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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

DJIBOUTI

This report, prepared for the second Trade Policy Review of Djibouti, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Djibouti on its trade policies and practices.

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Document WT/TPR/S/305 contains the policy statement submitted by Djibouti.

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SUMMARY

1. Djibouti's economy is dominated by services: goods production is marginal. The manufacturing and agricultural sectors have remained weak, owing *inter alia* to heavy taxation and the high costs of factors of production (labour and energy). International trade continues to play an important role for Djibouti given its heavy reliance on imports. Trade in goods and services account for an average of 94% of GDP.

2. Thanks to its price subsidy policy with respect to basic commodities and its foreign-exchange regime based on a currency board arrangement in which the national currency, the Djibouti franc (DF), is pegged to the United States dollar at a fixed parity of DF 177.721 per one US dollar, inflation has remained under control since 2006 at an average of less than 5%. Since the Central Bank does not have the authority to finance the public deficit, imports remain the main source of inflation. Fuelled by a weak revenue collection and significant exemptions and off-budget expenditure, the budget deficit, which had previously been financed by accumulating domestic payment arrears, was contained by tightening budgetary discipline under the stabilization programmes supported by the IMF.

3. Influenced by significant investment flows, particularly in port infrastructure, the average annual GDP growth rate was approximately 5% between 2006 and 2009. This momentum was stalled in 2010 and 2011 as a result of the world economic crisis. However, economic growth resumed in 2012 thanks to renewed investment in port, road and hotel infrastructure and to the robust economic growth in Ethiopia, 90% of whose goods transit through the port of Djibouti. In its bid to attract foreign direct investment, Djibouti has the advantage of offering a high level of personal security, a strategic geographic location, and a stable currency.

4. Generally speaking, Djibouti's trade policy is intended to promote diversification of the production system, with a larger private-sector contribution to GDP (excluding port activities), an increased secondary sector share, and business formalization and structuring. In 2010, Djibouti adopted a National Trade Development Strategy which has been partially implemented. The results of this strategy include: the upgrading of the software used by Customs; the improvement of statistics; efforts to facilitate the setting up of business; and legislative reforms, in particular the adoption of a Commercial Code. Djibouti also introduced institutional reforms to strengthen the public–private sector dialogue as well as its participation in regional and multilateral bodies. However, it continues to have difficulties in fulfilling its WTO notification obligations.

5. Djibouti is a member of COMESA and participates in continental-scale integration initiatives. It also participates in negotiations between the European Union and the countries of Eastern and Southern Africa on the establishment of an economic partnership. During the period under review, a virtual trade facilitation system was launched under the auspices of COMESA on the Djibouti-Addis-South Sudan Corridor. Once the work has been completed, the system will enable cargo to be tracked along the entire length of the corridor in real time.

6. Djibouti grants at least MFN treatment to all of its trading partners. Imported goods may be subject to the internal consumption tax (TIC), the value added tax (VAT), excise duty, a special solidarity tax, a tax on petroleum products, a business license fee, and a general solidarity tax. The VAT was adopted in 2008 for the purpose of progressively eliminating the TIC, which is applied in such a way - in particular with the exemption of domestic production – as to make it a customs tariff. The total loss of revenue due to the numerous duty and tax exemptions and waivers totalled some DF 100 billion in 2013. These exemptions and waivers stem chiefly from provisions in the Investment Code and the Customs Code and those on free zones, or from special agreements with certain companies.

7. Although Djibouti has no legislation on standardization, under the supervision of the Sub-Directorate of Quality Control and Standards it has recently adopted technical regulations relating to food. Because its technical means are so limited, inspection procedures do not generally go as far as assessing conformity with these technical regulations. Since 2011, Djibouti has had a National Codex Alimentarius Committee (CNCA) tasked with aligning its SPS measures with international standards. Microbiological and physiochemical analyses are carried out on water and other food products, both imported and locally produced.

8. With a view to promoting exports, Djibouti continues to maintain its free zone regime in which companies enjoy full exemption from direct and indirect taxes for a term of 50 years. However, activities in the free zones remain sluggish. A High Council for Public-Private Dialogue was set up in 2014 in order to identify the constraints to private sector development and to propose solutions.

9. While Djibouti has not notified the WTO of any State-trading enterprises, Djibouti Télécom and Électricité de Djibouti, among others, are State-owned enterprises that enjoy exclusive rights in their respective areas, telecommunications and electricity. Moreover, Djibouti's economy is still dominated by the presence of State-owned enterprises, chiefly in agro-industry, mining, the hotel industry, financial services, telecommunications, and transport and storage services.

10. In 2008, Djibouti adopted a new law on competition and consumer protection, which does not, however, cover State-owned enterprises. Djibouti regulates prices in areas where competition is limited, such as monopolies. Thus, postal and telecommunication, electricity, water and urban transport services are regulated by the State. Price controls are also applied to products that receive State aid, such as bread, flour and kerosene.

11. A new Government Procurement Code was adopted in 2009 in order to streamline the requirements for selecting bids, formalities for access to government procurement, appeals procedures, and penalties in the event of non-compliance with the Code's Provisions. Under the Code, an open call for bids is the preferred procedure for procurement. In situations where the service can only be provided by a limited number of suppliers, the restricted bidding procedure is followed, while at the same time ensuring there is proper competition. The legislation provides for preferential margins for Djiboutian entities, foreigners associated with those entities, and entities that use goods and services produced in Djibouti.

12. During the review period, a number of reforms were introduced with respect to the protection of intellectual property rights. In 2006, Djibouti adopted a law on the protection of copyright and related rights, and an industrial property law in 2009. In addition, it signed the Beijing Treaty on Audio-Visual Performances in 2012, and the Marrakesh Agreement in 2013. Djiboutian law prohibits counterfeiting and trade or any other transaction in counterfeit goods, and provides for criminal sanctions for counterfeiting and piracy.

13. Djibouti has enormous agricultural potential that remains untapped because of the difficulty in accessing water, lack of training among farmers, and poor implementation of government policies. The main incentives in the agricultural sector concern: exemptions from fuel tax for fishing; gifts of seed and equipment through agricultural associations and cooperatives; and supplying livestock farmers with free medicine and treatment for their cattle.

14. While salt is still the major mining resource being exploited in Djibouti, the absence of modern mining techniques and the low value added of the product stand in the way of industrial exploitation.

15. Électricité de Djibouti (EDD), a State-owned enterprise, still has a monopoly on the production, distribution and marketing of electricity. Since 2011, Djibouti's grid has been interconnected with that of Ethiopia, and about 50% of Djibouti's total electricity supply is imported from Ethiopia. This interconnection has enabled Djibouti to considerably reduce imports of petroleum products and to lower its electricity tariffs.

16. The manufacturing sector is still at an embryonic stage. A few small production units have emerged, chiefly agro food and cement producing units and other artisanal activities.

17. In 2014, Djibouti had 11 banking institutions as compared to two in 2006, a testimony to its economic growth and the dynamism of its services sector in general, sustained by the free movement of capital and limited exchange restrictions. A new banking law entered into force in 2011, fixing the minimum capital requirement for financial institutions at DF 1 billion and extending the scope of the law to include financial auxiliaries (in particular money transfer agencies) and Islamic financial institutions.

18. Djibouti Télécom (DT), which is wholly State-owned, remains the country's only telecommunications operator (internet, fixed and mobile telephone services). The telephone network suffers from the poor quality of international calls. In 2012, Djibouti Télécom made substantial reductions in telecommunications rates.

19. The transport sector offers considerable potential for job creation and poverty reduction. However, the lack of a consistent strategy for the development of transport services and logistics is a serious obstacle. Djibouti's geographical location accounts for the importance of maritime transport in the country's international trade for the countries of the sub-region. Its relative proximity to Ethiopia enables it to serve as a seaport for that country, whose economy is growing very rapidly. In particular, Ethiopian transit is contributing to the development of handling, shipping agency, hotel industry, transport and catering activities. Owing to the obsolescence of the railway network, the bulk of Ethiopian goods transiting through Djiboutian ports leave by road, transported almost exclusively by Ethiopian companies.

20. Development plans are being drawn up for air transport, partly to help promote tourism, which faces competition from neighbouring countries and suffers from the poor implementation of Djibouti's development strategies.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. Djibouti is a least developed country (LDC), with a population of 820,000 distributed over an area of 23,000 km^2. Its high poverty rate (77% according to the most recent census, conducted in 2012) continues to be exacerbated by the presence of a large number of refugees from Somalia. Djibouti's human development index (HDI), at 0.445, was one of the world's lowest in 2013, despite its relatively high level of per capita GDP (about US$1,400 in 2012) and classification as a lower middle-income country.

1.2. Djibouti has an essentially dual economy, with a modern segment that functions on the back of rents obtained from foreign military bases and port activities, contrasting with a large informal sector. The presence of foreign military bases and the concomitant spending have boosted domestic demand for current consumer goods and real estate, thereby driving up the cost of living in the country. Partly owing to this high cost of living, most wages, including those of civil servants, have risen to relatively high levels in comparison to labour productivity. This erodes the country's competitiveness, which continues to hinder the launch of an industrialization process. Employment has suffered as a result, and the jobless rate is close to 60%. Weak job creation capacity also reflects the country's growth model, which is highly capital intensive.

1.3. The services sector (transport and related logistics services) forms the basis of the national economy. Thanks to its strategic location in the Horn of Africa, Djibouti has built its economy on port activities, while also promoting its role as a transit port and regional transshipment platform.

1.4. In 2011, services contributed about three quarters of national GDP, with 2.6% generated by manufacturing industries and 3.7% by agriculture; construction and public works contributed around 14.4% of GDP (Table 1.1).

1.5. Pursuant to its obligations under Article VIII of the Articles of Agreement of the International Monetary Fund (IMF), Djibouti maintains an exchange regime without restrictions on payments and transfers in respect of current international transactions.

1.6. Since 1973, Djibouti has operated a currency board regime in which the local currency is pegged to the United States dollar at a fixed parity of 177,721 Djibouti francs (DF) per dollar.

1.2 Recent economic developments

1.7. Since the last review of Djibouti's trade policy, the dynamics of its GDP growth have continued to depend on its port activities, driven by burgeoning foreign direct investment (FDI). The massive inflow of investment from Persian Gulf countries has boosted Djibouti's economic growth centred on transport activities and related services. Strong GDP growth figures (posting rates of at least 5%) were maintained until 2009 (Table 1.1).

1.8. Between 2008 and 2010, port activities slumped in the wake of the global economic and financial crisis, compounded by a slowdown in the Ethiopian economy. The momentum of FDI also faltered owing to the deferral of investments that had been expected. As a result, the GDP growth rate dropped from 5.5% in 2009 to 4.5% in 2010 and 2011.

1.9. Nonetheless, since 2012, economic activities have regained their impetus, and GDP growth has trended upwards. Inward FDI has also intensified in areas other than ports.

Table 1.1 Main economic indicators, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
Miscellaneous								
Nominal GDP (DF million)	136,604	150,694	174,617	186,447	200,578	220,222	240,567	..
Nominal GDP (US$ million)	769	848	983	1,049	1,129	1,239	1,354	..
Per capita GDP (US$)	933	1,010	1,148	1,203	1,270	1,368	1,399	..
(Real) GDP growth	12.7	5.0	5.0	5.5	4.5	4.5	4.8	..
Inflation (CPI, percentage variation)	3.5	5.0	12.0	1.7	4.0	5.1	3.7	3.5

	2006	2007	2008	2009	2010	2011	2012	2013
Exchange rate								
DF/US$ (annual average)	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7
Nominal effective exchange rate	..	..	..	..	..	..	..	..
Real effective exchange rate	..	..	..	..	..	..	..	..
National accounts	(Percentage of GDP)							
Final consumption, government authorities	23.1	21.8	19.8	19.5	18.8	18.8	18.9	..
Final consumption, private sector	81.3	82.6	84.5	85.0	85.2	85.2	85.1	..
Gross fixed capital formation	17.8	18.3	16.9	17.7	17.4	17.4	17.5	..
Exports of goods and services	42.7	40.2	35.8	34.6	33.1	33.1	33.3	..
Minus imports of goods and services	64.9	63.0	57.0	56.7	54.6	54.6	54.9	..
Share of GDP (at factor cost)								
Agriculture	3.6	4.1	3.9	3.9	3.8	3.7	..	..
Extractive industries	0.2	0.2	0.2	0.2	0.2	0.2	..	..
Manufacturing	2.6	2.5	2.3	2.3	2.5	2.6	..	..
Electricity, gas and water	5.8	5.7	5.3	5.1	5.2	5.3	..	..
Construction and public works	8.2	9.5	11.9	12.1	13.5	14.4	..	..
Wholesale and retail trade, restaurants and hotels	19.0	19.3	18.7	18.7	18.6	18.7	..	..
Banking, insurance, real estate businesses	13.3	13.3	13.8	13.8	14.0	14.8	..	..
Transport and communications	26.6	26.8	27.8	28.3	27.0	25.9	..	..
Other services	1.9	1.8	1.7	1.7	1.7	1.7	..	..
Public administration and defence	18.8	16.7	14.5	13.9	13.5	12.9	..	..
Public finance								
Revenue and grants	34.9	35.2	41.9	37.0	35.5	34.5	34.3	..
Total budgetary income	31.1	30.2	28.8	30.6	30.1	28.5	25.8	..
Tax revenue	20.3	20.5	20.0	20.1	20.2	20.3	18.5	..
Direct	9.6	9.8	9.0	9.2	9.3	9.3	8.8	..
Indirect	9.7	9.5	10.1	9.8	9.9	9.9	8.8	..
Other taxes	1.0	1.2	0.9	1.0	1.0	1.0	0.9	..
Non-tax income	10.8	9.7	8.7	10.5	9.9	8.2	7.3	..
Official grants	3.9	5.0	13.1	6.4	5.3	6.0	8.6	..
Total expenditure	37.4	36.9	40.6	41.6	36.0	35.2	37.2	..
Current expenditure	29.9	25.8	26.8	24.3	24.3	24.1	24.2	..
of which: wages and salaries	14.6	13.8	12.7	12.9	12.7	12.4	12.1	..
Investment expenditure	7.5	11.2	13.8	17.2	11.7	11.1	13.0	..
Deficit (based on payment orders)	-2.5	-1.8	1.3	-4.6	-0.5	-0.7	-2.9	..
Arrears (payment)	0.2	-0.7	-3.2	-1.2	-0.8	-2.0	-0.6	..
Deficit (cash basis)	-2.3	-2.4	-1.9	-5.7	-1.3	-2.7	-3.4	..
Financing	2.1	3.1	1.9	5.7	1.3	2.7	3.3	..
Domestic financing	-0.6	-0.2	-0.6	-0.2	0.1	0.9	2.6	..
External financing	2.7	3.3	2.6	5.9	1.3	1.7	0.7	..
Adjustments	-0.2	0.7	0.0	0.0	0.0	0.0	-0.1	..
External sector	(Percentage of GDP, unless otherwise indicated)							
Current account balance	-2.2	-20.2	-22.9	-6.8	4.5	-13.9	-10.9	..
Merchandise trade balance	-36.5	-49.0	-51.4	-35.6	-25.6	-33.7	-33.0	..
Foreign debt	..	63.6	60.2	59.8	56.1	52.3	53.9	..
Debt service	..	7.6	7.2	7.3	9.0	8.0	9.2	..
Total reserves (in months of imports)	3.3	2.7	3.0	5.0	6.1	4.3	4.3	..

