry. We anticipate a symbiotic relationship among these activities and our project technical assistance, e.g.; the idea of a fisheries wharf which would increase the efficiency of our project has already surfaced. A specific proposal to this effect is scheduled for Arab financing. Also, the FAO has indicated its attention to move forward with a sub-sector strategy with similar goals as our own. It would seem ample opportunity exists to strengthen the multi-donor approach to Djibouti's fisheries program within the context of our present project, notwithstanding potential identification of interesting complementary activity for the investment of possible future funds.

2. Food and Nutrition : CRS (PVO) has already accumulated a modest degree of successful experience in small-scale agriculture within the context of the ongoing CRS Food/Nutrition project, and earlier efforts. Our recently completed soils study and the complementary water study conducted by the Germans have indicated that Djibouti has considerable agricultural potential, if site locations and crop varieties are selected carefully. The GROD now possesses a soils and water laboratory established by USAID with USDA technical assistance and training inputs which are scheduled to continue in support of the lab's operation. A preassessment for increased experimental small-scale agricultural initiatives, to be jointly conducted by AID and CRS, is planned for early 1984. This assessment will evaluate CRS experience to date and assess the findings of the soil and water studies mentioned above with the idea of moving those findings into an operational mode, including appropriate utilization of the soils and water lab.

The French give high priority to the pursuit of small-scale agricultural initiatives. The FED is also actively interested in small-scale pilot agricultural activity and related water development. The UNDP, utilizing UNICEF hydrogeological technical assistance, has an on-going drilling project for exploiting site-specific water resources. We plan continued participation in the multidonor effort to develop and exploit appropriate small-scale agricultural potential in Djibouti.

MCH is also, a significant element of the CRS Food/Nutrition project. On-going MCH activities are oriented inter alia to child growth surveillance and the control of childhood ailments, including a vaccination program, oral rehydration therapy(ORT), and related training. The CRS program works closely with UNICEF. The French, who are assessing their future response to Djibouti's health needs, have approached USAID concerning possible areas of collaboration, particularly with respect to a broadened approach to ORT interventions. This fits with our own plans for looking into the possibilities of strengthening through the Food/Nutrition project, CRS's role in MCH training and the dissemination of information on preventive health practices, particularly ORT. Emphasis will be placed on the development of low-cost health delivery systems within the framework of the national strategy elaborated by WHO. A joint AID/CRS assessment in collaboration with UNICEF and WHO is scheduled for early 1984 to identify specific ways and means for achieving the above. In the aftermath of the mid-project evaluation scheduled for the summer of 1984, we anticipate a Phase II proposal for the CRS F/N program which will considerably strengthen its interventions in the sub-sections indicated. Emphasis will be placed upon the continued programming of PL 480 Title commodities distributed through CRS in such a manner as to provide maximum development impact.

In sum, USAID/Djibouti foresees within, or beyond, present budget levels established for the support of CRS activity in Djibouti, the possibility of supporting the development of Djibouti's potential for exploiting a limited, but significant, capacity for increasing in-country food production; as well as participating in a multidonor approach to Djibouti's MCH needs with particular attention to nutritional requirements, control of childhood ailments, including ORT interventions, and related training.

3. Manpower Development and Training : IHAP(PVC) has established a modest training facility within the adult education program of the Ministry of Labor. The first year of training operations has been completed and a mid-project evaluation is scheduled for early 1984 to assess inter alia the role being played by the IHAP project with respect to Djibouti's overall manpower requirements and the GROD's vocational training program. Based upon that evaluation, IHAP is planning to submit for AID approval

in mid-FY 84 a proposal for a second phase to their human resources development project. Initial steps have been taken to undertake, within the context of the evaluation, a comprehensive assessment of the potential for AID/IHAP collaboration in a major multidonor manpower development program that would involve ILO, UNDP, the French (FAC) and European Common Market (FED) participation. Such an initiative would build on a significant past FAC study of the subject and would follow a strategy laid down by ILO in a proposal commissioned by the ministry of Labor (MOL) in preparation for the donors conference.

