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SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE

Assistance to Djibouti

Report of the Secretary-General

1. In its resolution 34/124 of 14 December 1979 on assistance to Djibouti, the General Assembly, inter alia, requested the Secretary-General to continue his efforts to mobilize the necessary resources for an effective programme of financial, technical and material assistance to Djibouti and to arrange for a review of the economic situation in Djibouti and the progress made in organizing and implementing the special economic assistance programme for that country in time for the matter to be considered by the General Assembly at its thirty-fifth session.
2. The Secretary-General arranged for a review mission to visit Djibouti to consult with the Government on the economic situation and on the progress made in implementing the special economic assistance programme. The report of the mission, which is annexed hereto, describes the economic and financial position of the country, discusses the need for emergency assistance to cope with the effects of the drought, and summarizes the progress which has been made in implementing the special economic assistance programme.
3. In resolution 34/124, the Secretary-General was also requested to continue his efforts to organize a meeting of donors on behalf of Djibouti in conjunction with the United Nations Development Programme and the World Bank. Necessary consultations have taken place and the Government of Djibouti, with the co-operation of UNDP, is in the process of preparing for and organizing a round-table conference to which representatives of Governments, international agencies and intergovernmental and non-governmental organizations will be invited in February 1981. This conference will be preparatory to a donors conference to be held in November of that year.

* A/35/150.

4. In paragraph 7 of resolution 34/124, the General Assembly invited a number of United Nations organizations and specialized agencies to bring to the attention of their governing bodies, for their consideration, the special needs of Djibouti and to report the decisions of these bodies to the Secretary-General by 15 August 1980. Furthermore, in paragraph 10 of the resolution the appropriate specialized agencies and other organizations of the United Nations system were requested to report to the Secretary-General on the steps they had taken and the resources they had made available to assist Djibouti. The text of resolution 34/124 has been communicated to the agencies and organizations concerned and their attention drawn to the specific requests addressed to them by the Assembly. The responses of the agencies and organizations will be reproduced in a report of the Secretary-General covering Djibouti and other countries for which the General Assembly has requested the Secretary-General to organize special economic assistance programmes.

ANNEX

Report of the review mission to Djibouti
(19 to 25 July 1980)

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I. INTRODUCTION

1. The report of the Secretary-General on assistance to Djibouti (A/34/362), which was considered by the General Assembly at its thirty-fourth session, listed previous resolutions of the General Assembly on assistance to Djibouti and previous reports by the Secretary-General on this subject.
2. On 14 December 1979, the General Assembly adopted resolution 34/124, in which it endorsed the assessment and recommendations of the mission to Djibouti and called upon Member States, specialized agencies and other organizations of the United Nations system and international economic and financial institutions to assist Djibouti to cope with its special economic hardships.
3. The General Assembly also requested the Secretary-General to arrange for a review of the economic situation of Djibouti and the progress made in organizing and implementing the special economic assistance programme for that country in time for the matter to be considered by the General Assembly at its thirty-fifth session.
4. The Secretary-General arranged for a review mission to visit Djibouti from 19 to 25 July to consult with the Government on the economic situation in the country and to obtain information on the progress made in organizing and implementing the special economic assistance programme. The mission was led by the Joint Co-ordinator for Special Economic Assistance Programmes in the Office for Special Political Questions. Two senior officers representing the United Nations Development Programme and the Department of Technical Co-operation for Development participated in the mission.
5. The mission was received by the Prime Minister, His Excellency Mr. Barkat Gourat Hamadou, who described the economic and financial difficulties faced by the Government and the serious consequences for the country of the prolonged drought.
6. Throughout its stay, the mission held regular meetings with a committee of senior officials from the Office of the President, the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Health, the Ministry of Public Works, the Ministry of Transport, the Ministry of Agriculture, the Ministry of Education, and the Ministry for Public Services. The Mayor of Djibouti and officers of the Port Authority, the Electricity Corporation and the Water Corporation and the National Bank of Djibouti also participated in the meetings.
7. The mission wishes to express its appreciation for the co-operation it received by the Government of Djibouti and, in particular, for the efforts made to provide the mission with all necessary documents and information.
8. Previous reports on assistance to Djibouti included information on the problem caused by refugees and the assistance required to meet their needs. The Economic and Social Council, at its first regular session in 1980, adopted resolution 1980/11 of 25 April 1980, which requested the Secretary-General to send a

United Nations interagency mission to Djibouti to assess the needs of the refugees. The report of the interagency mission (A/35/409), which the Secretary-General organized in response to this resolution, provides detailed information on the refugee situation and sets out a comprehensive programme of assistance to cope with the problems.

II. ECONOMIC REVIEW

9. The economy of Djibouti is described in some detail in the report of the Secretary-General on assistance to Djibouti (A/33/106). In summary, the country has little agriculture or industry and is chronically short of water. There is no indigenous developed source of energy and the country is almost totally dependent on imports of capital, intermediate and consumer goods, including food. Commercial activities are dominated by the city of Djibouti and the port and, to a very large extent, the economy is service oriented. Nearly 65 per cent of the people are concentrated in the city of Djibouti and its immediate environs. At independence, the new Republic inherited a weak economic, social and administrative infrastructure. Since independence, Djibouti has suffered from a prolonged drought and carried a heavy burden arising from the large number of refugees.