.. Not available.

Source: Central Bank of Djibouti, Economic Indicators (GDP and balance of payments for 1995-2012 and 2012-2013). Viewed at: http://www.banque-centrale.dj/rubriques/23. African Statistical Yearbook 2013. African Development Bank. IMF, International Financial Statistics. Viewed at: http://elibrary-data.imf.org [April 2014]; and World Bank, World Development Indicators. Viewed at: http://databank.worldbank.org/ddp/home.do [April 2014].

1.10. Apart from the boom in public works and port activities, Djibouti's recent economic growth performance has also been boosted by interconnection with the Ethiopian electricity grid. This has resulted in lower rates for consumers and reduced the country's dependence on fuel imports for power generation.

1.11. Inflation in Djibouti is chiefly imported, driven by soaring food and oil prices in particular. Consequently, the interconnection with Ethiopia has helped to curb price rises by reducing imports of petroleum products. Moreover, the effects of higher food prices have been eased by price subsidies on basic consumer goods (section 3). The inflation rate remained below 5% throughout the review period, except in 2008 when a major drought and the surge in world food prices combined to raise it to 12%.

1.12. Price stability also reflects a foreign-exchange regime based on a currency board arrangement in which the national currency, the Djibouti franc, is pegged to the United States dollar at a fixed parity. The money supply (Djibouti francs in circulation) was backed by foreign assets to the extent of 300% in February 2013, and this ratio has since stabilized at over 250% as a monthly average. Moreover, the central bank is not authorized to finance the public deficit.

1.13. The monetary authorities intend to introduce a compulsory reserves policy to manage liquidity in the economy; and a feasibility study has also been undertaken for that purpose.

1.14. The country's budgetary policy aims mainly at expanding the base of public revenues. The budget deficit (on a cash basis) peaked at 5.7% of GDP in 2009, fuelled by a weak revenue collection and significant exemptions, specifically for the military bases, and an increase in off-budget expenses. This has been partially financed by accumulating domestic payment arrears. In 2010, steps were taken to tighten budgetary discipline as part of a financing programme with the IMF, which made it possible to reduce the deficit (Table 1.1). Periods of declining income have been offset by controlling current expenditure, particularly through freezes on civil servant recruitment and wages, and by curtailing investment expenses.

1.15. Djibouti remained moderately indebted during the review period. From a level of around 64% of GDP in 2007, the external public debt/GDP ratio has since stabilized around 54% (2012). Nonetheless, the country risks becoming over-indebted, given the global economic outlook.[1] The external debt consists essentially of multilateral borrowing and the share of this is clearly rising. The authorities have indicated that 66% of the debt was owed to multilateral lenders in 2013, while the Paris Club, Kuwait and Saudi Arabia share the bilateral debt. In 2008, an agreement to reschedule the bilateral debt was reached with the country's Paris Club creditors. The authorities have cited challenges posed by the high interest rates applicable to Djibouti following its classification as a middle-income country.

1.16. The current account deficit, which had grown to 22.9% of GDP during the 2008 crisis, has since narrowed thanks to a reduction in the country's reliance on oil imports. Nonetheless, the surge in international prices in 2011, which raised those of the main imported food products while total exports remained at a low level, widened the current deficit to 13.9% of GDP in that year. The country's large trade balance deficit has not been offset by the positive balance in services, transfers and factor income (Table 1.2). Nonetheless, gross external assets covered between three and six months of imports during the review period.

Table 1.2 Balance of payments, 2006-2013

(US$ million)

	2006	2007	2008	2009	2010	2011	2012	2013[a]
Current account balance	-16.6	-171.4	-225.4	-71.1	50.5	-171.8	-148.0	-308.5
Balance of goods and services	-118.4	-274.4	-337.9	-178.9	-72.2	-254.7	-267.0	-427.8
Goods	-280.5	-415.2	-505.3	-373.3	-288.8	-417.9	-446.4	-599.8
Exports	55.2	58.1	68.8	77.4	85.1	92.7	118.0	119.6
Imports	-335.7	-473.2	-574.1	-450.7	-373.9	-510.6	-564.4	-719.4
Net services	162.2	140.7	167.4	194.5	216.6	163.2	179.4	172.0
Exports	251.5	248.5	296.9	322.0	335.7	327.0	339.4	365.8
Imports	-89.3	-107.7	-129.5	-127.6	-119.1	-163.8	-160.0	-193.8
of which:								
Transport (net)	16.7	-3.8	19.1	27.1	45.3	22.8	20.3	13.0
Maritime	-3.6	-25.9	-20.0	-13.1	3.1	-19.0	-22.8	-34.6
Air	-1.2	-0.6	4.8	5.2	5.7	5.2	5.0	8.3
Other	21.6	22.7	34.3	35.0	36.4	36.6	38.2	39.3
Travel (net)	6.4	4.2	4.1	10.2	9.4	-1.7	2.1	2.4
Communications (net)	6.1	6.5	6.7	7.5	7.8	8.1	9.8	12.4
Insurance (net)	-8.5	-8.7	-14.5	-11.4	-11.0	-12.5	-11.8	-19.6
Other services (net)	-4.5	-5.0	-5.1	-5.6	-6.5	-7.7	-6.6	-6.9
Public administration (net)	146.0	147.4	157.1	166.6	171.6	154.2	165.7	170.7
Balance of the income account	23.0	23.9	32.7	21.7	17.4	8.7	27.6	26.3
Balance of current transfers	78.8	79.2	79.8	86.1	105.3	74.1	91.4	92.9
Capital and financial account balance	70.3	253.5	188.8	103.6	72.8	217.9	70.6	133.9
Capital account	9.3	35.3	53.7	55.1	55.3	59.7	52.4	58.2

1 IMF (2013).

	2006	2007	2008	2009	2010	2011	2012	2013[a]
Financial transactions account	61.0	218.3	135.0	48.5	17.5	158.2	18.2	75.7
Direct investment (net)	108.3	195.4	228.9	99.6	36.5	79.0	110.0	286.0
Other investment (net)	-17.7	36.0	-50.5	-7.4	-6.0	76.9	-85.9	-35.5
Reserve assets	-29.6	-13.1	-43.4	-43.8	-13.0	2.3	-5.9	-174.8
Errors and omissions	-53.8	-82.2	36.6	-32.5	-123.3	-46.0	77.3	174.6

a Provisional figures.

Source: Central Bank of Djibouti.

1.3 Trade performance

1.17. International trade remains fundamental for Djibouti, given its heavy reliance on imports. Trade represented around 89% of GDP in 2012, with imports accounting for 54%.

1.18. There are few trade statistics available for Djibouti, and those that exist are unreliable. In 2013, merchandise exports totalled US$119 million, while imports were reported at US$719 million in the same year (Table 1.2).

1.19. Ethiopia, the European Union (EU), Somalia, Egypt, the United Arab Emirates and Yemen are the main destinations of Djibouti's exports; its imports come chiefly from China, Saudi Arabia, Ethiopia, Indonesia and the EU.

1.20. Djibouti remains a net exporter of services, owing to the dynamism of its port services. The surplus in its trade in services has been relatively stable since 2006, albeit with a peak of US$216 million in 2010 (Table 1.2).

1.4 Foreign direct investment

1.21. Despite an improvement in its economic governance indicators and a stable monetary regime, Djibouti does not yet attract sufficient FDI to areas other than port activities. The slow pace of the national privatization programme imposes a substantial curb on FDI. Moreover, the high costs of factors of production (electricity), access to financing, and the small size of the domestic market represent additional obstacles to attracting FDI into the country.

1.22. Foreign direct investment comes mainly from the Gulf countries, the leading investors being Dubai, Kuwait, and Saudi Arabia. The main beneficiaries are highly capital-intensive sectors such as transport, hotels and banks.

1.23. FDI flows grew continuously between 2006 (US$108 million) and 2008 (US$228 million), particularly in port services, before dropping sharply in 2010 in the wake of the financial crisis (Table 2.1).

1.5 Prospects

1.24. In 2007, the Government adopted the National Initiative for Social Development (INDS), which is Djibouti's Development and Poverty Reduction Strategy Paper. The overriding aims of the INDS are to promote: (i) growth, competitiveness and employment; (ii) access to core social services; (iii) the reduction of poverty and vulnerabilities; and (iv) public governance.

1.25. The first version, which covered the period 2008-2012, had a number of shortcomings, including the lack of a monitoring and evaluation mechanism, weak financing and a failure to prioritize the different elements of the programme. Moreover, infrastructure works and port activities have stimulated growth but little progress has been made in combating poverty. The reasons for this include the fact that the INDS is underfunded[2] and that FDI overwhelmingly targets activities that are highly capital-intensive and therefore create few jobs.

1.26. The current version of the INDS covers the period 2011-2015. According to the authorities, efforts have been made to avoid the shortcomings of the first version, and in fact the actions have

[2] African Development Bank (2011).

been prioritized. However, designing an effective monitoring and evaluation tool seems to pose a serious challenge to the success of the programme.

1.27. The authorities have reported that the discussions held in connection with this version of the INDS led to the preparation of a long-term vision, "Djibouti 2035", which aims to turn the country into the East African trade and logistics hub by 2035. A plan of action entitled Strategy for Accelerated Growth and Employment Creation (SCAPE) is scheduled for 2015-2019, and is expected to focus on growth sectors with a view to increasing the diversification of the economy.

1.28. The World Bank has recently identified fisheries, telecommunications, transport/logistics, and tourism as the best sources of growth and diversification of Djibouti's economy.[3] The authorities intend to target these sectors in their job creation and poverty reduction efforts.

1.29. The authorities have stated that the actions envisaged in the SCAPE should underpin growth dynamics for the next five years. Thus, between 2015 and 2019, the annual average rate of GDP growth could approach 8.5%.

1.30. Major infrastructure projects, such as the building of port facilities to export salt and potassium[4], the construction of the Chabelley airport complex, and a new Djibouti-Ethiopia railway line, are expected to be decisive for Djibouti's economic prospects over the next few years.

[3] World Bank (2013a).
[4] African Economic Outlook (2013).

2 TRADE AND INVESTMENT REGIME

2.1 General framework

2.1. The 1992 Constitution of the Republic of Djibouti provides for the separation of powers and guarantees fundamental rights. Since the last review of Djibouti's trade policy there have been several changes to the Constitution, in 2006, 2008 and 2010.[1] These include the creation of a new entity, the Ombudsman, for a non-renewable five-year term; the introduction of provisions permitting the formation of political party groupings; and provisions that grant greater autonomy to local authorities. Other changes include a reduction in the presidential term of office (from six to five years) and an age limit of 75 years for presidential candidates; a requirement that parliamentary debates be public and be recorded in the Official Journal (except in specific circumstances); a ban on members of the Government taking up other parliamentary, public or professional offices; and changes in the duration and dates of parliamentary sessions. The Constitution prohibits the death penalty, specifies that Islam is the State religion, and stipulates that the Court of Audit (and not the Supreme Court's Audit Chamber) is responsible for monitoring public finances.

2.2. The structures of Djibouti's executive, legislative and judicial bodies have remained virtually unchanged since the last TPR in 2006, except in respect of the number of presidential terms and the presidential eligibility criteria; they are summarized in Box 2.1.

Box 2.1 Summary of Djibouti's institutional framework

Executive authority	The President of the Republic is elected for a five-year term by direct universal suffrage in a majority vote over two rounds. He is eligible for re-election. He must be of Djiboutian nationality, be in possession of his civic and political rights, and be at least forty and no more than seventy-five years old on the date when he registers his candidacy. He is the Head of State and Government, and the supreme head of the armed forces. The President appoints the Prime Minister and, on the latter's proposal, the other members of the Government. The President determines the responsibilities of the members of the Government and dismisses them from office. The members of the Government are responsible to the President of the Republic. The Prime Minister, appointed by the President of the Republic, is responsible for implementing his policies. He coordinates and leads the Government's actions.
Legislative authority	The Parliament (National Assembly) is elected by direct universal suffrage for a (renewable) six-year term.
Judicial system	The Supreme Court is the highest authority for ordinary jurisdiction in the Republic, followed by the Court of Audit (established in 2008) which is responsible for monitoring public finances, and the other courts (the High Court of Justice, the Court of Appeal, the Constitutional Council and the Criminal Court). There are two courts of first instance: one dealing with matters relating to ordinary law and the other dealing with personal status.

Note: For further information, see WTO (2006), section 2.

Source: WTO (2006).

2.3. Since 2012, the Deputy Minister with special responsibility for trade, SMEs, handicrafts, tourism and formalization in the Ministry of the Economy and Finance has been in charge of foreign trade. He is responsible for formulating and implementing trade policies, and for negotiating trade treaties and agreements in consultation with other relevant ministries and agencies.[2] Since 2006, the main changes to the ministries with trade-related responsibilities have been the establishment of the Customs Directorate in 2007 and the Djibouti Office of Industrial

[1] The Constitution and the amendments thereto were viewed at: http://www.presidence.dj.

[2] Between Law No. 102 of 25 October 2000 and Law No. 160 of 9 June 2012, the Ministry of Trade, initially a full ministry, became a deputy ministry. According to the authorities, although this change represents a downgrading in protocol terms, the fact that Trade is now a deputy ministry has not detracted from its original substance; in practice, its sphere of competence has increased. Official Journal of the Republic of Djibouti No. 11, of 14 June 2012. Viewed at: http://www.presidence.dj.

Property and Commerce (ODPIC) in 2012. A National Competition Commission is in the process of being set up.