Major long-term objectives with which AID/IHAP could become associated include :

- Execution of a manpower study and establishment of a permanent unit within MOL to identify Djiboutian manpower needs;
- Creation of a national service to address vocational training needs with the collaboration of the GROD, employers and employees;
- Elaboration of a national vocational education teaching methodology, curriculum and programs;
- Development of a training program for teachers of vocational education;
- Analysis of the institutional framework and economic conditions which effect small and medium size Djiboutian enterprises and establish priorities to tailor vocational training to their needs;
- Development of a mechanism for obtaining financial support for a national vocational training program through employers;
- Analysis of the state of the apprentice program in Djibouti and recommend a plan of action, including assistance to the handicapped;
- Establishment of a professional placement and information service directed towards adolescents and adults, either in or outside the formal vocational education program; and
- Training, largely on-the-job, of existing vocational training teaching staff.

Also, USAID/Djibouti has sponsored with AMDP funds, two annual in-country development management seminars conducted by the francophone management training program of the University of Pittsburgh in collaboration with

the GROD civil service establishment. Based on these successes, we look forward to increasing through the continued use of AMDP funds our contribution to management training requirements in Djibouti with particular emphasis on combining in-country training with case-study management consultancy techniques. We hope to establish a continuing institutional relationship with UPITT to meet these objectives. AMDP funds will also be used for off-shore study opportunities.

It should, also, be mentioned here that the IBRD has an on-going project to strengthen GROD development planning, primarily through long-term technical assistance, and training. The project has not yet gotten off the ground due to GROD organizational and personnel problems with respect to that function. It is anticipated that in the aftermath of the donors conference the GROD will reorganize (in early January, the GROD took the first steps in this direction by establishing an inter-ministerial committee to coordinate and implement the projects financed by the donor's conference) for more effective development planning and implementation. USAID and other donors recognize the importance of the development planning function being stabilized and institutionalized in an efficient manner in an appropriate location within the GROD. Once this occurs more precise institution building and management training requirements will become evident. To what extent, within the context of our present program, we will be able to participate in the satisfaction of these requirements depends upon a more precise definition of the needs as they develop. On the other hand, we consider that at least a nominal involvement in that process to be an important element of our human resource development/institution building strategy.

4. Energy Initiatives : The on-going VITA-implemented energy initiatives project is oriented to institution building; energy prototype development; and raising the level of renewable energy and energy conservation consciousness in Djibouti. The first part of a comprehensive energy assessment is underway. The results of this assessment, combined with those of an energy audit already completed, will lay the groundwork for a mid-project review and evaluation which is expected to identify specific additional project interventions for near-term implementation.

It is anticipated that a good number of these will fall within the financial perimeters and objectives of the present project with emphasis on priority areas of interest, e.g., solar and wind-generated energy and the application of energy conservation techniques to low-cost construction, including rammed-earth bricks.

FAC has approached USAID concerning potential areas of collaboration in the energy field, particularly with respect to the relationship among energy conservation techniques and low-income housing construction. Considerable potential for additional donor-coordinated energy-related project activity is likely to become more evident in the near future. The technical assistance and experimental aspects of our present project can contribute substantially to the process with new funding opportunities related to our present program possibly evolving in the near-term.

5. Housing/Urban Development (H/U) : The recently designed IBRD H/U project represents the major new initiative open to AID participation in the foreseeable future. Based on the recommendations of its assessment mission, the IBRD is completing the design of a 16.5 million dollar omnibus multidonor H/U project to be managed by the IBRD and for which eight million dollars of IDA credits are proposed. A USAID-financed (RHUDO/ES) technical team collaborated with the IBRD assessment mission in the analysis of various financial aspects involving low-income housing. The IBRD H/U project proposal is in the process of finalization with anticipated IBRD/GROD negotiations in early 1984 and IBRD board approval in May 1984. The French will also participate financially in this project.

The IBRD proposal focuses on the problem of the city's low-income residents : specifically, recurrent flooding and poor housing conditions in the old wards of the city, where 65 percent of its residents are located, the lack of infrastructure and services in the neighborhood of Balbala which serves as a reception area for new arrivals to the city and the development of the Salines Ouest area for low-income housing. The project will benefit directly approximately 59,000 inhabitants in the old wards, and the neighborhoods of Balbala and Salines Ouest (roughly one-third of the city's population).