A. Structure of the economy

10. There are no official national income statistics published by the Republic of Djibouti. However, a national accounts adviser from the Economic Commission for Africa prepared estimates of the accounts which were subsequently published in the Government's Statistical Bulletin. Table 1 gives the estimates of gross domestic product (GDP) at factor cost. These estimates show the dominance of the service sector. In 1977, for example, commerce, hotels and restaurants were responsible for 41.5 per cent of GDP at factor cost; banks, insurance and similar firms were responsible for 5.9 per cent; transport and communication for 9.4 per cent; and public administration for 17.0 per cent. In total, agriculture, livestock, fisheries and industry contributed only 11.3 per cent of the gross national product at factor cost.

11. Most of the service sector is related to the port and the city of Djibouti. Djibouti has practically no means of earning foreign exchange except on transit traffic through the port. With the exception of some hides and skins, all of the reported exports are re-exports of furniture, automobiles and personal effects previously imported largely by the expatriate community. Table 2 shows the imports and exports in 1977, 1978 and estimates for 1979. An economy so dependent on imports is particularly vulnerable to world inflation.

Table 1
National Accounts
Gross domestic product
Factor costs
 (current prices)
 (Millions of Djibouti francs)*

Branch of economic activity	1970	1971	1972	1973	1974	1975	1976	1977
Agriculture, livestock, fishery	715	798	864	917	928	1.016	1.194	1.418
Industry	853	1.028	1.274	1.419	1.682	2.014	2.116	2.419
Electricity, water	515	563	604	753	902	1.061	1.143	1.282
Construction, public works	564	597	753	844	1.297	2.170	3.402	2.878
Commerce, hotels, bars, restaurants	6.632	8.210	8.764	9.419	10.930	11.560	12.702	14.267
Banks, insurance, real estate and services rendered	899	1.020	1.171	1.305	1.568	1.650	1.737	2.019
Transport and communications	1.267	1.285	1.510	1.681	2.202	2.863	3.435	3.197
Public administration	1.291	1.902	2.108	2.687	3.369	4.001	5.374	5.832
Other services	352	399	457	510	516	627	716	868
TOTAL: GDP at factor costs	14.018	15.802	17.505	19.545	23.454	26.962	31.879	34.180

* Rate of exchange for the Djibouti franc is DF 177 = \$1.00.

Source: Economic Commission for Africa.

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Table 2

Djibouti's foreign trade
 (in millions of Djibouti francs)

	1977	1978	1979 ^{a/}
Imports	12,749,819	22,803,870	31,000,000
Exports	914,037	670,437	400,000

a/ Based on 9 months imports and 6 months exports.

B. The port and the railway

12. The railway connecting Djibouti to Ethiopia reopened in June 1978 after an interruption of over 12 months. The railroad is short of rolling-stock and needs modernization. The railroad reports that it is now able to handle all traffic on offer even though operations of the railroad are still subject to some delays. There appears to have been a significant shift away from using the railroad and Djibouti port for the imports and exports of Ethiopia. Prior to 1978, the railroad hauled approximately 350,000 tonnes in each direction. During 1980, however, the level of traffic is only at an annual rate of about 179,000 tonnes in each direction. At the same time, there has been a major change in the nature of the traffic. The movement of high value traffic has declined and low tariff items have become a much greater proportion of the total traffic moved on the railroad. Transit traffic to and from Somalia has shown some increase but still amounts to less than 5 per cent of the total moved through the port.

13. Table 3 shows selected port statistics for Djibouti in recent years. It will be noted that, with the exception of container traffic, all of the statistics show stagnation or decline.

14. Even in the case of containers, a significantly higher proportion are being utilized for Djibouti imports which does not provide foreign exchange earnings.

15. The Port Authority feels that developments in the region do not give grounds for optimism about future port operations. Bunkerage, which used to amount to nearly 2 million tonnes annually and provided 40 per cent of the revenue of the port, has declined to 343,000 tonnes. Both Jeddah and Aden have now expanded their bunkerage facilities and both have significant price advantages over Djibouti - particularly Jeddah. For a short time, Djibouti profited from congestion at other ports in the region but regional ports have now been improved and expanded. Jeddah now has increased berths with high quality modern equipment, and the operations at Port Sudan, where new facilities are contemplated,

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Table 3
Selected port statistics - Djibouti

	1976	1977	1978	1979
Ships calling (number)	1,772	1,474	1,267	1,174
Dhows calling (number)	1,856	1,304	1,008	841
Bunkerage (thousands of tonnes)	480	413	302	343
Water (thousands of tonnes)	287	259	147	117
Dry cargo (thousands of tonnes)	616	385	365	337
Container traffic (units)	2,443	2,633	3,009	6,072

Source: Djibouti Government.

have also improved. North Yemen has plans to develop its port capacity and Assab is also being expanded.

16. Under these circumstances, the Government has decided that future development policy must give even greater emphasis to diversifying the economy.

C. Financial position

17. The Government of Djibouti has been able to maintain a small surplus of revenue over expenditure in the Government's recurrent budget (see table 4). This surplus is made available for capital expenditure.

18. The budget position of the Government is, however, extremely vulnerable. About 15 per cent of total revenue arises from income taxes, and 50 per cent comes from import duties. The expatriate community pays the major share of both.

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Table 4

The national budget
 (millions of Djibouti francs)

	Actual		Budget
	1977	1978	1980
Income	8,958	13,867	16,845
Expenditures	7,828	10,080	13,199
Surplus	1,130	3,787	3,646

D. Development prospects

19. The economy of Djibouti is very unbalanced. The city of Djibouti, which has developed around the port and Government administration, is estimated to contain nearly two thirds of the population of the country. The port, with its transport links to the interior, depended in the past on three activities: transit traffic to the interior, bunkering, and breaking bulk shipment for reshipment to smaller ports in the region. The harsh climate and the shortage of water and arable land were not conducive to other kinds of development in the Republic and, prior to independence, most of the investment and development efforts were concentrated in the city of Djibouti.