2.4. In 2009, a National Trade Negotiations Committee (CNNC) was established under the Ministry responsible for trade. Its objectives are to: (a) analyse the implications of trade negotiations conducted at the bilateral, regional and multilateral levels; (b) define a negotiating position which is coherent and consistent with development policy aspirations, and ensure the implementation of existing regional and international commitments; and (c) assist the Government with the design, formulation and implementation of trade policy. The Committee brings together representatives of various government ministries, and of the Djibouti Chamber of Commerce and the Central Bank. It meets four times a year and is required to deliver quarterly reports to the Minister responsible for trade negotiations, on progress with the implementation of Djibouti's commitments and further steps to be taken in order to facilitate trade procedures.[3] In 2013, a Commission for coordinating and monitoring the COMESA regional integration agenda was set up under the CNNC; it is responsible for monitoring and coordinating the implementation of: COMESA regional integration measures, including preparing annual reports on progress with transposition; and the decisions taken by COMESA Councils and Summits of Heads of State. Also, a technical sub-committee has been established to monitor non-tariff barrier removal mechanisms.[4]

2.5. The Government consults the Djibouti Chamber of Commerce on all trade-related matters, but is not obliged to follow its advice. These consultations take place on an ad hoc basis. The Chamber must provide its opinion within one month, except in urgent cases which must be expressly identified, where this period may be reduced to 15 clear days.

2.6. Since 2006, efforts have been made to improve the public-private sector dialogue. A national Committee for the institutional reform of the Chamber of Commerce was set up in 2007, to adapt and modernize the Chamber's texts in order to ensure public-private sector partnership and maximize private operators' participation in the country's economic and social development.[5] A decree establishing the High Council for Public-Private Dialogue was issued in 2012 to foster a business environment in which the private sector can thrive and contribute to economic growth and job creation. The High Council is the senior forum for consultations between the State and the private sector; it consists of three bodies, each of which includes public- and private-sector representatives. These are the strategic steering committee on public-private dialogue; the technical committee on public-private dialogue; and the permanent secretariat. The High Council is to meet once a year to discuss the situation and development prospects of the private sector. The High Council's discussions officially began in March 2014.

2.7. In general, Djibouti's trade policy is intended to promote diversification of the domestic production system, with a larger private-sector contribution to GDP (excluding port activities), an increased share of the secondary sector, and business formalization and structuring. Djibouti's trade policy priorities are reflected in the country's economic development plans. These are the National Initiative for Social Development (INDS) 2007-2015 (2nd iteration); the "Strategic Plan: Results of 2005-2010 and Outlook for 2011-2016" drawn up by the Ministry of the Economy and Finance, which is responsible for industry; and Djibouti Vision 2035. The INDS is based partly on the Djibouti Diagnostic Trade Integration Study prepared in 2004.[6] In addition, the Government is working to update the Diagnostic Trade Integration Study and develop a growth strategy (section 1).

2.8. In 2010 the National Assembly adopted, by Law No. 72/AN/09/6ème L, a National Trade Development Strategy (SNDC), the objective of which is to contribute to economic and social development, poverty reduction and unemployment, the establishment of a hub for regional trade, and the country's economic integration in regional economic organizations and in the multilateral trading system. The Law provides for the establishment of a committee to be responsible for the

[3] Order No. 2002-0485/PR/MCIA establishing a Technical Committee for modernizing national trade laws.

[4] Order No. 2013-422/PR/MDCC concerning the establishment, organization and functioning of the Commission for coordinating and monitoring the COMESA regional integration agenda. Official Journal of the Republic of Djibouti No. 14, of 31 July 2013. Viewed at: http://www.presidence.dj.

[5] Decree No. 2007-0033/PR/MCIA of 16 August 2009 establishing a Committee for the institutional reform of the Djibouti Chamber of Commerce. Official Journal of the Republic of Djibouti No. 16, of 31 August 2009. Viewed at: http://www.presidence.dj

[6] Enhanced Integrated Framework. Viewed at: http://www.enhancedif.org/fr/profil-pays/djibouti.

steering, execution and evaluation of the SNDC. As this committee has not yet been set up, the Ministry of Trade is currently assuming its responsibilities. The SNDC Action Plan, issued in September 2010, consists of five components and a number of actions, outlined in Table 2.1 below.

Table 2.1 National Trade Development Strategy: Objectives

Component	Planned actions
1 – Trade facilitation, attracting investment (improvement of the business environment)	1. Enhance foreign and domestic trade services, technical standards, and information services. 2. Examine the reasons for the magnitude of the informal trading sector and consider appropriate actions to formalize it. 3. Disseminate information about the SNDC, and about trade agreements and conventions. 4. Study the impact of transaction costs and other public market services on the economy and on competitiveness. 5. Set up the economic studies, statistics and database service. 6. Revise the Investment Code and the Commercial Code. 7. Make the Bank Guarantee Fund operational, in particular for VSEs and SMEs. 8. Consolidate and establish a single business start-up centre. 9. Study measures and actions to promote a better business climate.
2 - Facilitating Djibouti's integration in the multilateral and regional trading system	1. Impact study (costs and benefits): COMESA: free-trade area and Customs Union, and market access exploration; WTO (GATS); EPA. 2. Training and capacity building in trade negotiation policies and strategies. 3. Enhance foreign and domestic trade services, technical standards, and information services (action derived from component 1).
3 – Promotion of public/private and civil society partnership	1. Reform the statutes of the Djibouti Chamber of Commerce as rapidly as possible and turn it into a Consular Chamber. 2. Help Djibouti's private-sector economic operators to organize themselves more effectively within a dynamic, responsible and credible employers' structure. 3. Help the reorganized employers' organization to take ownership of the SNDC and become involved in its successful implementation; draw informal-sector economic operators into the formal sector.
4 – Institutional strengthening of the Department of Trade and capacity building for the Department's officials	1. Confirm the current tasks and responsibilities of the Ministry as stipulated in Law No. 102, together with those assigned to it by Law No. 72/AN/09/6ème K of 21 February 2010 approving the National Trade Development Strategy. 2. Organize and set up a permanent consultation mechanism at the level of the ministries concerned, with a view to ensuring better co-management of joint tasks and functions. 3. Reform the Ministry's current professional staff structure, provide it with capable staff in sufficient number, and build up the capacity of its human resources. 4. Increase the budget allocations of the Ministry of Trade, Industry and Handicrafts (MCIA) accordingly. 5. Regularize the situation regarding outstanding contributions, including in the WTO and COMESA.
5 – Enhanced Integrated Framework and implementation of the SNDC	1. Establish the Integrated Framework. 2. Recruit an international consultant to support the Integrated Framework and the Ministry of Trade.

Note: Six programmes were identified in Law No. 72; in practice, however, some of these programmes have been merged and a new programme has been added to the Integrated Framework. This Table reflects the programmes (or components) which are being implemented in practice.

Source: Law No. 72/AN/09/6ème L adopting the National Trade Development Strategy.

2.9. An evaluation of the first three years of operation of the SNDC was undertaken in 2013 and published in January 2014. It reports that less than 50% of the financing needed to implement the strategy was available, and that almost 60% of all the actions were carried out during that period.[7] Moreover, implementation of the strategy was adversely affected by institutional, visibility and communication problems. The results include: introduction of ASYCUDA in 2012, and implementation of the Eurotrace system; establishment of the Yearbook of Foreign Trade Statistics in 2012; improvement of the Business Directory in 2013; introduction of two statistics courses at the University of Djibouti since 2011, and recruitment of 20 new statisticians; adoption of a Commercial Code in 2012; adoption of a new Banking Law in 2011 and establishment of a guarantee fund for SMEs/SMIs in 2014; adoption, in 2013, of the Decree on the national single

[7] According to the report, over the first three years of operation of the SNDC an operating budget of €2,700,000 was sought, and an amount of €1,294,750 was obtained.

window for businesses; shortening of the time needed to set up a business in the country; various strategies for greater transparency and a comprehensive dialogue; providing an assurance of legal certainty; and establishment of the High Council for Public-Private Dialogue. In addition, all of Djibouti's contributions to the WTO and COMESA were paid up as at 31 December 2013.

2.10. In the legislative ranking, the Constitution of the Republic of Djibouti (1992) is followed by organic laws; ordinary laws; decrees; and orders. Trade treaties and agreements take precedence over domestic laws; they are signed by the President of the Republic and must be ratified by the National Assembly (by a simple majority) and published in the Official Journal. New laws have entered into force in the following fields: Commercial Code (2012); civil aviation (2012); financial services (2011, 2012 and 2013); Customs Code (2011); handicrafts sector (2010); protection of industrial property (2009); General Tax Code (2010); government procurement (2009); competition (2008); value added tax (2008); and the profession of notary (2007) (sections 3 and 4).[8]

2.2 Trade agreements and arrangements

2.2.1 WTO

2.11. Djibouti is an original Member of the WTO, and grants at least MFN treatment to all of its trading partners. It has made commitments in the area of trade in goods and services (sections 3 and 4). Djibouti has not signed any of the WTO plurilateral agreements. It has never been involved in a trade dispute settlement process.

2.12. Djibouti has always had difficulties in fulfilling its notification obligations, including in the areas of agriculture; TRIPS; TRIMs Agreement; import licensing; quantitative restrictions; preshipment inspection; customs valuation; customs duties; imports; legislation on anti-dumping, countervailing and safeguard measures; subsidies; State-trading enterprises; trade in services; and technical barriers to trade. During the previous Review in 2006, Djibouti's failure to submit notifications was raised both in written questions and in oral statements.[9]

2.2.2 Other agreements and arrangements

2.13. Djibouti is a member of COMESA and participates in continental-scale integration initiatives. It also participates in negotiations between the European Union and the countries of Eastern and Southern Africa on the establishment of an economic partnership. Although Djibouti has ratified the Agreement on the Trade Preferential System among the member States of the Organization of Islamic Cooperation, it has not made significant commitments to dismantle its tariff or non-tariff barriers. Djibouti is in the process of negotiating a free trade area under the Arab League. It has not acceded to the GSTP Agreement signed among certain developing countries.[10]

2.2.2.1 COMESA

2.14. Djibouti is a member of the Common Market for Eastern and Southern Africa (COMESA). COMESA has 19 member States.[11] The COMESA agenda is to deepen and broaden the integration process among member States through the adoption of comprehensive trade liberalization measures; the standardization of taxation rates and provisions regarding industrial cooperation; the implementation of a harmonized competition policy; and the establishment of a monetary union. This Agreement was signed in 1993 and entered into force in 1994. It has been notified to the WTO under the Enabling Clause.[12] Djibouti is part of the COMESA Free Trade Area, which was established on 1 November 2000 and has 14 member countries (Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, South Sudan, Zambia

[8] Djibouti's laws and regulations can be viewed at: http://www.presidence.dj.
[9] WTO documents WT/TPR/M/159/Add.1 and WT/TPR/M/159 of 4 April 2006.
[10] The purpose of the Agreement setting up the GSTP is to promote and develop reciprocal trade and economic cooperation among developing countries through the exchange of concessions in conformity with its provisions. It provides for the negotiation of tariff preferences among the parties and the possibility of negotiating non-tariff preferences.
[11] Burundi, Comoros, Djibouti, Democratic Republic of the Congo, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, South Sudan, Swaziland, Uganda, Zambia and Zimbabwe.
[12] WTO document WT/COMTD/N/3 of 29 June 1995.

and Zimbabwe). Since 2000, 100% of tariff lines have been duty free among the members concerned. The COMESA Secretariat has developed and implemented a number of complementary programmes aimed at addressing supply-side constraints and overcoming the main barriers to integration in the region.

2.15. COMESA has expanded since 2008, with the admission of two new member States (South Sudan and Uganda), and has been enhanced by the introduction of further reforms. In June 2009 the COMESA Customs Union was launched by the Heads of State and Government, with a three-year transition period for the member States to implement the key instruments of the Customs Union, finalize their lists of sensitive products, align their national tariff structures with the COMESA common tariff nomenclature and incorporate the community Customs Code in their domestic legislation.[13]

2.16. COMESA's Regional Payment and Settlement System became operational in October 2012. This is a cross-border payment system which offers traders within COMESA a simpler, safer and faster infrastructure that makes use of their respective central banks. The system allows importers and exporters to make payments or issue invoices for their goods in their local currencies and avoid confirmed letters of credit (and the associated costs).[14] In addition, the COMESA Competition Commission became operational on 14 January 2013, and Djibouti participates in the Commission's work (section 3.3.2).

2.17. Finally, a virtual trade facilitation system for COMESA countries has been launched on the Djibouti-Addis-South Sudan Corridor. This system allows goods to be tracked along the entire length of the corridor in real time. Work on the installation of the system is being finalized with COMESA experts and telecom operators; training workshops are being held for customs officers. Electronic testing of the system has taken place with satisfactory results, and the official launch was scheduled for May 2014. The system uses roaming facilities, and an agreement has been signed between the Djiboutian and Ethiopian telecom operators. In terms of how the system operates, customs officers activate a tracking device fitted to transit trucks, and the control system monitors their movements. This system is intended to generate benefits for economic operators, to guarantee cargo transparency and security, and, for government institutions, to combat fraud and tax revenue losses.

2.18. Djibouti benefits from an adjustment facility under the COMESA Fund, providing support for the implementation of the country's regional integration commitments. This support mechanism applies only to compensation for revenue losses resulting from the elimination of import duties. It became operational in 2008 and two countries, Burundi and Rwanda, have benefitted from it; both countries are members of the East African Community.

2.19. Negotiations for the establishment of an expanded free trade area between COMESA, the SADC and the EAC[15] were launched in 2008. The ultimate goal is to achieve a single customs union, which could help to address the challenge posed by multiple membership.[16] The negotiations are aimed at harmonizing trade policies among the States party to the three trade agreements. The resulting Tripartite Agreement is scheduled to enter into force in January 2015. In the interests of transparency and a reduction in non-tariff barriers to trade, the COMESA, SADC and EAC members have also set up a mechanism for reporting, monitoring and eliminating non-tariff barriers to trade.[17] The mechanism enables operators, directly and online, to report barriers encountered in participating member States and monitor their resolution status. The system is accessible to all.

2.20. At the 2012 African Union Summit, the Heads of State approved a plan to establish a Continental Free Trade Agreement in 2017, based on the Tripartite Agreement between COMESA, the SADC and the EAC. The following timelines were agreed: (a) conclusion of free trade

[13] At its 16th Summit, held in November 2012, the COMESA Authority extended the transition period for the Customs Union by two years in order to address outstanding issues and member States' concerns.

[14] Further information can be obtained from: http://www.comesa.int/index.php?option=com_content&view=article&id=395:comesas-regional-payment-and-settlement-system-repss-goes-live&catid=5:latest-news&Itemid=41 and http://www.mcci.org/documents/REPSS2.pdf.