The IBRD proposal includes :

- Improvement of basic roads and drainage infrastructure, granting of land tenure, expansion of water supply, public lighting and

- refuse collection in the old wards;
- Improvement of basic roads, drainage, water supply(via stand pipes), refuse collection and granting of land tenure in the squatter settlements of Balbala;
- Development of 176 lots in Salines Ouest with four different home models. Seventy additional lots will be serviced with water and sewerage and sold to individuals prepared to construct their own houses;
- Credit to provide about 600 loans for house construction and improvement in Balbala and the old wards, and an additional 150 loans for the purchase or construction of houses on the Salines Ouest property;
- Technical assistance and equipment to the loan office, the district of Djibouti(Municipal Government), the office of urban development, and the institutions responsible for the housing credit program-CDD) and the SID, which will act as developer of the Salines ouest component;
- An urban project office(UPO) will be established under an interministerial committee. The UPO will supervise execution of the project and the involvement of the various participating agencies, and the provision of recommended technical assistance for those participants.

It is contemplated that AID will participate in the H/U program based upon the IBRD design. Nevertheless, we have two points of interest related to the IBRD concept, i.e., energy conservation and use of low-cost local construction materials processed through energy efficient means. We see initial initiatives concerning these matters coming out of our on-going VITA energy initiatives project. However, a portion of our H/U project funds should conceivably be set aside specifically for these items in order to be fully responsive to needs and opportunities within our own particular priority interests as they arise during the course of project implementation.

We believe energy conservation and efficiency ought to be considered as a specific element of technical assistance related to housing construction. Under our energy initiatives project, VITA has already

carried out several tasks related to energy conservation in building construction as a potential major thrust for reducing Djibouti's almost total dependence on imported fossil fuels. For example, it is contemplated that at least four different types of dwellings will be built under the project. We think this offers a good opportunity to build in an energy efficient component in the design of these homes which could serve as a model for future construction and encourage the GROD to consider changes in building codes that could lead to future energy-efficient construction.

As mentioned in the discussion of our energy program, one item within our VITA project deals with rammed-earth construction blocks. FAC has approached USAID/Djibouti with idea of USAID cooperation (thru VITA) with FAC in an experimental program for developing consumer-accepted low-cost construction materials for use in Djibouti's housing and urban development program. The French are giving priority interest to the development of low-cost local construction materials and the establishment of appropriate technology small-scale industries as a way of reducing imports of expensive items and bringing building costs down. USAID/Djibouti believes this represents excellent opportunity for Franco-American collaboration.

We could participate in such endeavors initially through our VITA project, however, we would want to assure an adequate long-term response capability for technical assistance, studies, experimentation, and pilot activity within our anticipated H/U project. Our final H/U program concept should include the wherewithal to do so.

In addition, once the present IBRD proposal gets underway, various localized urban-oriented health sanitation service interventions are likely to be identified for targetting by our on-going CRS F/N project.

6. Summary : It is obvious from the foregoing that AID has a strong potential, within the context of its present program and likely budgetary levels, for participating vigorously in Djibouti's development plans with respect to artisanal fishing; small-scale agriculture; low-cost health delivery and related grass-roots training; human resources development through non-formal training; renewable energy and energy conservation initiatives; and housing/urban development. It is a tight, high-impact, well-managed program addressing some of Djibouti's most critical and highest priority needs. Due to considerations with respect to limited absorptive capacity within individual sectors and the activities of other donors, not the mention the heavy involvement of discrete PVC participation in our program, a narrower spectrum of activity is not deemed appropriate or feasible in the near term.

D. Response to Agency Priorities and Policy Considerations

1. Policy Framework : In those cases where GROD policy is subject to outside influences, it is mainly so through the vast network of French advisors working throughout the GROD ministerial apparatus. In most ministries, the minister, himself, has a personal French advisor. Beyond the French influence there is the donor community at large, particularly the UN agencies and the Saudis, the persuasive powers of the former unlettered from bilateral country-to-country restraints the influence of the latter deriving from their financial largesse. Generally speaking, there is a high degree of homogeneity of development philosophy among the leading donors. Given the relatively modest level of USG assistance to Djibouti, American influence is best activated through close collaboration with other principal donors. Virtually every element of our strategy emphasized the idea of maximizing multidonor coordination. We have particularly close program relations with the UN family of agencies and the French. Unfortunately, the major Arab donors do not have in residence development personnel with whom like coordination can be maintained.