20. It now appears likely that the traditional role of the port cannot be re-established. The bunkering business has declined sharply, and the development of new and improved port facilities in the region has seriously reduced the prospects for breaking bulk and trans-shipping goods. There is still some prospect for developing Djibouti as a major interchange port for container traffic in which Djibouti appears to have established a certain position in the region. However, this area of prospective development is unlikely to substitute for the earlier and more reliable business of the port.

21. One particular area of concern in the movement towards establishing the port as a major container trans-shipment centre is the small amount of labour utilized in such operations and the relatively high cost of equipment if the port is to be competitive. In the past, bulk breaking and transit traffic did involve the need for a substantial labour force at the port. It is doubtful if similar amounts of labour will be required for container handling.

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22. The rail connexion from Djibouti to Ethiopia needs massive investment to improve the road-bed and replace rolling-stock. A study of the investment needs on the railroad is presently being carried out and it is provisionally estimated that nearly \$100 million needs to be spent to modernize the rail connexion to Ethiopia. Whether or not such investment will be feasible cannot be judged until the study is completed in 1981. It must, however, be recognized that the expansion and improvement of ports at Assab and Massawa, and the programme being carried out to improve road connexions to these ports and to build up road transport capacity in Ethiopia, may make it extremely difficult for Djibouti to regain the high value transit traffic to and from the interior even with an improvement in the rail system. The Republic of Djibouti is therefore faced with the need to develop alternate employment opportunities in the capital where unemployment and underemployment are extremely high.

23. Under these circumstances, the Government is actively exploring programmes to diversify the economy. Among the options being examined are an expansion of irrigated agriculture, increased fisheries production, small projects to utilize known local resources (for example, red seaweed and mineral water), to further process hides and skins within the Republic, to establish an animal feed mixing plant, and to develop a local building materials industries. The Government is also studying the possibility of developing selected tourist attractions.

24. In spite of depressed port activity and the drought, Djibouti has experienced some development in the past two years. This progress has depended very much on international assistance. In addition to direct and indirect contributions to the recurrent and development budgets by external sources, the Republic has also received very substantial project assistance. It is difficult to attribute the assistance to specific years because of the time lag between the offer of assistance and the actual implementation of projects and the lack of balance-of-payments statistics for the country. In very approximate terms, the amount of assistance which has been received or pledged during the past three-and-a-half years has totalled nearly \$100 million. In addition, the country has been receiving an increasing amount of technical assistance.

25. It is this assistance - financial and technical - which has not only allowed the country to make a start on a number of development projects but has helped the country to carry the burden imposed by the large number of refugees who have entered the country and to cope until now with the effects of the prolonged drought in the interior of the country.

26. The problem and needs of the refugees are dealt with in a report of the Secretary-General to the General Assembly (A/35/409). Although that report also includes a preliminary statement of the assistance needed to cope with the drought, the serious burden which the country is facing on this score needs to be emphasized.

27. During the past two years, the drought has seriously reduced the forage available for livestock and is beginning to affect significantly the availability of water in the rural areas. In February 1980, the Government of Djibouti

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appealed for international assistance for the drought victims. The Government reported that a number of the very few water points in the rural areas had either dried up or were providing substantially less water than normal. The nearly 130,000 people inhabiting the rural areas and the approximately 1 million head of livestock are suffering from a severe shortage of water. The Government's preliminary estimate is that nearly 100,000 rural inhabitants have lost from 25 per cent to 40 per cent of their livestock and that 26,000 people have lost almost all their flocks. A programme has been initiated by the Government to regroup into relief camps nomads who have lost everything. In mid-July 1980, when the mission visited Djibouti, three relief camps were in operation containing slightly more than 4,000 people. The mission was informed by the Government that it expects that at least 20,000 displaced persons will have to be accommodated in relief camps by the end of 1980. The present prolonged drought has served to emphasize the importance of developing an over-all water resources plan for the country and to give a special urgency to water development projects forming part of the special economic assistance programme for the country.

28. The Government's preliminary estimate of urgently required assistance for drought victims totals \$8.5 million for a six-months period. This total includes 15 tankers for hauling water and the construction of 60 water tanks, at a total cost of \$500,000. The Government estimates that it would need \$1.6 million for food for the people to be assembled in relief camps and \$2.5 million for tents, blankets, kitchen utensils and cloth. There is also a need for medicines and simple health care in the relief camps.

29. In addition, food will be required for distribution to people outside the camps who have lost a large part of their livestock herds. The Government estimate of food requirements for distribution to this group are: 3,200 tonnes of rice, 4,100 tonnes of sorghum, 800 tonnes of milk, as well as substantial amounts of edible oil.

30. Further details on the immediate relief requirements to deal with the drought will be provided in the report of the Secretary-General on assistance to the drought-stricken areas in Djibouti, Somalia, the Sudan and Uganda requested by the Economic and Social Council in resolution 1980/70 of 25 July 1980.

III. PROGRESS IN IMPLEMENTING THE SPECIAL ECONOMIC ASSISTANCE PROGRAMME

31. Over the past two years, a number of projects in the special economic assistance programme for Djibouti have been completed and funding has been arranged for others. However, the rapid rate of inflation has necessitated a revision of the cost of a number of projects. In addition, as discussions with potential donors have proceeded and the situation in Djibouti has changed, it has been necessary to modify certain projects, and new projects have become urgent. The projects which have been completed and projects for which funding has been arranged are described in paragraphs 32-63 below. Projects which were identified in previous reports for which assistance is still required are listed in paragraphs 64-94. New projects requiring assistance are listed in paragraphs 95-109.