[15] COMESA-EAC-SADC Tripartite Summit, Kampala 2008.

[16] The members of the East African Community are: Burundi, Kenya, Rwanda, Tanzania and Uganda.

[17] The mechanism can be viewed at: http://www.tradebarriers.org.

agreements between regional economic communities which are not party to the Tripartite Agreement (between 2012 and 2014); (b) consolidation of the Tripartite Agreement with the other regional free trade agreements to form a Continental Free Trade Agreement (between 2015 and 2016); and (c) establishment of a Continental Free Trade Agreement by 2017 (with the possibility of reviewing the date to reflect the progress made).[18] Djibouti, in collaboration with the ECA and the African Union Commission, has developed a national action plan for boosting intra-African trade.

2.2.2.2 Economic Partnership Agreement (EPA) between the European Union and the countries of Eastern and Southern Africa (ESA)

2.21. Djibouti, along with 11 other countries of Eastern and Southern Africa, is negotiating an EPA with the European Union.[19] As reported by the EU, the last round of negotiations took place in Mauritius in November 2011 on the basis of a joint draft text.[20]

2.22. According to the Djiboutian authorities, the issues involved in the signing of the EPA are enormous: replacing Djibouti's internal consumption tax (TIC) by the COMESA common external tariff (CET), with its lower rates, would entail a significant loss of revenue for the Government, with economic and social consequences.[21]

2.2.2.3 Agreement on the Trade Preferential System (TPS) among the member States of the Organization of Islamic Cooperation (OIC)

2.23. In 2012, Djibouti ratified the Agreement on the Trade Preferential System among the member States of the Organization of Islamic Cooperation.[22] This Agreement (signed in 2004) was followed by a first round of negotiations. In April 2005 a Trade Negotiating Committee was established (discussions on tariff, para-tariff and non-tariff concessions). The Agreement lays down general principles, as well as procedures for the use of safeguard measures and the settlement of disputes.[23] At the end of its first round of negotiations, the Committee approved the Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS). The Protocol establishes a tariff reduction programme, a fast-track tariff reduction schedule, and a timetable for reducing other duties and taxes and eliminating non-tariff barriers.[24] Rules of origin were drawn up in 2007.[25] Djibouti has not signed or ratified the Protocol or the rules of origin. Consequently, Djibouti has not made significant commitments under the agreement on the liberalization of tariff and non-tariff barriers.

2.2.3 Preferential agreements

2.24. Djibouti is eligible to receive unilateral preferences under the Generalized System of Preferences (GSP) of Australia; Canada; European Union; Iceland; Japan; New Zealand; Russian Federation, Belarus and Kazakhstan; Switzerland; Turkey; and the United States. Djibouti is also eligible for the unilateral preference schemes granted to LDCs by China, Chinese Taipei, the Republic of Korea, the Kyrgyz Republic and Morocco; the EU's "Everything But Arms" initiative; and the United States' African Growth and Opportunity Act (AGOA).

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[18] Online information from the International Centre for Trade and Sustainable Development (ICTSD). Viewed at: http://ictsd.org/i/news/bridgesweekly/124188.

[19] The countries are: Comoros, Eritrea, Ethiopia, Madagascar, Malawi, Mauritius, Seychelles, Somalia, Sudan, Zambia and Zimbabwe.

[20] Online information from the European Union, viewed at: http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf.

[21] National Trade Development Strategy: mid-term evaluation (2010-2013).

[22] Law No. 174/AN/12/6ème L ratifying the Framework Agreement on the Trade Preferential System among the Member States of the Organization of Islamic Cooperation (OIC), http://www.ccd.dj/i/upload/textes/juridiques/loi-preference-commerciale-membres-oci.pdf (French only).

[23] Viewed at: http://www.oic-oci.org/french/conventions/Trade Preferential SYS Fr.pdf.

[24] Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS): http://www.oic-oci.org/english/convenion/PRETAS-en.pdf.

[25] Viewed at: http://www.oic-oci.org/french/conventions/REGLES_DORICINE_SPC_OIC_fr.pdf.

2.3 Investment regime

2.3.1 Institutional and legal framework

2.25. The Trade and Companies Register is the responsibility of the Djibouti Office of Industrial Property and Commerce (ODPIC). The National Agency for Investment Promotion (ANPI) is still the main agency responsible for promoting investment and assisting foreign businesses in their dealings with other government agencies. It is also responsible for granting tax benefits under the Investment Code (see below).[26] In 2012 a national working group on foreign direct investment was set up; it collects, compiles and disseminates statistics on FDI. It is made up of representatives of government agencies and the university, and is chaired by the ANPI.[27] The ANPI has undertaken several initiatives, including with the assistance of bilateral and multilateral partners.

2.26. The Investment Code continues to operate as the principal legal framework for investment in Djibouti. The Code contains general fundamental and legal guarantees, as well as provisions on the conditions of application of tax exemptions.

2.27. The Commercial Code, in force since August 2012, contains the legal framework governing companies and judicial reorganization procedures.[28]

2.28. Tax exemptions, modified by the finance laws, are available under the Investment Code, the General Tax Code and the Customs Code (section 3).

2.29. These laws coexist with other laws that incorporate investment-related provisions and with the international undertakings made by Djibouti, including the conventions and agreements which it has signed (Box 2.2). Djibouti is not a member of the International Centre for Settlement of Investment Disputes (ICSID).

Box 2.2 Investment framework, 2014

National legislation

- Constitution (Article 18), guarantees the protection of foreign nationals and their property on Djiboutian territory
- Investment Code (1984), revised in 1994
- Djibouti Code of International Arbitration (1984)
- Free Zone Code (2004)
- Commercial Code (2012)
- General Tax Code (2011)

National mediation bodies

- None

Free trade agreements containing investment-related provisions

- Investment Agreement for the COMESA Common Investment Area (2007)

Bilateral investment agreements

- In force (date of entry into force): Egypt (1998); Switzerland (2001); India (2003); Ethiopia (2006); France (2007); and Iran (2010)
- Signed but not yet in force: exact list not yet available

Participation in international arbitration agreements/bodies

- New York Arbitration Convention (since 1977)
- International Centre for Arbitration Services (CISA) (since 1984)

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[26] The 2009 Finance Law provided for the establishment of an Investment Commission. However, as pointed out by UNCTAD, this has been hampered by a lack of consensus. UNCTAD also recommended that investment promotion and the granting of tax incentives be dealt with by separate agencies in order to avoid conflicts of interest.

[27] Decree No. 2012-0017/PR/MDC establishing a national working group on foreign direct investment.

[28] General partnerships, limited partnerships, limited liability companies (SARLs) and various joint-stock companies. Commercial Code, viewed at: http://www.ccd.dj/i/upload/textes/juridiques/code-du-commerce.pdf.

Other
• Multilateral Investment Guarantee Agency (MIGA) (2007) • Agreement between the Government of the United States and the Common Market For Eastern and Southern Africa concerning the development of trade and investment relations (signed in October 2001) • Unified Agreement for the Investment of Arab Capital in the Arab States (signed in 1980) • Agreement on Promotion, Protection and Guarantee of Investments among members of the Organization of Islamic Cooperation (2002)
Double taxation agreements
• In force (date of entry into force): Egypt (1998); China (2004) • Signed but not yet in force: Malaysia, Switzerland and Yemen. Exact list not available.

Source: Information provided by the authorities and by UNCTAD (2013).

2.30. As reported by UNCTAD in its 2013 Investment Policy Review of Djibouti, and despite recent improvements in Djibouti's legal framework for investment, further reform is needed. UNCTAD notes that the Investment Code requires amendment to bring it into line with international best practices. According to UNCTAD, the Code does not sufficiently address other topics generally included in a modern code, particularly with regard to the treatment and protection of investments and the obligations of foreign investors. The Code contains no specific details on non-discrimination, MFN or fair and equitable treatment. Moreover, the Code is imprecise as regards conditions of entry and establishment for FDI, and does not refer to the differences in treatment that exist in certain sectors of activity. As indicated by the authorities, plans to reform the Code in order to further enhance it are under way. By contrast, UNCTAD has noted that the new Commercial Code has brought about some positive changes. It does not (unlike the previous Companies Code) specify a minimum capital requirement for limited liability companies (SARLs). UNCTAD also points out that the collective procedures of protection, judicial reorganization and judicial winding-up are clearly set out in the Code. This is advantageous for the development of the private sector.

2.3.2 Business environment

2.31. Djibouti has highlighted the following advantages in its bid to attract FDI: it offers a high level of personal security; a strategic geographic location; and the stability of its currency, which is pegged to the United States dollar (section 1). As indicated by UNCTAD, capital and profits can be transferred completely freely.

2.32. According to UNCTAD, the following types of enterprise are legally authorized: general partnerships, limited partnerships, limited liability companies (SARLs) and various joint-stock companies.[29] Since January 2012, a compulsory police background check on foreign investors is no longer a prerequisite for the issuing of a business licence, thus reducing the time required for business start-up formalities.[30]

2.33. There are barriers to (national and foreign) investment in activities which are subject to State monopoly: energy, water, postal services and telecommunications services. The areas affected by barriers (both formal and in practice) to foreign direct investment are insurance, transport and fisheries (section 4). In addition, government procurement preferences favour local industries.

2.34. During the review period, efforts to improve the business environment included the launch, in 2013, of a national single window system for businesses. New legislative provisions have been adopted to reduce corruption.[31] Energy prices have dropped considerably since the implementation of an agreement with Ethiopia, signed in 2011 (section 4.2.2). There are several projects being implemented to improve Djibouti's transport infrastructure (railways, roads, ports and airports) (section 4.4.3). According to the authorities, the single window will be operational before the end of 2014.

[29] UNCTAD (2013).
[30] UNCTAD (2013).
[31] In 2013, the Government enacted Law No. 03/AN/13/7ème L, which supplements the legislative provisions on preventing and combating corruption. The 2012 Commercial Code prohibits engagement in a commercial activity whilst serving as a public official.

2.35. These reforms have helped bring about a significant improvement in Djibouti's ranking in the various international indexes. Djibouti was ranked 160th out of 189 countries in the World Bank's *Doing Business 2014* report. In 2013, it was ranked 171st out of 185 countries.[32] In Transparency International's Corruption Perceptions Index, Djibouti's ranking has improved from 105th out of 179 countries in 2007 to 94th out of 175 countries in 2013. Nevertheless, these rankings show that there is potential for Djibouti to envisage further reforms.

2.36. The areas in which improvements are required include business start-up procedures conducted by notaries or lawyers; training to establish a qualified labour force; obtaining credit and credit costs; and the quality and cost of telecommunications services. Moreover, the highly complex taxation system should be streamlined (section 3).

[32] World Bank (2013b and 2014).

3 TRADE POLICY AND PRACTICES, BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and regulations

3.1. Since the previous review of Djibouti's trade policy, there have been no changes to the registration requirements for importers. Any natural or legal person of Djiboutian or foreign nationality may engage in business activities, including importation. Any person seeking to engage in importing must be in possession of an "importer's licence".

3.2. Djibouti adopted its first Customs Code in 2011.[1] The Directorate of Customs and Indirect Duties, which has only had legal status since 2007, is responsible for customs procedures and for administering all the taxes levied on imports, including the internal consumption tax (TIC), excise duty and VAT.

3.3. Customs formalities may be completed by importers or by an approved customs broker.

3.4. Djibouti has been using ASYCUDA World since January 2013 and all import declarations have been made electronically since 2005. According to the authorities, Djibouti's customs offices have all been computerized and interconnected, and there is also an interconnection between the Djiboutian and Ethiopian customs authorities. There is no electronic risk management system. Not all goods are systematically subject to physical inspection, however, which is reserved for goods from certain countries for which the invoices are usually not clear. According to the authorities, physical inspection applies to around one third of imports.

3.5. The authorities have indicated that an approved economic operator scheme should soon be introduced in order to allow some operators to have speedy customs clearance. The Customs Code offers the possibility of removing goods in the following categories before a detailed declaration is submitted: perishable goods; dangerous goods; weapons and ammunition for the national armed forces and for foreign units under cooperation agreements with Djibouti; newspapers and magazines; so-called "Express" documents.

3.6. For the purposes of customs clearance, goods must be the subject of a customs declaration assigning them to a specific customs procedure (Form No. 1), together with the bill of lading, the invoice, the delivery note, and the handling receipt. The customs authorities may require other documents where necessary. Exemption from customs or excise duty or other levies does not obviate the obligation to make a customs declaration.

3.7. According to the World Bank, Djibouti is 60th out of 189 economies in terms of ease of trading across borders, and 18 days are needed on average to complete all import procedures (11 days to draw up the documents, two for customs clearance and technical inspection, three for handling at the port and terminal and two for inland transport).[2] The customs authorities have indicated that Djibouti has never conducted any study into the average time required for customs clearance.

3.8. The Customs Code's provisions on customs valuation are aligned on those in the WTO Customs Valuation Agreement. Indicative values (minimum values) still exist, however, for a list of products in order to contend with under-invoicing. These include: household electrical goods, building and furnishing materials, food products, electronic appliances and clothing. The authorities have pointed out that they are faced with numerous cases of under-invoicing. Djibouti is therefore in need of technical assistance in order to apply the Agreement in full.

3.9. In practice, there is no appeal body; decisions of the customs services are thus final.

[1] Law No. 140/AN/11/6ème L establishing a Customs Code.
[2] World Bank (2014).

3.1.2 Rules of origin

3.10. Djibouti has not notified the WTO of any non-preferential rules of origin and, according to the authorities, it does not have any.

3.11. Annex 4 to the COMESA Treaty containing the protocol on rules of origin is the basis for the preferential rules of origin giving COMESA members preferential treatment. The protocol will only become applicable when Djibouti has begun introducing the common external tariff, for which the impact studies are reportedly still under way.

3.1.3 Tariffs and other duties and taxes

3.12. Since 2008, Djibouti has been levying VAT in addition to the TIC, excise duty, a special solidarity tax, a tax on petroleum products, a business licence fee, and a general solidarity tax. In principle, the TIC is an internal tax, but the way it is applied makes it similar to a customs tariff.

3.13. Djibouti uses the 2007 version of the Harmonized Commodity Description and Coding System (HS), with a tariff schedule consisting of 6,904 eight-digit lines (Table 3.1). All rates are *ad valorem*.