2. Private Sector : Our principal influence on the private sector so far has been through our fisheries project where we have been influential in the growth of the artisanal fishing industry. Particularly relevant has been the creation of a fishing cooperative engaged in both the production and marketing aspects of the industry. Phase II of the fisheries project will continue to emphasize development of the private sector. Limited opportunities for developing the private sector exist within our two PVO programs, where outputs involve mainly grass-roots beneficiaries. On the other hand, we are looking forward to increased opportunities under the second phase of one IHAP (PVO) human resources development project for directing training opportunities to personnel from the private sector. We will be seeking also greater beneficiary involvement in the implementation of the primary health care aspects of the CRS(PVO) Food/Nutrition project. We anticipate increased opportunity for augmenting private sector involvement in the small-scale agriculture initiatives of that same PVO project. We also anticipate the possibility of developing some small-scale industrial activity under both our energy initiatives and housing/urban development projects. The fabrication of rammed-earth construction bricks represents one of the leading candidates for such enterprise.

3. Technology Transfer and Research : Our energy initiatives project is, to a great extent, a technology transfer and research activity in and of itself. As that project matures we anticipate the rate and scope of initiatives under this rubric will increase. We anticipate an increased level of technology transfer and research under the small-scale agriculture component of our CRS food/nutrition project subsequent to redesign . The soils/water lab created by USAID already represents the principal on-going agriculture research initiative in Djibouti. The fisheries project will emphasize research relative to the resources of local fishing waters. That project also involves a considerable degree of technology transfer with respect to improved fishing craft and equipment. We anticipate, also, a fair amount of technology transfer under the new housing/urban development project particularly in areas of energy conservation and the development of low-cost construction materials.

4. Institutional Development : This is an important element within virtually every component of our overall program. Under the fisheries project, we are in essence creating the entire institutional framework for the organization of the artisanal fishing industry, both with respect to the private sector and the GROD structure for dealing with that sub-sector. The same holds true for our energy initiatives project under which we are organizing, and providing advice to much of the activity under the energy department of the national scientific research organization. Under the new housing/urban development project, we anticipate participating with the IBRD in overhauling and guiding the activities of Djibouti's principal agencies dealing with low-cost housing and urban renewal. Through our human resources development project, we are looking forward to playing a leading role with other donors in the reorganization of Djibouti's national manpower development program and related vocational training system. Priority interest will also be given to upgrading the GROD civil service, particularly with respect to economic analysis and management capability. We hope to have similar influence on Djibouti's low-cost primary health care apparatus.

5. Special Role of Participant Training : Given the low educational level of a large majority of Djiboutian personnel, participant training takes on a particular importance in Djibouti. Unfortunately, this same low educational level makes such training extremely difficult to undertake. The identification of suitable candidates capable of taking the training required is extremely difficult. The few qualified personnel are generally unavailable for extensive training due to the press of their responsibilities and the lack of individuals capable of assuming those responsibilities during prolonged absences of a key personnel.

Nevertheless, participant training remains a major priority of our program. We will be investigating ways of overcoming the problems indicated above. One approach under consideration, which is outside of normal AID practice, would be the long-term training of individuals at the undergraduate level. Unfortunately, even this solution is problematic given the extremely low number of students successfully completing each year a program of study at the high school diploma level.

Another possible solution for certain skills would be an ad hoc in-country adult training program targetted to bright motivated individuals otherwise unqualified by reason of insufficient formal education and documentation for acceptance into off-shore institutions of higher learning. We will be exploring this possibility through the upcoming evaluation of our IHAP(PVO) human resources development project. It should be noted, likewise, that the lack of English-language capability is a serious constraint to the pursuit of USAID-financed off-shore training, as well as to the long-range development of the Djiboutian public and private sectors. We will, likewise, be addressing this issue in our IHAP project evaluation.

6. P.L. 480, ESF and Local Currency : With the anticipated phase-out of the CRS refugee feeding program, hopefully as early as the beginning of CY 1985, we look forward to directing the CRS PL 480 Title II commodity program entirely to the support of their development activities. A significant portion, approximately 40 percent of the current program, is already so directed. Design of the second phase of the CRS food/nutrition project will emphasize the utilization of Title II commodities as a development tool.

The entire OYB is ESF. The same situation is anticipated for subsequent years. The entire ESF budget is directed toward social and economic development objectives as indicated herein.

There are currently no local currency funds available to the Djibouti program. The use of PL 480 commodities for the purpose of generating such funds is not considered feasible. On the other hand, we will continue to be alert to CIP possibilities.