A. Completed projects and projects for which funding has been arranged

1. Projects to improve the port at Djibouti

32. The port of Djibouti is essential to the national economy. At the present time, 700 persons are employed full time and about 300 to 400 dock workers find work daily. Traffic in containers has grown in the course of the last three years and it is this area of activity which appears to the port authorities to have the best prospects for growth and development.

33. In the special programme of assistance, a number of projects to improve the port were identified. These included a transit centre for containers, an international container terminal, and a cold-storage warehouse. The evolving programme of container handling in the port has resulted in the original projects being modified. At the present time, the programme involves the interim development to handle containers, a specialized transit centre and a feasibility study for an international container terminal to act as a focus for the collection and distribution of containers. The interim stage includes equipment which could be used for a permanent international terminal, should this prove feasible.

34. International assistance has now been arranged for the necessary economic studies for the first phase of the development of the container terminal and for the feasibility study of the second stage. A master plan for the future development of the port is being financed by the European Development Fund at a cost of DF 2,360 million. Feasibility studies of container warehouses and facilities costing DF 1,200 million are being carried out with assistance from the Government of France, the European Economic Community (EEC) and the Federal Republic of Germany. In addition, the Kuwait Fund and the Federal Republic of Germany have agreed to provide DF 1,500 million for essential equipment.

35. An essential component of a modern port is a cold-storage warehouse. DF 30 million is being provided by EEC for a feasibility study of such a warehouse and funding for the first phase of construction will be provided by Saudi Arabia. In total, some \$10.4 million has been pledged for port improvement and development.

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2. Projects to improve the service economy of Djibouti

(a) Airport

36. The airport in Djibouti and the development of first-class international air connexions are essential to the continued functioning of Djibouti as a major service centre in the region. The project to improve the airport was divided into three phases. The first phase provided parking for jumbo aircraft. The second and third phases would increase the parking capacity and bring about other improvements in passenger and cargo handling. Funding has now been arranged from Saudi Arabia for phases one and two. In addition, assistance has been provided for fire protection. All told, \$5.3 million has been provided by Saudi Arabia, France and the United Arab Emirates for airport improvement.

(b) Hotel

37. Djibouti had inadequate first-class hotel accommodation at independence. The growth and development of the city as an international centre required the construction of a new hotel. Funding has now been arranged through a loan from an international group, with some of the finance being provided by the Government of Djibouti, to erect a 200-room hotel. The total cost of this project is nearly \$18 million.

(c) Telecommunications

38. In view of the importance of reliable ship-to-shore communications, it was necessary to rebuild and re-equip the telecommunications station in Djibouti. Funding has been provided by Saudi Arabia to complete this project at a total cost of \$4 million.

(d) National Bank of Djibouti

39. In view of its role as an international transit centre, Djibouti has maintained a freely convertible currency tied to the United States dollar. At independence, the Government passed a law establishing a Central Bank but until recently the Bank was not operational, lacking capital, staff, a headquarters and management. Arrangements have now been made to provide the Bank with a headquarters. Iraq is providing \$1.5 million for the capital of the Bank and the development bank to be associated with it, and France and the International Monetary Fund (IMF) are providing technical assistance to strengthen the Bank's management.

3. Projects to improve transport links

(a) Djibouti-Loyada road

40. The Djibouti-Loyada road connecting the port with Somalia is needed for improved movement of Somalian imports and exports through Djibouti. A feasibility study of the road will be financed by EEC as part of a regional project.

(b) Djibouti-Tadjoura road

41. The design and construction of the road connecting Djibouti to Tadjoura is considered particularly important by the Government. The road, when completed, will form an essential part of the national highway system. The design study for the road is estimated to cost \$500,000 and financing is being provided by Saudi Arabia.

4. Projects to benefit the poor and provide improved services

(a) Site and service preparation of lots

42. In order to overcome the serious shortage of housing in the city and to improve conditions in flood-prone districts, three complementary projects were included in the special economic assistance programme. Of these, only one has been completed. No international assistance was offered for the site and service completion of lots and the project was completed by the Government of Djibouti.

(b) Water supply (urban)

43. The city of Djibouti faces serious water shortages. A project to expand and improve the urban water supply system at a cost of \$1.3 million will be financed by the African Development Bank. In addition, a study of the extension of the water supply system is being financed by EEC.

(c) Electricity generation

44. Nearly \$4 million to expand the electricity generating capacity in Djibouti is being provided by Saudi Arabia.

(d) Electricity distribution

45. The European Investment Bank is providing \$1.8 million to expand the city's electricity supply system and link it to a partial underground grid to replace vulnerable segments of the overhead lines.

(e) Improvement of the Peltier hospital

46. Originally it was considered necessary to construct a new hospital as well as to improve the Peltier hospital which was seriously congested and in a state of disrepair. However, it has now been decided to postpone for some time the construction of a new hospital and to spend substantially more money on improving Peltier hospital. A detailed study of what could be done in the way of reconstruction was financed by France at a cost of \$500,000. The finance for the actual reconstruction, amounting to \$6.4 million, is being provided by Saudi Arabia.

(f) Dispensary

47. The EEC has agreed to provide \$0.5 million for the construction of an urban dispensary in an area of the city in which there are no clinics.

(g) Housing

48. Phase one of a middle-income housing scheme called Ariba II is being financed by the Government of Saudi Arabia at a cost of \$0.5 million.

(h) Housing for technical assistance personnel

49. This project, costing some \$2.8 million, has been financed by Saudi Arabia and France, with some resources being made available by the Government of Djibouti.