Table 3.1 Summary of the MFN tariff, 2013

Description	Number of lines	Simple average rate (%)	Range of rates (%)	C.V.[a]
Total	6,904	21.0	0-26	0.4
Harmonized System (HS)				
Chapters 1 to 24	905	13.6	0-26	0.7
Chapters 25 to 97	5,999	22.1	0-26	0.4
By WTO definition				
Agriculture	866	15.0	0-26	0.7
Animal products	95	9.8	1-13	0.5
Dairy products	26	11.3	0-13	0.4
Fruit, vegetables and garden produce	216	10.1	1-26	0.9
Coffee and tea	28	24.1	13-26	0.2
Cereals and cereal preparations	117	9.3	0-26	0.7
Oilseeds, fats and oils	91	13.4	0-26	0.7
Sugar and confectionery	31	13.4	0-26	0.3
Beverages and tobacco	95	26.0	26	0.0
Cotton	9	26.0	26	0.0
Other agricultural products	158	21.9	1-26	0.4
Non-agricultural products	6,038	21.9	0-26	0.4
Fish and fish products	128	13.2	1-26	0.2
Metals and minerals	1,262	23.9	0-26	0.2
Chemicals	987	24.8	1-26	0.2
Wood, paper, etc.	364	22.4	0-26	0.4
Textiles	698	17.1	1-26	0.7
Clothing	264	12.3	1-13	0.2
Leather, footwear, etc.	234	22.9	1-26	0.3
Non-electrical machinery	694	21.1	1-26	0.4
Electrical machinery	398	20.2	1-26	0.5
Transport equipment	423	22.0	1-26	0.4
Other manufactures n.e.s.	562	25.7	1-26	0.1
Petroleum	24	23.3	0-26	0.3
By ISIC sector[b]				
Agriculture, hunting, forestry and fishing	341	14.2	1-26	0.8
Mining and quarrying	101	23.0	13-26	0.2
Manufacturing	6,461	21.3	0-26	0.4
By stage of processing				
Raw materials	715	17.4	0-26	0.6
Semi-finished products	2,031	21.9	0-26	0.4
Finished products	4,158	21.2	0-26	0.4

a Coefficient of variation (CV).
b International Standard Industrial Classification of All Economic Activities (Rev.2), excluding electricity, gas and water (one tariff line).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.1 Bound duties

3.14. Djibouti has bound all of its tariff lines and has not modified its bound rates since the previous review.

3.15. Bound rates range from zero to 450% (Table 3.2). Duties on non-agricultural products are bound at rates from zero to 230%, and on agricultural products from 2% to 450%. The simple average bound rate is 41.8% (52.4% for agricultural products and 40% for non-agricultural products); 98% of tariff lines are bound at 40%; four lines are bound at the ceiling rate of 450%; and four at zero.

Table 3.2 Structure of MFN tariffs, 2005 and 2013

	2005	2013	Bound rate[a]
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0
Simple average applied MFN rate	28.2	21.0	41.6
Agricultural products (WTO definition)	22.5	15.0	52.2
Non-agricultural products (WTO definition)	29.1	21.9	40.1
Agriculture, hunting, forestry and fishing (ISIC 1)	20.9	14.2	40.4
Mining and quarrying (ISIC 2)	30.6	23.0	39.6
Manufacturing (ISIC 3)	28.6	21.3	41.7
Duty-free tariff lines (% of all tariff lines)	0.0	0.1	0.0
Simple average rate (dutiable lines)	28.2	21.0	41.6
Non-*ad valorem* duties (% of all tariff lines)	0.0	0.0	0.0
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
Domestic tariff peaks (% of all tariff lines)[b]	0.0	0.0	0.7
International tariff peaks (% of all tariff lines)[c]	88.7	71.5	99.5
Overall standard deviation of applied rates	8.6	8.5	21.1
"Nuisance" applied rates (% of all tariff lines)[d]	0.0	9.9	0.1

a The final bound rates are based on the 2013 tariff (in the HS07 nomenclature).
b Domestic tariff peaks are duties exceeding three times the overall simple average applied rate.
c International tariff peaks are duties exceeding 15%.
d "Nuisance" rates are those greater than zero but less than or equal to 2%.

Note: No rates are available for 19 tariff lines.
The 2013 tariff schedule comprises 6,904 tariff lines (eight digits, in accordance with the HS07 nomenclature).
The 2005 tariff schedule comprises 5,118 tariff lines (eight digits, in accordance with the HS92 nomenclature).

Source: WTO Secretariat calculations, based on data provided by the authorities.

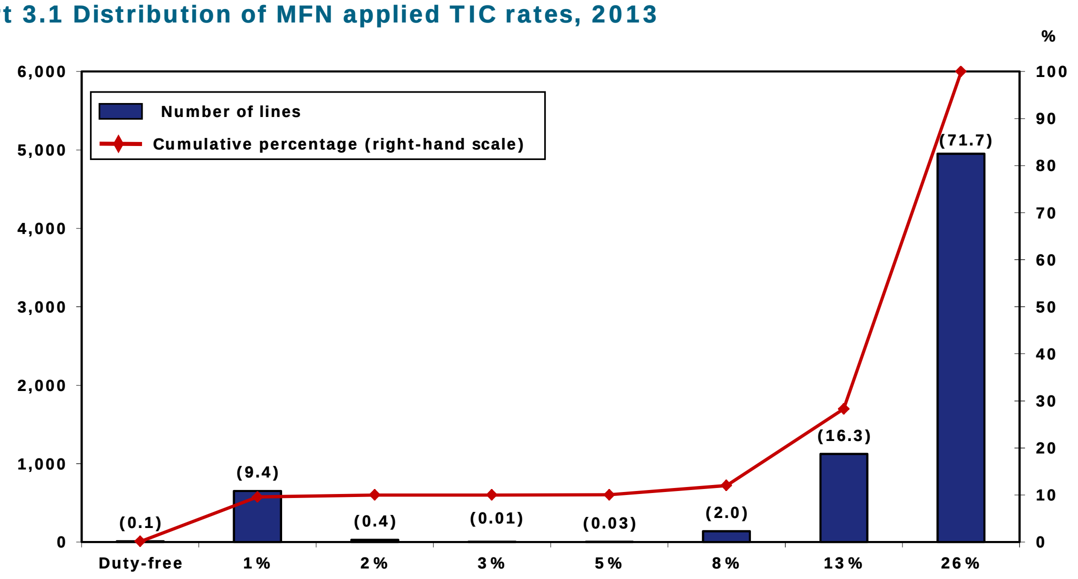
3.16. Other duties and taxes have been bound at a ceiling of 100%.

3.17. As was the case for the previous review, for 26 tariff lines the TIC rate (which is similar to customs duty) is higher than the bound rate.

3.1.3.2 Internal consumption tax (TIC) as an applied MFN tariff

3.18. Since VAT was introduced, TIC rates have fallen sharply. There are now eight rates (zero, 1%, 2%, 3%, 5%, 8%, 13% and 20%). The simple arithmetic average was 21% in 2013, compared to 28.2% in 2005 (Table 3.2). As regards the distribution of TIC rates, 20% is the modal rate (the most common); it concerns over 70% of the total number of lines (Chart 3.1).

Chart 3.1 Distribution of MFN applied TIC rates, 2013



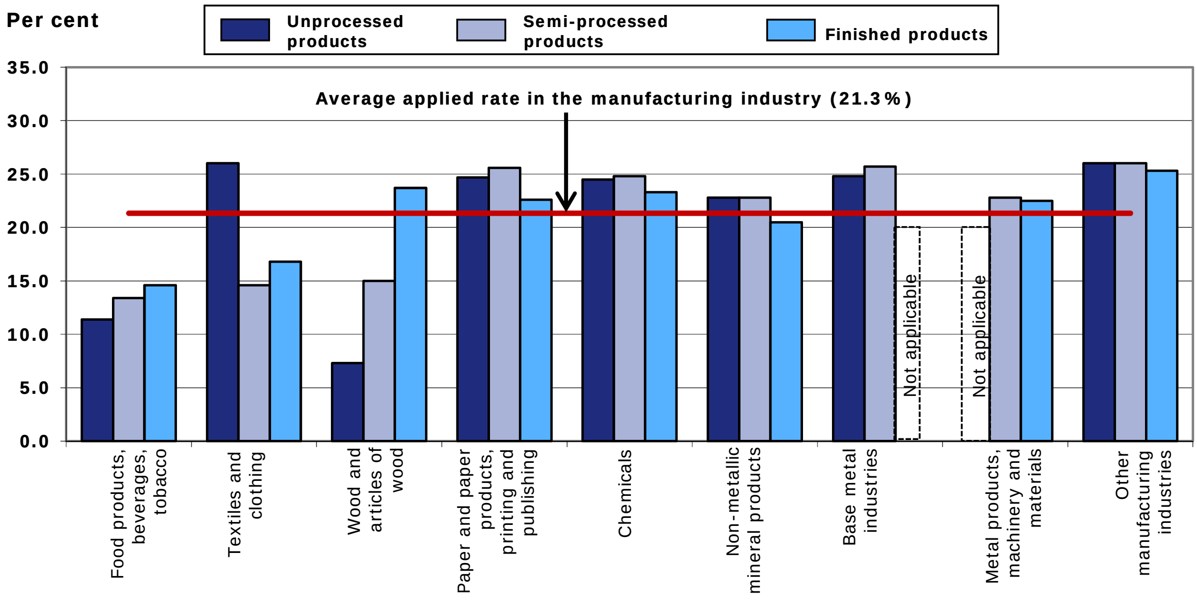
Note: The figures in brackets correspond to the percentage of all tariff lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.19. The tariff on non-agricultural products (WTO definition) is higher (simple average of 21.9%) than on agricultural products (simple average of 15%). Using the ISIC (Rev.2) definition, the mining and quarrying sector is the most highly protected (with an average rate of 23%), followed by manufacturing (21.3%), and the agricultural sector (14%) (Table 3.1).

3.20. With average rates of protection of 17.4%, 21.9% and 21.4%, respectively, for raw materials, semi-finished products and finished products, overall the tariff shows mixed escalation. This mixed structure is confirmed for the textiles and clothing, paper, paper articles, printing and publishing and chemicals industries, leading to higher domestic production costs for finished products. The tariff escalation is positive, however, in the food, beverages and tobacco, wood and wood products industries, as well as in metal-working industries (Chart 3.2). Such positive effective protection is not conducive to making the local products concerned competitive in international markets.

Chart 3.2 Escalation of MFN rates by manufacturing industry, 2013



Note: The product groups are defined in accordance with the two-digit ISIC.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.3 General solidarity tax (IGS)

3.21. A 5% general solidarity tax (IGS) is levied on all imports by persons not in possession of an importer's licence.

3.1.3.4 Other taxes

3.1.3.4.1 VAT

3.22. In 2008, Djibouti adopted its first legislation introducing value added tax (VAT)[3], intended gradually to eliminate the TIC in such a way that domestic fiscal pressure remained unchanged. However, the process is currently facing challenges stemming from the different methods for applying the two taxes. The revenue from VAT amounted to over DF 5 billion in 2011.

3.23. Pursuant to the legislation, locally produced goods and services, together with imports, are subject to the 7% standard VAT rate, while the rate on exports of goods and services is zero. The tax base for imports is the customs value plus customs duty and excise duty where applicable, while domestic products are taxed on the basis is the selling price.

3.24. The VAT law provides a list of goods (either imported or locally produced) which are exempt. These are mostly staple food products, agricultural equipment and inputs, medicines, books and newspapers, and the social component of electricity consumption.

3.1.3.4.2 Excise duty

3.25. Excise duty applies to domestic production and imports of the following products: tobacco; alcohol; petroleum products; khat; mineral water and non-alcoholic beverages; and fruit and vegetable juices. The rates for alcohol have been harmonized and set at 120% since the previous review (Table 3.3).

Table 3.3 Excise duty applicable in 2014

Product	Rate
Tobacco	
Manufactured tobacco	70%
Tobacco extracts and essences	70%
Alcohol	120%
Toilet waters containing alcohol	DF 2,500/litre of pure alcohol
Perfumes and perfume extracts containing alcohol	DF 2,500/litre of pure alcohol
Petroleum products	
Regular gasoline and premium gasoline	DF 49.5/litre
Diesel fuel	DF 6/litre
Kerosene	DF 14/litre
Lubricating oils, brake oil, grease	DF 100/net kg
Khat	
Khat	DF 561/gross kg
Mineral waters and non-alcoholic beverages	
Natural or artificial mineral waters	DF 14/litre
Aerated water whether or not containing added sugar or other sweetening matter or flavoured	DF 14/litre
Other non-alcoholic beverages	DF 14/litre
Fruit and vegetable juices	DF 160/net kg

Source: Law No. 108/AN/00/4ème L of 29 October 2000 amending the General Tax Code.

3.1.3.4.3 Other internal taxes

3.26. The Tax Code lists the other internal taxes levied on imports.

3.27. An IGS of DF 100 is levied on each gross kg of imported or locally produced khat.

[3] Law No. 43/AN/08/6ème L introducing the value added tax.

3.28. In addition, a business licence fee of DF 8.4 is levied on each gross kg of khat imported or produced locally. This is increased by 7% for the community centime tax levied on behalf of the Djibouti Chamber of Commerce.

3.29. A special solidarity tax at a rate of DF 50 is levied on each kg of khat.

3.30. A tax for the youth, sports and leisure fund applies as follows: DF 50 per kg of khat; 10% on the value of other imported goods.

3.31. There is a fixed-rate tax on petroleum products as follows: DF 5/litre of A1 jet fuel; DF 32.13/litre of premium gasoline; DF 7/litre of regular gasoline; and DF 18.23/litre of diesel fuel.

3.1.3.5 Tariff preferences

3.32. Djibouti does not officially apply a customs tariff as the TIC is considered by the authorities to be an internal tax, therefore, it does not have any tariff preference scheme.

3.1.4 Duty and tax exemptions

3.33. Exemptions and concessions may be granted under ratified international agreements (Vienna Convention), or pursuant to provisions in the Investment Code and those on free zones, or under agreements with certain companies such as the railway company.

3.34. In addition, Djibouti allows exemption from customs duties and taxes on imports by foreign military bases stationed in Djibouti, as well as under the Customs Code. The conditional relief procedures provided under the Code include: transit; temporary admission; and customs warehousing. The following are the processing or economic conditional relief procedures: inward processing; outward processing; and the bonded manufacturing procedure reserved for companies processing petroleum products, although this is not applied in practice.

3.35. The authorities have indicated that the revenue foregone as a result of duty and tax exemptions amounted to around DF 98 billion in 2013.

3.1.5 Import prohibitions, restrictions and licensing

3.36. In general, prohibitions are those provided in the international conventions signed by Djibouti, namely, the CITES, the Stockholm Convention and the Rotterdam Convention.[4] Nevertheless, pursuant to Order No. 97-0760/PRE of 17 November 1997, right-hand drive vehicles may still not be imported, and this also applies to non-biodegradable plastic bags (Order No. 99-0059/PR/MCI of 14 January 1999).

3.37. In order to protect biodiversity, trade (as well as the hunting and capture) of all wild species, their carcasses, skins and trophies remains prohibited in Djibouti. Animals listed in Annex I to the CITES or their products must be covered by a CITES export permit issued by the country of origin of the animals/products and by a CITES import permit issued by the country of destination.[5]

3.38. The import of products on Lists A(1) and (C) of the Annexes to the Montreal Protocol is subject to annual quotas determined and administered by the Minister responsible for the environment, by means of a prior authorization granted subject to the opinion of the Minister responsible for trade and in consultation with the National Ozone Committee. Since 2010, Decree No. 2004-0066/PR/MHUET of 22 April 2004 has banned the import of used or new refrigeration appliances containing certain (specified) ozone-depleting substances.

[4] WTO document WT/TPR/S/159 of 1 March 2006.

[5] Decrees No. 2001-0098/PR/MHUEAT of 27 May 2001 approving the approving the strategy and national action programme for the conservation of biodiversity and No. 2004-0065/PR/MHUEAT of 22 April 2004 on the protection of biodiversity.

3.39. The import of toxic or hazardous substances requires a special authorization from the Ministry responsible for the environment. The transport, storage, sale and use of such substances are subject to specifications endorsed by the Ministry.

3.40. Cattle feed still requires an authorization from the Ministry responsible for trade and industry, which also issues licences for importing khat. The import of medicines, weapons and ammunition requires a licence issued by the Ministry of Health and the Ministry of the Interior, respectively.

3.41. According to the authorities, Djibouti does not apply any quantitative restrictions on imports.

3.1.6 Anti-dumping, countervailing and safeguard measures

3.42. Djibouti has never imposed any anti-dumping, countervailing or safeguard measures under the WTO and has no dedicated domestic legal instruments.

3.1.7 Standards and technical regulations

3.43. Djibouti has not submitted any notification to the WTO regarding its standardization regime or its accreditation and certification procedures.

3.44. In principle, the Sub-Directorate of Quality Control and Standards, under the supervision of the Ministry of Trade, Industry and Handicrafts, is in charge, *inter alia,* of developing and publishing standards, certifying products and processes, quality assurance, testing, metrology, accreditation of laboratories, and participation in international standardization work and related activities. It also serves as the enquiry point and notification authority for the WTO Agreements on SPS measures and technical barriers to trade (TBT). There is, however, no domestic legislation on the conduct of standardization procedures.

3.45. In practice, the Sub-Directorate of Quality Control and Standards coordinates all standardization activities. It evaluates standardization needs in all economic sectors and develops draft standards, which are submitted to technical committees such as the National Codex Alimentarius Committee. These technical committees are composed of representatives of government departments, the private sector, consumers' associations, and civil society. The standards proposed in Djibouti are generally based on international standards.

3.46. Once the technical committees have endorsed a draft standard, the Sub-Directorate of Quality Control and Standards, through the responsible Ministry, forwards the text to the Government with a view to adoption by the Council of Ministers. Once it has been adopted, it becomes a Djiboutian standard.

3.47. According to the authorities, the technical regulations adopted at the national level relate to:

- enrichment of wheat flour for human consumption;
- enrichment of vegetable oil for human consumption;
- labelling of pre-packaged foodstuffs;
- regulation of bottled water for human consumption;
- regulation of the import and sale of iodized salt.

3.48. Standards are adopted by means of regulations. If they are mandatory, this is mentioned in the text (technical regulations), but no notification has been made to the WTO.

3.49. The Sub-Directorate of Quality Control and Standards controls conformity, in conjunction with the National Food Analysis Laboratory (LANAA). According to the authorities, the inspectors undertake daily inspections on the domestic market. These focus in particular on the quality of food products (e.g. labelling, sell-by date, conservation status).

3.50. The LANAA is in principle an institution providing inspection services within the Livestock Department. The inspections it carries out do not yet encompass the technical regulations in effect in Djibouti. Most of its inspections concern microbiological and physiochemical analyses. The fees payable for food inspections range from DF 10 to DF 50 per kg of the product inspected and are determined by Order No. 2010-393 PR/MAEM-RH. The Sub-Directorate of Quality Control and Standards of the Ministry responsible for trade issues marketing licences and certificates of conformity with Djiboutian standards for spring waters for human consumption on the basis of the analyses carried out by the LANAA.

3.51. In 2002, a task force on standardization was set up in order to draw up domestic legislation on the following: (i) consumer protection and fraud control; (ii) standardization; and (iii) metrology.[6]

3.52. It would seem that UNIDO has set up a legal metrology system in order to control and calibrate measuring instruments belonging to retailers and industrialists. In December 2004, a metrology laboratory was created within the Ministry of Trade, but is not yet operational as the MCI is preparing new legislation on metrology. According to the authorities, Djibouti has apparently requested the COMESA Secretariat for technical assistance for this purpose.

3.53. Djibouti is considering becoming a member of the African Organisation for Standardization (ARSO) and the International Organization for Standardization (ISO). It has not signed any mutual recognition agreement (MRA) and so far no accreditation system has been introduced.

3.1.8 Sanitary and phytosanitary requirements

3.54. The Sub-Directorate of Quality Control and Standards is the enquiry point and the notification authority for the WTO SPS Agreement, although no notification to this effect has been made to the WTO.

3.55. Orders No. 2000-0727/PR/MAEM and No. 2000-0728/PR/MAEM of 23 September 2000 regulate the marketing of imported or local animal products. The inspection criteria have been determined and take into account the chemical and microbiological characteristics of the products. The import or export of animal products still requires the submission of a sanitary certificate issued by the Directorate responsible for livestock and veterinary services (DESV).

3.56. Moreover, pursuant to Decree No. 97-0189/PR/MS of 27 December 1997, as amended by Decree No. 2002-0095/PRIMCIA of 2 June 2002, iodized salt may only be marketed or imported if accompanied by a quality certificate showing the iodine content, set at 20 to 40 mg. per kg (or 34 to 66 mg. per kg of potassium iodate).

3.57. In accordance with the legislation on consumer protection, if there is a known risk, an order may prohibit the manufacture or marketing of food products for a period not exceeding one year. In such cases, warnings and precautions for use may be widely disseminated.

3.58. The Minister responsible for trade or the Minister concerned may send warnings to manufacturers or retailers and ask them to bring the products they are selling into conformity with the rules on safety.

3.59. Law No. 28/AN/08/6ème L of 21 December 2008 on protection, fraud control and consumer protection includes provisions regulating food safety. It provides for the publication of regulatory texts concerning the production and marketing of food products, packaging and labelling requirements, methods for determining hygiene specifications, and hygiene conditions in production and storage facilities.

3.60. Since 2011, Djibouti has had a National Codex Alimentarius Committee (CNCA) within the Ministry responsible for trade. The CNCA is in charge of looking into matters relating to

[6] Order No. 2002-0757/PR/MCI of 17 October 2002 creating the task force to review standardization.

Codex Alimentarius standards, mostly by giving its opinion on the possibilities for their adoption as Djiboutian standards, and of promoting Djibouti's participation in the Codex's bodies.[7]

3.61. The Ministry of Agriculture, Livestock and Marine Affairs, more particularly the DESV, is the authority responsible for controls relating to SPS standards. The LANAA provides the DESV with support by carrying out microbiological and physicochemical analyses of water and food products. Samples are systematically taken upon importation, and contracts for the analysis of food products are signed with hotels and restaurants. The LANAA has begun the procedure for accreditation in respect of ISO Standard 17025/2005. It has also had a contract for analysis purposes with France's veterinary services since 2010.

3.62. If an animal disease breaks out, measures are taken immediately by ministerial order. For example, an Order was adopted in 2007 to combat avian flu (Order No. 2007-0193/PRE/MS), creating a steering committee for the project to combat avian flu.

3.63. According to the authorities, no formal early warning procedure is in place.

3.2 Measures directly affecting exports

3.2.1 Procedures

3.64. The registration formalities applicable to importation of goods for commercial purposes generally also apply to exports (section 1). According to the *Doing Business* report for 2014, an average of 20 days is usually needed to complete all export procedures (13 days to draw up the documents, two for customs clearance and technical inspection, three for handling at the port and terminal, and two for inland transport).

3.2.2 Taxes and other export levies

3.65. A tax of DF 500/tonne is still levied on exports of salt. Moreover, a charge of DF 400 is levied on behalf of the LANAA for a sanitary certificate for the export of camels and cattle, and DF 200 for sheep and goats.

3.2.3 Export prohibitions, restrictions and licensing

3.66. The main prohibitions in effect in Djibouti are for the purpose of protecting biodiversity. For example, pursuant to Decree No. 2004-0065/PR/MHUEAT of 22 April 2004 on the protection of biodiversity, exports of Djiboutian wood and of coral are banned.

3.67. A sanitary certificate issued by the Damerjog cattle export centre is required for the export of cattle.

3.2.4 Export promotion, financing, insurance and guarantees

3.68. According to the authorities, Djibouti does not grant any export subsidies. Because of the country's narrow export base, support services are virtually non-existent in Djibouti. Nevertheless, the Djibouti Chamber of Commerce defends the interests of exporters of salt with the Government. According to the authorities, there is no national strategy to develop exports.

3.69. Djibouti has no government programme for financing, insuring or guaranteeing exports. Export financing and insurance are provided by regional or multinational institutions.

3.70. The African Trade Insurance Agency (ATI) grants export credit guarantees to cover political risks. In addition, Djibouti belongs to the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), which provides insurance services against commercial and non-commercial risks.

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[7] Decree No. 2011-0204/PR/MDC creating the National Codex Alimentarius Committee (CNCA).

3.2.5 Free zones

3.71. Law No. 53/AN/04 of 17 May 2004, amended by Law No. 41/AN/08 of 28 December 2008, containing the finance law for 2009, grants full exemption from direct and indirect taxes for a term of 50 years to free-zone companies.

3.72. In order to be admitted to a free zone, a company is required to select one of the legal formats proposed by Law No. 103/AN/04/5ème L (limited liability company, single-person business or branch). It must be engaged in industrial, commercial, financial or services activities, except for those that might endanger national security, the environment or health. Its head office must be set up within the free zone.

3.73. Djibouti's Ports and Free Zones Authority is responsible for administering and controlling free zones. It approves requests for approval of companies wishing to set up in a free zone. Its lack of autonomy, however, may undermine its dynamism, particularly as regards the promotion of activities within free zones.

3.74. Companies operating in a free zone must employ at least 30% of Djiboutian personnel by the end of their first year of operation, and at least 70% by the end of the fifth year. Around 175 companies are currently listed in the registers of Djibouti's Ports and Free Zones Authority.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.75. There has been no change in the framework for incentives since Djibouti's previous trade policy review. The main incentives are still those provided under the Investment Code (Table 3.4).

Table 3.4 Tax exemptions under the Investment Code

Investment Code
Law No. 88/AN of 13 February 1984, amended by: - Law No. 58/94 of 16 October 1994 - Law No. 143/AN/97 of 3 December 1997 - Law No. 23/AN/08 of 13 December 2008 containing the amended Finance Law - Law No. 41/AN/08 of 28 December 2008 containing the initial Finance Law for 2009
Regime A (term 5 years) Investment: 5,000,000 – 50,000,000 Internal consumption tax throughout the duration of the project
Regime B (term 10 years) Investment: >50,000,000 - Internal consumption tax: 7 years - Corporate tax: 7 years - Property tax: 7 years - Registration fees - Exemption from tax on profits reinvested after 7 years

Source: Investment Code.

3.76. In 2014, the Djibouti High Council for Public-Private Dialogue was set up in order to examine the constraints preventing the emergence of the private sector and to propose solutions.

3.77. The Djibouti Economic Development Fund (FDED) continues to finance development projects or programmes for agricultural and livestock activities, fishing, tourism, services and small and medium-sized industries processing domestic raw materials.

3.3.2 Competition policy and price controls

3.3.2.1 Competition policy

3.78. In 2008, Djibouti adopted Law No. 28/AN/08/6ème L on protection, fraud control and consumer protection, which prohibits any form of action among economic operators intended, *inter alia,* to restrict competition, limit or control production and investment, or to abuse a dominant position.

3.79. The agency responsible for implementing government policy for the regulation of competition is the Directorate of Internal Trade, Competition and Fraud Control.

3.80. This Law does not cover State-owned enterprises or practices that ensure technical progress without compromising competition for a large number of the products concerned.

3.81. Djibouti takes part in the work on introducing a regional competition policy within the COMESA framework.

3.3.2.2 Price regulation and controls

3.82. In principle, Djibouti's legislation encourages the free fixing of prices through market forces alone. However, it empowers the Government, acting on a proposal by the Minister responsible for trade, to take legal and regulatory measures to regulate prices in sectors/situations where freedom of competition is limited, for example, if there are monopolies or ongoing supply problems. Postal and telecommunications, electricity, water and urban transport services are therefore regulated by the State.

3.83. The price of bread continues to be regulated by means of State aid for bakeries (preferential electricity rates, exemption from profits tax). The Government and economic operators decide together on the price structure.

3.84. If there are excessive price increases or in unusual circumstances, the Government may also take temporary price regulation measures.

3.85. Since 2008, the Government has regularly published a price list for staple goods (milk, flour, rice, sugar, pasta, kerosene) exempt from TIC and VAT. An inspection unit ensures that these prices are strictly applied.

3.86. The Central Procurement Agency for Essential Medicines and Materials (CAMME) has responsibility for approving the methods used to set the selling price of pharmaceuticals; determining the transfer price of essential medicines and the purchasing procedures; and for organizing stock management.[8]

3.3.3 State trading, State-owned enterprises and privatization

3.87. Djibouti has not notified the WTO of any State-trading enterprises within the meaning of Article XVII of the GATT, although the State owns shares in a number of enterprises operating in all sectors of the economy.

3.88. Djibouti's economy is still dominated by the presence of State-owned enterprises, with around 47 government-owned companies (Table 3.5). These are mostly engaged in agro-industry, mining, hotels, financial services, telecommunications and transport and storage services. Efficient management of the public sector continues to pose serious challenges. A diagnostic study was therefore launched in 2012 with a view to enhancing the quality and efficiency of State services.[9]

3.89. According to the authorities, the following are the State-owned enterprises with monopolies or exclusive rights:

- Électricité de Djibouti (EDD) for the generation, transport and distribution of electricity;
- Office national des eaux et l'assainissement de Djibouti (ONEAD) for distribution of water;
- Djibouti Télécom (DT) for telecommunications;

[8] Decrees No. 2004-0059/PR/MS of 13 April 2004, No. 97-0039/PR/SP of 3 April 1997 on the publication and requirements for updating the list of essential medicines, and Order No. 2003-0526/PR/MS of 8 July 2003.