(i) Reconstruction of the Pierre Pascale dispensary

50. Abu Dhabi has agreed to provide \$1.3 million for this project.

(j) Medical facilities in rural centres

51. The UNHCR, UNICEF and Canada have provided funds for the improvement of some facilities in rural centres. This constitutes only partial completion of this project.

(k) Drilling six deep wells

52. The special programme of assistance included a project for drilling six deep wells as a short-term measure while the over-all water development plan was being worked out. The Government considered at that time that six sites could be identified, strategically located in relation to water requirements where the geological formations were well enough known to allow wells to be drilled. Funding has now been obtained for the water resources development plan which will include drilling a number of wells. Part of this project has therefore been absorbed in the over-all programme for developing a water resources plan for the nation.

(l) Sewage, drains and water recycling

53. A major project for the collection, purification and recycling of used water in the city of Djibouti is now being developed. The scheme involves renewing part of the old sewage system and constructing major new installations. \$5.8 million has now been pledged for this project by EEC, the African Development Bank and France. A further \$9 million will be required to complete the total scheme which includes a pilot project for using the water for irrigation purposes.

5. Pilot projects, studies and services

(a) Major container terminal

54. Funding has been obtained for the feasibility study for establishing a major container terminal in Djibouti. The cost of the study has been incorporated into the larger project to improve the port of Djibouti.

(b) Ship repair

55. A preliminary project for establishing a ship repair facility at Djibouti had been prepared by the Port Authorities in 1970. However, the study was never completed and the Government was anxious to have consultants examine the 1970 project in the light of the changed situation in the region. Although no major consultancy was carried out on this matter, the port authorities have re-examined the old project, and the Government has decided to abandon any attempt to create ship repair facilities for the present.

(c) Lake Assal brines

56. Over the years, a number of studies have been carried out on the exploitation of brines from Lake Assal. Originally, it was envisaged that a feasibility study would be necessary to assess both the market potential and the technical problems involved. The technical studies are now being carried out as part of a UNDP-funded project on domestic construction materials. For the time being, therefore, the Government has postponed any further consideration of establishing a project to utilize these brines.

(d) Water resources development plan

57. The special economic assistance programme for Djibouti recommended the development of an over-all water conservation and development plan for the nation in view of the importance of water for all future developments. With the assistance of the Federal Republic of Germany and the United States of America, a project to draw up an over-all water resources plan is now being carried out. A significant amount of deep well drilling will be part of this project.

(e) Drip irrigation project

58. In view of the chronic water shortage in Djibouti, a pilot project using a drip irrigation was recommended. The European Economic Community and the Government of France have agreed to finance two pilot irrigation schemes, and it was decided to absorb experimental work on drip irrigation into the irrigation scheme at Attar.

(f) New abattoir

59. The present abattoir was built in 1951 and was seriously damaged during the 1973 earthquake. The cold-storage chamber and the refrigeration system throughout the plant are largely inoperative. Funding for a new abattoir has been agreed in principle by the Arab Centre for Industrial Development. The project is delayed pending the arrival of an expert to assist in the design work.

(g) Mineral water plant

60. Funding has been provided by Saudi Arabia for a plant to bottle mineral water which is to be marketed throughout the region under the brand name L'Eau de Tadjoura.

(h) Tadjoura-Obock road

61. The technical and engineering study, costing \$0.5 million, is being financed by Italy.

6. Technical assistance and training

62. The Republic of Djibouti requires technical assistance in virtually every sector of the economy. Although some of the most urgent technical assistance needs have been met, additional technical assistance is still required in almost all areas. Technical assistance for port operations is being provided by France and EEC. France and IMF are providing technical assistance in connexion with establishment of the Central Bank. France and UNDP are providing technical assistance in connexion with establishment of the Central Bank. France and UNDP are providing technical assistance in statistics and economic planning. Technical assistance in health services is being provided by France. Because of the importance of wells in Djibouti, the training of well drilling crews is particularly urgent. Saudi Arabia and EEC have agreed to finance such training.

Summary

63. Table 5 lists completed projects, projects for which funding has been arranged, and projects which have been abandoned or absorbed into other projects. The lettering and numbering of projects are the same as those used in appendix I of the report on assistance to Djibouti (A/34/362).

Table 5

Completed projects and projects for which funding has been arranged

(Projects are listed and numbered as in appendix I to A/34/362)

	<u>Funding provided</u> (\$ millions)	<u>Source</u>
<u>A. Development projects</u>		
1. <u>Projects to improve the port of Djibouti</u>		
(a) and (b) Transit centre for containers and international container terminal)	8.6) France, EEC, Federal Republic of Germany, Kuwait
(d) Cold-storage warehouse	1.8	EEC, Saudi Arabia
2. <u>Projects to improve the service economy of Djibouti</u>		
(a) Airport, phases I and II	5.3	France, Saudi Arabia, United Arab Emirates
(b) Hotel	18.0	Private investment group plus Government of Djibouti
(d) Telecommunications	4.0	Saudi Arabia
(e) National Bank of Djibouti	1.5	Iraq
3. <u>Projects to improve transport links</u>		
(a) Loyada road (study)	N/A	EEC (regional)
(b) Tadjoura road (study)	0.6	Saudi Arabia
4. <u>Projects to benefit the poor and provide improved services</u>		
(b) Site and services preparation of lots	N/A	Government of Djibouti

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Table 5 (continued)

Completed projects and projects for which funding has been arranged

(Projects are listed and numbered as in appendix I to A/34/362)