[9] Online information. Viewed at: http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2013/PDF/Djibouti%20-%20Perspectives%20%C3%A9conomiques%20en%20Afrique.pdf.

- Radio télévision de Djibouti (RTD) for radio and television;
- Imprimerie nationale for printing for the print media;
- Office de voirie for rubbish collection; and
- Laboratoire d'analyses alimentaires for the sanitary inspection of foodstuffs.

Table 3.5 State-owned enterprises engaged in commercial activities

Company	Activity	Share of the capital held by the State	Progress of the privatization project
Société industrielle des eaux minérales d'Ali-Sabieh (SIEMAS)	Sale and export of mineral water		Provisionally at a standstill
Cimenterie d'Ali-Sabieh	Cement	100%	In operation
Imprimerie nationale de Djibouti	Printing	100%	Financial situation being stabilized with a view to granting a concession or management contract
Compagnie nouvelle de commerce (CNC)	Production of ceramics		Privatization under way (awaiting buyers)
Centrale d'achat des médicaments et matériels essentiels (CAMME)	Purchase and sale of medicines	100%	In operation
Fonds de développement économique de Djibouti (FDED)	Financing	100%	In operation
Électricité de Djibouti (EDD)	Electricity	100%	In operation
Office national des eaux de Djibouti (ONED)	Water	100%	In operation
Djibouti Télécom (DT)	Telecommunications, fixed and mobile telephony	100%	In operation
Port autonome international de Djibouti (PAID)	Port services	100%	In operation
Aéroport international de Djibouti (AID)	Airport	100%	In operation
Chemin de fer Djibouti–Éthiopie	Rail transport	Owned by the two States (50%)	In operation
Poste de Djibouti	Postal services	100%	In operation
Société internationale des hydrocarbures de Djibouti (SIHD)	Petroleum	100%	In operation
Société immobilière de Djibouti (SID)	Urban housing	100%	In operation
Radio télévision de Djibouti (RTD)	Audiovisual	100%	In operation

Source: Decrees No. 99-0077/PR/MFEN of 8 June 1999 and No. 2001-0191/OR/MEFPP of 23 September 2001.

3.90. Not only are State-owned enterprises a burden on the State's budget and add to its indebtedness, but they also supply goods and services to the public at high prices which affect the overall competitiveness of the economy.

3.91. Law No. 130/AN/96/3ème L[10] lays down the terms and conditions for privatization of holdings, enterprises, assets or activities belonging to the public sector.

3.92. Under the privatization law, decrees determine the terms for each privatization operation on a case-by-case basis according to one of the following methods: public offer of sale of shares in companies being privatized; restricted or open national or international call for bids for the sale of blocks, the majority or all of the shares making up the capital of companies being privatized; restricted or open national or international call for bids for the transfer of a company or

[10] Law of 15 February 1997 establishing the terms and conditions for the privatization of State holdings, enterprises, assets or activities.

the granting of a concession or lease for a company or activities being privatized; direct sale of all or part of a company, activity or asset being privatized, in exceptional cases and only when this is justified by the need to involve buyers offering decisive advantages such as financial, technical and/or commercial capacity; and sale to the highest bidder at a public auction for tangible assets, movable or immovable property and equipment.

3.93. Privatization programmes are implemented by a National Privatization Committee, under the supervision of the Minister responsible for finance. The State has the possibility of maintaining a holding in privatized enterprises in order to keep a "right of oversight". In addition, preferences are given to Djibouti citizens (see the previous report on the review of Djibouti's trade policy for further details).[11]

3.94. Since the privatization process was launched in 1997, and despite the privatization programmes involving, in particular, Électricité de Djibouti (EDD), the Office national des eaux (ONED), Djibouti International Airport, and Djibouti Télécom, no concrete privatization action has yet been taken. The authorities appear to rely more on reforming the management of State-owned enterprises.

3.3.4 Government procurement

3.95. Law No. 53/AN/O9/6ème L of 1 July 2009 regulates the government procurement framework in Djibouti. According to the authorities, it replaced Law No. 75/AN/95/3ème L of 14 February 1995 in order to streamline the requirements for selecting bids, formalities for access to government procurement, appeals procedures, and penalties in the event of non-compliance with the Code's provisions. It applies to contracts signed by the State (ministries, public institutions of an industrial or commercial nature, State-owned companies, and local authorities) for the purpose of carrying out works, supplying goods or providing services.

3.96. The National Government Procurement Commission (CNMP) is the main body set up for the purpose of government procurement procedures. It was created by Decree No. 2010-0083/PR/SGG and has competence, *inter alia,* for: issuing opinions on the procurement projects of a contracting department (no contract that falls within the competence of the CNMP may be signed without its agreement); conducting technical or financial audits; proposing government procurement policies and amendments to the Law.

3.97. The Code also provides for a Dispute Settlement Committee, which is the final channel of appeal for any bidder for a contract.

3.98. Pursuant to the Code, bidders must be in compliance with the requirements of the tax and parafiscal departments. "However, persons who, in the absence of payment, have posted security deemed sufficient by the entity or accountant in charge of collecting payment are allowed to sign procurement contracts." Foreign bidders must present a sworn declaration confirming that they have complied with their tax and parafiscal obligations.

3.99. Under Djibouti's legislation, an open call for bids is the preferred procedure for procurement. If the contracting department and the CNMP find that the service can only be provided by a limited number of suppliers, the restricted bidding procedure is followed, while at the same time ensuring that there is proper competition. For negotiated contracts, a bidder may be selected without any competition, but this procedure may only be followed, *inter alia,* in situations of emergency or when intellectual property rights are required in order to meet needs.

3.100. The main provisions of the Government Procurement Code do not apply to contracts for an amount below DF 5 million, which only require a purchase order.

3.101. On average, since 2007 half of the contracts have been awarded following an open call for bids (Table 3.6).

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[11] WTO document WT/TPR/S/159 of 1 March 2006.

Table 3.6 Statistics on government procurement by procedure, 2007-2013

(DF million)

Year	Open bidding	Restricted bidding	Total
2007	5,546	6,000	11,546
2008	9,482	8,316	17,798
2009	5,000	5,137	10,137
2010	4,562	4,666	9,228
2011	10,323	12,162	22,485
2012	6,557	11,839	18,396
2013	5,275	4,935	10,210

Source: Based on information provided by the authorities.

3.102. In the open bidding procedure, the call for bids is usually published in the newspaper *La Nation*. Above a certain amount determined by regulation or at the discretion of the CNMP, a call for bids may also be published internationally. The authorities have stated that most of the contracts financed by foreign donors were awarded following calls for bids published internationally.

3.103. The legislation provides for preferential margins of up to 7.5% for bids by natural persons of Djiboutian nationality or legal persons under Djiboutian law the majority of whose capital is owned by the State or by natural persons of Djiboutian nationality. In addition, preferential margins up to a maximum of 4% may be granted to foreign bidders which undertake to subcontract at least 20% of the amount of the services to Djiboutians. Bids which propose to use supplies of Djiboutian origin may also receive a maximum 15% preferential margin.

3.104. The CNMP organizes public opening of bids for all bidders. Pursuant to the Code, it must notify bidders whose bids have not been selected and inform them of the reasons if they so request.

3.105. Djibouti is neither a party nor an observer to the Plurilateral Agreement on Government Procurement and has not announced its intention to accede to it.

3.3.5 Intellectual property rights

3.106. Djibouti is a contracting party to a number of regional and international intellectual property rights (IPR) treaties and agreements, including the World Intellectual Property Organization (WIPO), the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works. It has also ratified the 1995 Marrakesh Agreement. According to the authorities, Djibouti acceded to the Bangui Agreement establishing the African Intellectual Property Organization (OAPI) in 1994, but withdrew in 2001.

3.107. The WTO has not been notified of any enquiry point in relation to the TRIPS Agreement.

3.108. There were far-reaching changes to the legislative framework for IPRs in Djibouti during the period under review. In 2006, Djibouti adopted a law on the protection of copyright and related rights[12], and a law on industrial property in 2009.[13] In addition, it signed the Beijing Treaty on Audiovisual Performances in 2012, and the Marrakesh Treaty on access for the visually impaired to published materials protected by copyright in 2013.

3.109. The Industrial Property Law covers the granting and registration of patents, layout-designs of integrated circuits, trademarks for products or services, trade names, geographical indications, appellations of origin, as well as industrial designs. Pursuant to Decree No. 2011-079/PR/MDCC implementing Law No. 50/AN/09/6ème L on the protection of industrial property, the examination and approval of applications for industrial property rights is one of the responsibilities of the Office of Industrial Property and Commerce (ODPIC). This Office is also in charge of implementing the law on the protection of industrial property rights. During the period under review, most of the intellectual property rights registered concerned trademarks (Table 3.7).

[12] Law No. 154/AN/06/5ème L of 23 July 2006 on the protection of copyright and related rights.
[13] Law No. 50/AN/09/6ème L of 19 July 2009 on the protection of industrial property.

Table 3.7 Industrial property rights registered by the ODPIC, 2009-2013

	Number of registrations				
National and international patents					
By residents	0	0	0	0	1
By non-residents	0	0	0	0	2
Total	**0**	**0**	**0**	**0**	**3**
Industrial designs					
By residents	0	0	0	0	2
By non-residents	4	5	1	0	3
Total	**4**	**5**	**1**	**0**	**5**
Trademarks					
By residents	177	243	284	307	230
By non-residents	8	4	15	20	17
Total	**185**	**247**	**299**	**327**	**247**

Source: Information provided by the authorities.

3.110. Pursuant to the Industrial Property Law, a compulsory licence for a patent may only be issued by a competent court three years after the patent has been granted or four years after the date of filing the application for the patent. Moreover, it may only be granted if the patent owner is working the invention in an abusive way and where national security, health or nutritional concerns or the development of vital sectors of the economy so require. The authorities have never made use of compulsory licensing.

3.111. According to the legislation, a trademark is protected by its registration.

3.112. The Law on copyright and related rights covers, *inter alia,* literary, musical, artistic and audiovisual works, as well as computer programs. Authors have the right to exploit their works themselves or to assign the exploitation rights in such a way as to derive a pecuniary gain. The term of protection granted by the Law for economic rights in protected works extends throughout the lifetime of the author and for 50 years after his death. Anonymous or pseudonymous works are protected for 50 years after the date on which the work was legally made available to the public. If the author's identity is disclosed or no doubts exist as to his true identity prior to the end of this period, however, protection becomes the same as that granted for economic rights.

3.113. The Law on copyright and related rights created the Djibouti Office for Copyright and Related Rights (BDDA), which is responsible, *inter alia*, for enforcing copyright in Djibouti. It represents copyright owners in connection with production, musical performances, audiovisual performances and reproduction of works. Its main task is to oversee the use of works protected by copyright, to negotiate the terms for using them, to collect royalties and distribute them to the right holders, and to bring legal proceedings if royalties are not paid.

3.114. It also recognizes the related rights of performers and of phonogram producers.

3.3.5.1 Sanctions

3.115. The Law prohibits counterfeiting, trade or any other transaction in counterfeit goods, and provides criminal sanctions for counterfeiting and piracy.

3.116. The owner of the intellectual property right may bring any administrative or legal proceedings with a view to ending the production of counterfeit goods or to preventing infringement if this is imminent. Proceedings may be instituted by the BDDA in the case of copyright; by the owner of the right of exploitation or the holder of a licence for the right before the court in the actual or chosen place of domicile of the complainant. For foreign complainants, however, legal proceedings may be brought before the court in the place where the ODPIC is situated.

3.117. As regards imported or exported counterfeit goods, the right holder may make a request to the customs administration, which may decide to seize or retain the goods.

3.118. The sanctions provided may involve a term of imprisonment of five years and a fine of DF 10,000,000 or one of the two.

3.119. The courts may decide that the counterfeit goods and all the materials and instruments used to create or manufacture them should be confiscated or destroyed, that the filing and registration should be annulled, with the court's ruling being published in a Djiboutian newspaper at the expense of the unsuccessful party, either in full or an extract thereof, and may prohibit the infringing acts subject to a fine.

3.120. Pursuant to the Law, the penalties applicable to counterfeiters also apply to persons who have knowingly received, exhibited, put on sale or sold, introduced or exported products deemed to be counterfeit.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Overview

4.1. In Djibouti, agricultural production makes only a very small contribution to GDP, amounting to about 3%. Despite its not-inconsiderable potential, agriculture continues to be based on family and subsistence farming; and the small size of the holdings (average area one half hectare) tends to limit the opportunities for economies of scale, particularly as input costs are quite high.

4.2. In addition to the foreclosure effect of the services sector (particularly port services), there are several other factors that contribute to this poor agricultural performance. For example, where crop production is concerned, the country has about 10,000 hectares of groundwater-fed arable land, of which only 1,000 to 2,000 hectares are being cultivated. At the same time, according to the authorities, between 100,000 and 110,000 hectares could be cultivated using surface water. The weakness of the farming sector can be attributed to a combination of obstacles such as the lack of water and the underutilization of irrigation techniques (about 9.5% of the land under cultivation is irrigated).

4.3. According to the master plan for the agricultural sector, the livestock subsector, although the strongest link in agricultural production, is mainly nomadic and meets only part of the demand. Despite serious constraints, such as the low productivity of the cattle and poor control of animal diseases, it is the primary subsistence activity of the rural population, which accounts for one third of the total population of Djibouti.

4.4. Djibouti has abundant fishery resources, with an exploitable potential estimated at 47,000 tonnes per year.[1] However, because of a lack of means of production (limited number of vessels), preservation facilities and fishing skills, only 2% of the potential is being exploited.

4.5. The main objective of Djibouti's agricultural policy continues to be ensuring food security. In February 2009, a master plan for the development of the primary sector (PDSP) over the period 2009-2018 was drawn up by the Ministry of Agriculture, Livestock and Marine Affairs, with support from Turkey. The aims of the PDSP are: (i) to improve the mobilization of water resources (boreholes, wells and surface water); (ii) to increase crop, animal and fish production; and (iii) to improve the primary sector's contribution to the national economy.

4.6. Under the Djiboutian system of tenure, the land is State property and in its allocation priority is given to agriculture. The State may assign land on a definitive basis to persons of Djiboutian nationality. Foreigners may invest in agricultural land under a leasing arrangement.