	<u>Funding provided</u> (<u>\$ millions</u>)	<u>Source</u>
(d) Water supply (urban)	2.1	EEC, ADB
(e) Electricity generation	4.0	Saudi Arabia
(f) Electricity distribution	1.8	European Investment Bank
(h) New hospital	Abandoned and combined with (i) below	
(i) Peltier Hospital	6.9	France, Saudi Arabia
(j) Urban dispensary	0.5	EEC
(n) Other housing	0.5	Saudi Arabia
(o) Housing for technical assistance personnel	2.8	Saudi Arabia, France, Government of Djibouti
(q) Pierre Pascal dispensary	1.3	Abu Dhabi
(r) Medical facilities in rural centres	0.6 (partial)	UNHCR, UNICEF, Canada
(t) Drilling six deep wells	Absorbed in 5 (e) below --	
(u) Sewage, drains and water recycling	5.9	EEC, Government of Djibouti, ADB, France
5. <u>Pilot projects, studies and surveys</u>		
(b) Major container terminal	Absorbed into 1 (a) and (b) above --	

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Table 5 (continued)

Completed projects and projects for which funding has been arranged

(Projects are listed and numbered as in appendix I to A/34/362)

	<u>Funding provided</u> (\$ millions)	<u>Source</u>
(c) Ship repairs	Abandoned	--
(d) Lake Assal brines	N/A	Included in UNDP project on construction materials
(e) Water resources development plan	N/A	Federal Republic of Germany, United States Agency for International Development
(f) Drip irrigation project	0.3	France, EEC
(i) New abbatoir	N/A	Arab Centre for Industrial Development
(l) Mineral water plant	0.9	Saudi Arabia
(n) Tadjoura-Obock Road	0.5	Italy
6. <u>Technical assistance and training</u>		
(a) Port operations	N/A	EEC
(b) Central bank	N/A	IMF, France
(d) Statistics	N/A	UNDP
(e) Economic planning	N/A	UNDP, France
(f) Health services	N/A	France
(h) Training of well drilling crews	N/A	EEC, Saudi Arabia

Approximate total: \$ 67.9 +

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B. Projects identified in previous reports
for which assistance is still required

64. Although the response of the international community to the needs of Djibouti has been encouraging, there are still a number of projects for which international assistance is required.

1. Development projects

(a) Projects to improve the port of Djibouti

(i) Container terminal

65. Until the studies presently being undertaken are completed, it will not be possible to make a firm estimate of the cost of building an international container terminal. Should the studies show that such a terminal is feasible, the Government has estimated that a further \$20 million in assistance will be required. At present, there are no known sources of finance for the terminal.

(ii) Land improvement

66. In order to ensure that sufficient holding space is available for containers and transit traffic, the Government requested assistance to level and improve a piece of land recently reclaimed. The estimated cost of this work is \$0.8 million for which no financing has been provided.

(iii) Feasibility study of road and depot

67. With the growth of truck transport in the region, the long-term future of the port may well depend on the improvement of road links to the interior. The Government requested a feasibility study of road improvements and the construction of a truck depot in the port. The estimated cost of such a study is \$0.8 million. No source of finance has been found for this study. It is possible that this subject can be best examined in the context of regional projects involving neighbouring countries.

(b) Projects to improve the service economy

(i) Airport

68. Although funding has been provided for phases 1 and 2 of the airport improvement programme and for improved fire protection and equipment, finance is still required to complete the airport plan. The over-all plan for the airport includes a terminal for regional and local traffic and a building to house fire-fighting equipment and vehicles. The cost of these developments is estimated at \$4.5 million for which no financing is available. In this connexion, it should be noted that the airport operates as an autonomous organization with its own

budget and revenues. On the basis of projected costs and revenues, the mission believes that the final stage of improvement of the airport could be financed by a long-term soft loan.

(ii) Reconstruction of the Chamber of Commerce

69. It was originally felt that a new building was required for the Chamber of Commerce at an estimated cost of \$1 million. It now appears that it may be possible to restore the old building which was damaged in the 1973 earthquake. This matter is still being studied, but it is expected that the cost of restoration will be less than \$1 million.

(c) Projects to improve transport links

(i) Loyada road

70. The study of the Djibouti-Loyada road is now being carried out as part of a regional project. No source of financing for the road, now estimated to cost \$4 million, has been found.

(ii) Tadjoura road

71. This 150 kilometre road is the Government's first priority. Although international assistance has been provided for the feasibility study, no financing for the actual construction of the road, provisionally estimated to cost \$40 million, has been found.

(iii) Randa-Dorra road

72. No financing has been obtained for the Randa-Dorra road. Under the circumstances, the Government has recognized that it is unlikely that this road, as well as the Randa-Day tourism road to the holiday centre and the roads from Dorra and Obock to the Ethiopian frontier, will be constructed during this decade.

(iv) Mobile road maintenance unit

73. No financing has been obtained for the establishment of two mobile road maintenance units and the associated technical assistance. The estimated cost of the equipment for two such units is \$2.7 million. In addition, the Government will require the services of five experts for four years.

(d) Projects to help the poor and provide more services

(i) Improvements of flood-prone districts

74. No financing has yet been obtained for this large project for improving the unhealthy housing conditions in districts 5 and 6 of the city of Djibouti. Fortunately, the city has not suffered from floods during the past two years. Even so, this project must be considered urgent and, although a master plan for the city

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is being drawn up, the mission does not believe that action to improve these areas should be postponed until its completion in 1982 or 1983. The revised costs of dealing with the housing problem in districts 5 and 6 is \$14 million and it would take about five years to complete the project.

(ii) Modular low-cost housing

75. Although some progress has been made in providing low-cost housing in the city, the project as originally envisaged, has not been carried out and no finances have been obtained. The Government has now decided that the houses should be constructed in Balbala instead of Dorale as originally proposed.

(iii) Garbage system

76. The deficiencies of the existing garbage system were described in previous reports. Garbage constitutes a health hazard, particularly in congested areas of the city and in the poorer districts. No financing has been found for this project.

(iv) Training for paramedical personnel

77. No progress has been made in establishing training facilities for paramedical personnel. The Government has developed a project to provide such training in conjunction with the Pierre Pascale dispensary project. It is planned to have an intake of 30 to 40 students each year who would undertake two years of training, and to retrain 100 partially-trained paramedical personnel each year. As there are about 1,000 under-trained staff at the present time, it will take over 10 years to bring them up to minimum standards. The estimated cost of the training establishment is \$0.4 million, one quarter of which would be for equipment.

(v) Youth centre

78. No financing has been obtained and no progress made with the establishment of the youth centre. The Government again emphasized to the mission the seriousness of the situation in the city of Djibouti which has experienced a large influx of refugees and youth from the countryside, and where unemployment and underemployment are high.

(vi) Vocational training

79. No financing has been obtained and no progress made with plans to establish vocational training facilities. As a result of inflation, the revised cost of the project is \$3.5 million.

(vii) Housing - Ariba II

80. Although a scaled-down phase 1 of this project has gone ahead, there is still an urgent need to proceed with phase 2. Cost estimate for the second phase of Ariba II is \$12 million.

(viii) Government buildings

81. No financing has been obtained and no progress made in the construction of additional public buildings. At the present time, the major administrative centre (Cité Ministerielle) is becoming more and more crowded and some additional accommodation is urgently required.

(ix) Reconstruction of Pierre Pascale

82. Although the site and building have been provided for, and construction has gone forward, there is still a shortage of equipment. Some of the items required were listed in appendix III of A/34/362. However, further items are needed. It is now estimated that nearly \$1 million additional will be required to properly equip the dispensary.

(x) Medical facilities in rural centres

83. During the past two years, the four rural medical centres which have been identified for improvement have been transformed into small hospitals. Some assistance has been provided for some of these facilities. The estimated cost of completing the improvements is \$0.8 million.

(xi) Improvements for administrative centres

84. No progress has been made in improving the water and electricity supply in the four district administrative centres.

(xii) Drilling deep wells

85. Although much of the original programme for drilling wells has now been absorbed into the programme for the national water resources plan, the serious drought conditions in the interior require that additional deep wells be drilled. The estimated cost of drilling six such wells is \$1.3 million.

(e) Pilot projects, studies and surveys

(i) Bunkerage

86. The Government informed the mission that it still wished to have assistance with this study, in view of the important role which bunkerage could play in the development of a healthy port.

(ii) Dam on the Ambouli river and dam on the Oued Oued river

87. The study of these two dams and the associated water and irrigation schemes will depend on and derive from the over-all water resources development plan presently under preparation. Studies will still be necessary but modified proposals may result when the water resources development plan is completed.

(iii) Garbage and waste disposal

88. No progress has been made in implementing this project to which the Government gives high priority.

(iv) Red seaweed production

89. The preliminary results from the experiments financed by the Government have been encouraging and suggest that Djibouti might be competitive in producing seaweed. Further studies, estimated to cost \$100,000, are still required.

(v) Bridge over the Ambouli river

90. No financing has been obtained for this study, which is estimated to cost \$150,000. In view of the importance of this bridge for road connexions from the port to the interior, the study might well form part of a regional road and transport project for Djibouti and other countries in the region.

(f) Technical assistance and training

91. While some progress has been made with providing Djibouti with technical assistance and training, there are still a few areas in which additional assistance and training are urgently needed.

(i) Central Bank

92. Although some assistance has been provided by France and IMF for the establishment of a central bank, two additional experts are required. One expert should deal with foreign exchange and balance-of-payments matters, the second is required for credit management, with particular reference to the development bank to be established in association with the Central Bank.

(ii) Housing

93. Although some Djibouti nationals are being trained in this field, there is still a need for a considerable amount of technical assistance and training. The Government of Djibouti is anxious to have as much of the training as possible carried out on the job. For this reason, they wish to obtain the services of a housing adviser in connexion with the projects to improve the flood-prone districts of the city.

(iii) Training of drilling crews

94. Although six drillers are now being trained, the Government is anxious to have three or four more undertake training as soon as possible. The Government informed the mission that there is always a considerable risk of losing trained drillers to other employers in the region.

C. New projects requiring assistance

95. During the past two years, the Government has had to re-examine its development priorities in the light of the changed situation regarding the business of the port. It is now clear that special efforts will have to be made to develop alternate employment opportunities and to reduce the heavy dependence of Djibouti on the earnings of the port to pay for necessary imports. At the same time, the Government has been exploring ways of increasing exports. In the course of this examination, a number of new projects have been identified.

96. In the highly competitive market for port services in the region, it is considered essential not only to maintain but also to improve the efficiency of operations in Djibouti. This will involve some additional investments in the port.

1. Development projects

(a) Projects to improve the port at Djibouti

(i) Repair of the slipway

97. The present slipway is 25 years old. It has had no substantial maintenance or repairs since its construction and has been out of order for nearly two years. The port authorities have determined that all the metal components of the slipway are worn out and it will be impossible to repair or strengthen them. Consulting engineers have examined the existing slipway and have agreed that it needs to be replaced. The slipway is used for repairing mooring vessels, pilot boats and tugs, and provides an emergency service for other small craft requiring repairs. The estimated cost is \$3.7 million.

(ii) Purchase of three boats and a tug

98. The harbour does not have sufficient mooring vessels and pilot vessels to deal with existing traffic. One further tug is also required for work in the port. The port authority considers these vessels necessary if the efficiency of the port is to be maintained and ships are to be handled expeditiously in order to minimize berth occupancy. The estimated requirements are: two steel mooring boats, one pilot boat, and one tug. The estimated cost of the four vessels would be \$3.6 million.

(iii) Administrative headquarters for the Port Authority

99. The building presently occupied by the Port Administration was condemned following the 1973 earthquake. However, no funds were available to build a new structure. The present building is becoming less safe each year and the authorities now consider that there is an urgent necessity to build a new administrative centre. Advantage will be taken of this opportunity to ensure that the administrative building is consistent with the long-term plans for an international container terminal which is presently under study.

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(b) Projects to benefit the poor and provide improved services

100. Among the major needs are improved housing and public utilities in the city of Djibouti. Although funding for a number of housing projects included in the special economic assistance programme has not been forthcoming, the Government has identified some additional housing programmes for which they require financing in order to help overcome the serious shortage that exists and to provide some leeway so that improvements can be carried out in the flood-prone sections of the city. The Government recognizes that it will not be possible for it to finance all of the housing requirements and is hoping that residents will construct houses if serviced lots can be provided and if funds can be made available for the expansion of building society loans and mortgages. The preliminary results of the master plan for the city of Djibouti should be available in late 1980 which is expected to show how some of the new housing projects fit into the city's long-term development. In order to facilitate the implementation of the plan, a special city planning unit is being established as part of the Office of the President of the Republic.

(i) Service lots for 5,000 low-cost dwellings

101. The Government has identified an area in which it should be possible to provide 5,000 serviced lots. Under the plan, the Government would finance roads and the various public services such as sewage, water and electricity. Potential home owners would buy the lots and make their own arrangements to have the houses constructed. In many cases, it is expected that the tenants would construct the houses themselves. A full study of this project has not yet been completed. The Government estimates that it will cost \$0.6 million to complete the necessary studies and a preliminary estimate of the total cost of the project is \$60 million.

(ii) Reorganization of quarters 1 and 2 of the city

102. As part of the improvement of services in the city and the provision of improved housing, the Government wishes to have a study carried out of what is needed to remodel some sections which are congested and dilapidated. The estimated cost of the study is \$0.2 million and a preliminary estimate of the cost of the whole project is \$4 million.

(iii) Funding for the Djibouti Housing Society
(Société immobilière de Djibouti - SID)

103. SID constructs houses for sale and rent. It is presently managing a number of major buildings. The mission was informed that there is a much greater market for apartments constructed by SID but that additional funds are necessary to build apartment houses on serviced land presently owned by SID. In total, SID estimates that it could utilize nearly \$40 million which could be provided in the form of a loan since the project is expected to be self-financing. It would appear that this very large project to provide 1,000 units of housing could be carried out in phases.

(iv) Electricity supply

104. The Electricity Corporation now has generating capacity to meet the immediate needs of the city and the port. It is, however, having difficulty in meeting peak demands and has no standby generating capacity. Given the growth of electricity consumption, the Corporation estimates that another generating installation will be necessary. The cost of building a new power generating plant adjacent to the existing facility has been estimated at \$10.5 million. A study by consulting engineers should be available in December 1980 and the plan envisages the first unit being installed by late 1981.

(v) Arta market

105. The Government wishes to establish a major service centre and market on the road to Arta. It is felt that a central market will improve the hygienic conditions under which food is sold and allow for a better organization of retail and wholesale trade and transport. The preliminary study suggests that this market would be self-sustaining on the basis of a 20-year loan which could be recouped from fees paid by the traders using the centre. Although a further study would be needed before the project could be implemented, the provisional estimate of cost is \$2.6 million.

(vi) Geothermal energy

106. Three projects are being undertaken at the present time to develop local geothermal energy resources. One study is being financed by UNDP, one by France, and one by Italy. Prior to the mission's visit, an unexpected element emerged when a geothermal area near Arta, close to the city of Djibouti, was examined by a United Nations consultant. The first reports suggest that the hot springs, which are located between Arta and the beach, are relatively salt free. Funding is required to drill a well in this area to assess the potential for power generation. The cost of drilling a test well is \$0.3 million.

(vii) Equipment for the agricultural service

107. In the past, the prospects for agricultural development have not been considered promising. Indeed, no more than 70 hectares were being farmed. However, in the new circumstances facing Djibouti, it is considered essential to produce more food locally and to make every effort to develop land and water for food production. There are now four experimental irrigation projects being carried out, an experimental farm is being established, efforts are being made to re-establish and expand some date plantations, and a major irrigation project is being examined in connexion with the water recycling programme for the city of Djibouti.

108. The increased emphasis on agriculture, although much of it is still at the experimental or pilot project stage, has created a heavy burden for the agricultural service which is expected to back-stop some 250 farmers participating in the expanded agricultural schemes. There is also an increasing awareness of

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the necessity of expanding extension and other services in the field of traditional agriculture as well as in the field of livestock improvement. The agricultural service is not equipped to carry out this expanded role and requires some tractors, mechanized cultivators, 4-wheel drive vehicles and trucks. Some of this equipment, such as the tractors and trucks, would be expected to serve a variety of purposes. The Government has estimated that the total equipment needed would cost some \$8.4 million.

(viii) Geothermal energy laboratory

109. At the present time, there are only the most rudimentary laboratory facilities available in Djibouti to carry out the necessary analysis for the projects on geothermal energy. The Government wishes to establish such a laboratory as part of its programme to develop local sources of energy and reduce the dependence on imported oil. The estimated cost of the laboratory is \$2.5 million.