4.7. In 2008 and 2009, in parallel with the economic and financial crisis which adversely affected its economic growth, Djibouti had to contend with rising world food prices and a simultaneous episode of drought. In response to this situation and to combat the resulting food crisis, in 2009 the State established the Djiboutian Food Security Company (SDCA).[2]

4.8. The SDCA seeks to restore the purchasing power of Djiboutian consumers and, to this end, one of its functions is to manage the production of the farms owned by the Djiboutian State in Ethiopia and Sudan (because of the low operating costs), on which wheat, sorghum and sunflowers are grown. The idea is gradually to build up stocks of cereals which will then be sold on the local market at subsidized prices, thereby helping to stabilize food prices. In addition to this measure based on the supply of foodstuffs by the Government, the State also grants exemption from indirect taxes on staples, namely, rice, oil, sugar, flour and milk. Finally, the State is also introducing policies to promote the development of arable land and the use of new techniques, such as cultivation under glass and drip irrigation, for the production fruit and vegetables.

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[1] Ministry of Agriculture, Livestock and Marine Affairs (2009).

[2] The Djiboutian Food Security Company was established by Law No. 45/AN/09/6ème L of 21 February 2009, as amended by Law No. 90/AN/10/6ème L of 11 July 2010. Viewed at: http://faolex.fao.org/cgi-bin/faolex.exe?rec_id=106939&database=faolex&search_type=link&table=result&lang=eng&format_name=@ERALL.

4.9. In 2011, the Djiboutian economy suffered the repercussions of a second upsurge in prices. This rapid rise in food prices was also linked with a rise in fuel prices, since the higher oil price due to disturbances in the Middle East and North Africa raised transport costs and, indirectly, the cost of fertilizer. To this should be added the drought in the Horn of Africa, which severely affected Djibouti by drastically reducing the food supply. As well as causing the loss of crops and cattle, it also led to an inflow of refugees from neighbouring countries.

4.10. The objectives of the Economic and Social Policy Law for the decade 2001-2010 were: (i) combating poverty by raising revenue and living standards among the rural population; (ii) halting the rural exodus; (iii) the rational exploitation of natural resources in order to enhance and protect the environment and biodiversity; (iv) developing arable land, increasing the area under irrigation and promoting livestock and fishing activities with a view to increasing local agricultural production (vegetables, fruit, meat and fish); (v) developing oasis-type agriculture in order to promote cultivation of the date palm, in particular; and (vi) reorganizing the Ministry responsible for agriculture so as to build up its structures for planning, monitoring development programmes and disseminating information.

4.11. According to the authorities, the main incentives in the agricultural sector concern: exemptions from fuel tax for fishing; gifts of seed and equipment through agricultural associations and cooperatives; and supplying livestock farmers with free medicine and treatment for their cattle. The authorities also intend to open input shops in agricultural areas, with the assistance of the FAO.

4.12. The average TIC on agricultural products (ISIC, Rev.2 definition) is 14.3%, with rates ranging up to 26%. The products are marketed directly by the farmers and livestock breeders themselves.

4.1.2 Principal subsectors

4.1.2.1 Crop and animal production

4.13. Crop production, which is very marginal, mainly involves market garden, orchard and forage crops. Fruit and vegetable production covers less than 10% of requirements, the rest being imported. As for cereals, the country's needs are met entirely by imports.

4.14. Foreign organizations, in particular the United Arab Emirates company INMAA and the Arab Authority for Agricultural Development and Investment, have recently engaged in agricultural investment in Djibouti.

4.15. The average rate of TIC is 11.3% for fruit, vegetables and plants and 9.3% for cereals. Health monitoring measures are in place within the context of animal and plant health protection, together with food safety measures (section 3). According to the authorities, the importation of date palm stock has been prohibited since 2013.

4.16. Livestock breeding is nomadic and the major activity of the rural population. It is characterized by mobility governed by rainfall and the availability of pasturage. Sedentary stock-raising is practised in the vicinity of population centres and water sources.

4.17. There are no recent statistics on the livestock herd. The statistics for 1995 listed 550,000 goats, 450,000 sheep, 50,000 bovine animals, 60,000 camels and 6,500 asses.[3]

4.18. The subsector's potential for development has been further confirmed in recent years. Experiments on crossing dairy breeds with exotic species have proved interesting and resulted in increased yields. Moreover, in the urban areas, the growing demand for livestock products could serve to provide a guaranteed outlet on the domestic market for all the additional production.

4.19. Djibouti has a regional cattle export centre, which is helping to improve the exportation and exploitation of cattle in conformity with the sanitary and veterinary requirements of the importing countries. This centre is regularly inspected by officials from the partner countries. Every year,

[3] Online information. Viewed at: ftp://ftp.fao.org/docrep/fao/010/a1250e/a1250e.pdf.

about two million head of cattle, a large proportion of them from Somalia, transit through this centre before being exported to the Arabian Peninsula.

4.20. The Government's efforts within the context of the PDSP involve, *inter alia*: making an exhaustive inventory of the herd at national level, ensuring greater productivity (by making fodder more readily available and introducing genetic improvements), taking measures to strengthen the control of diseases, and building the capacity of the professional and marketing organizations.

4.21. The TIC ranges from 0 to 26%, with an average of 15% on animals and animal products.

4.1.2.2 Fishing

4.22. Fishing's contribution to the Djiboutian economy remains marginal (less than 0.1%) due to national legislation that only authorizes artisanal fishing, defined as fishing carried out on foot or on vessels without refrigeration equipment which spend around 72 hours at sea during one trip. The country has 372 km of coastline and the fishing and related activities subsector employs about 3,000 people. There is no fish farming or aquaculture even though the conditions are suitable for breeding certain species (shrimps and algae).

4.23. Djibouti has a Fisheries Master Plan and a National Action Plan to prevent, deter and eliminate illegal, unreported and unregulated (IUU) fishing. However, IUU fishing appears to be on a small scale.

4.24. The inadequate infrastructure, particularly for preserving and processing, insufficient training and the lack of financing continue to limit production. There are hardly any exports of fishery products. For health reasons, the European Union prohibits the import of fish and other fish products from Djibouti. In order to comply with the standards prescribed by importing countries, Djibouti has drawn up regulatory texts that take international sanitary standards into account. The authorities have indicated that the National Food Analysis Laboratory is in process of being accredited.

4.25. The Fisheries Directorate is responsible for the fishing subsector. Its functions include the monitoring, control and surveillance of fishing activities. It also has responsibility for the sanitary inspection of fish products. However, where surveillance is concerned, it relies to a large extent on the collaboration of the Ministry of Transport's coastguard services, which are better equipped for the purpose.

4.26. The practice of fishing and aquaculture continues to be governed by Law No. 187/AN/02/4ème L of 9 September 2002 establishing the Fisheries Code. In 2007, an implementing decree created the Fisheries Advisory Council, regulated the exercise of fishing activities and established the fishing vessel ownership regime.

4.27. The authorities have indicated that a new Fisheries Code is in process of being adopted with a view to making good the shortcomings of the 2002 Code.

4.28. In waters under Djiboutian jurisdiction, commercial fishing is reserved for vessels registered in Djibouti and for Djiboutian nationals. Djibouti does not have any fisheries agreements with any other country. Under the Code, no fishing is allowed without a licence. These annual licences are issued by the Minister of Agriculture, Livestock and Marine Affairs, upon payment of a fee to be fixed in an order (currently being drawn up). Three categories of artisanal fishing are defined and authorized: (i) enhanced artisanal fishing, on vessels measuring over 9 metres in length; (ii) small-scale artisanal fishing, on vessels of up to 9 metres in length; and (iii) traditional, either on foot or on floating structures that do not have to be registered. The Marine Affairs Directorate is responsible for registering fishing vessels.

4.29. Trawling is prohibited in Djiboutian waters, except for scientific purposes in cooperation with the Djibouti Study and Research Centre (CERD) and the Ministry responsible for the environment.

4.30. Investment in the fishing subsector is governed by the National Investment Charter. The TIC ranges from 0 to 26%, with an average of 21.9% on fish and fish products.

4.2 Mining and energy

4.2.1 Mining

4.31. During the review period the legal and institutional framework for mining remained unchanged.

4.32. Depending on the activity, the 1994 Mining Code provides for three different types of permit: a prospection permit, an exploration permit and an operating permit (Table 4.1).[4] Under the Code, mining is open to Djiboutian and foreign investors. In 1997, a research development fund was set up; it is to be financed by 20% of the surface and mining royalties specified in Decree No. 97-0064/PR/MIEM. The authorities have indicated that this fund is still not operational.

Table 4.1 Mining titles

Mining rights	Term	Restrictions	Cost (per annum)
Prospection permit	Valid for one year and renewable for two further periods of one year each.	May not be assigned, transferred, handed down by succession, or given as security.	DF 20,000 for building material quarries or renewal. DF 50,000 for useful substances other than precious metals and minerals or renewal. DF 100,000 for precious metals and minerals. Surface royalty of DF 200 per km^2.
Exploration permit	Valid for a period of three years and renewable twice for two years each.		DF 50,000 for building material quarries and renewal. DF 150,000 for minerals and metals. Surface royalty of DF 1,000 per km^2.
Operating permit:			
Artisanal	Valid for one year and renewable for the same period.	May not be assigned, transferred, handed down by succession, or given as security.	DF 20,000 per annum. Surface royalty of DF 5,000 per km^2 (building material quarries), DF 20,000 (precious metals and minerals) and DF 10,000 (substances other than building materials, precious metals and minerals).
Small-scale	Valid for a period not exceeding five years and renewable for two further periods not exceeding three years.	May be assigned or transferred subject to the prior consent of the Government. The permit holder may give the permit or the minerals produced on the permit area as security or a guarantee subject to the Government's consent. The operating permit may not be handed down by succession.	DF 100,000 per annum for building materials and renewal, and surface royalty of DF 5,000 per km^2. DF 150,000 per annum for substances other than precious metals and minerals and building materials, and surface royalty of DF 20,000 per km^2. DF 350,000 per annum for precious metals and minerals, and surface royalty of DF 50,000 per km^2.
Large-scale	Valid for a period not exceeding 20 years and renewable for further periods not exceeding 10 years.	May be assigned or transferred subject to prior consent by the Government. The permit holder may give the permit or the minerals produced on the permit area as security or a guarantee subject to the Government's consent. The operating permit may not be handed down by succession.	DF 500,000 per annum for building material quarries and renewal, and surface royalty of DF 20,000 per km^2. DF 1 million per annum for substances other than precious metals and building materials, and surface royalty of DF 50,000 per km^2. DF 2 million per annum for precious metals and minerals, and surface royalty of DF 100,000 per km^2.

Source: Law No. 66/AN/94/3ème L of 7 December 1994 and Decree No. 97-0064/PR/MIEM of 12 May 1997.

4.33. The benefits granted to mining companies are regulated by the Investment Code.

4.34. Salt is still the major mining resource being exploited in Djibouti. In 2005, salt-producing operations resumed as a result of a new export contract with Spain and a pick-up in exports to Ethiopia. However, it would appear that the salt exports did not continue for very long due to the

[4] WTO document WT/TPR/S/159, 1 March 2006.

cessation of industrial exploitation. According to the authorities, only one licence for salt exploitation has been granted, to the company Salt Investment (SI).

4.35. Djibouti has salt resources of considerable potential importance. The exploitation of these resources suffers from several constraints which are affecting its development. These include, *inter alia*, the absence of modern technology, lack of skills and a product with low value added. The salt resources of Lake Assal, whose rate of replenishment is estimated at 6 million tonnes per year, are still being exploited by the company Salt Investment under a concession contract signed on 17 July 2006. This contract grants SI the right to exploit the salt of Lake Assal for a period of 50 years. The salt produced will be mainly for export of an estimated 4 million tonnes per year. This project is currently at a standstill.

4.36. At present, the main local source of supplies of salt for Djibouti's street markets is the Doraleh salt marshes, where salt is produced on an artisanal basis.

4.37. Salt is the national product with the greatest export potential.

4.2.2 Energy

4.2.2.1 Electricity

4.38. The legal and institutional framework of Djibouti's electricity subsector has remained essentially unchanged since its last trade policy review. Électricité de Djibouti (EDD), a State-owned enterprise, still has a monopoly on the production, distribution and marketing of electricity in the country.

4.39. The authorities have indicated that efforts are being made to draw up a regulatory framework and a development strategy for the electrical sector in Djibouti. The Government's objectives include, in particular: the development of the country's geothermal and wind and solar power resources; the opening up of the subsector to competition; and an increase in the rate of electrification.

4.40. The structural weaknesses of the country's electrical installations and their consequences, in particular exorbitant tariffs (US$30 cents/kWh), exert an upward pressure on production costs. Government subsidies for the electricity subsector, which amounted to about 1.5% of GDP in 2012, are also a burden on the national economy.[5]

4.41. Installed production capacity amounts to about 125 MW, mostly generated by oil-fired thermal plants. Losses, due to the poor condition of the network and illegal connections, are equal to about 16% of the electricity generated.[6]

4.42. Since 2011, the interconnection of Djibouti's grid with that of Ethiopia has considerably reduced domestic electricity generation (37% as compared with 2010). About 50% of the total electricity supply (395.7 gWh) is imported from Ethiopia, while the domestic energy demand is estimated at 421.73 gWh. Under the bilateral contract governing electricity imports, the latter are limited to 243 gWh per year during the period 2012-2015. The tariffs for imported electricity are between US$6 and 7 cents/kWh.[7]

4.43. Some private businesses maintain their own generators, with a view to avoiding the adverse effects of repeated power cuts. However, they are not allowed to resell surplus electricity.

4.44. Electricity rates are fixed by presidential decree and there are two levels of consumption (Table 4.2).[8] Low voltage consumption is billed at the established rates.[9] Medium voltage rates are

[5] IMF (2012).
[6] ARE (2013).
[7] ARE (2013).
[8] Order No. 2012-096/PR/MERN of 6 February 2012.
[9] Namely: (i) social rate or Code 1 for any household dwelling, amounting to 1 kVA in the district of Djibouti or the region of Arta; (ii) residential rate or Code 2 for use in any family dwelling in the district of Djibouti or the region of Arta; (iii) general rate or Code 3 for any use, with the exception of consumption in family dwellings and public lighting; (iv) special rate or Code 4 for bakeries producing "common bread";

determined according to use.[10] Bakeries producing "common bread" benefit from a special low voltage rate of DF 48/kVA. A monthly charge, determined per kVA contracted, is also payable by all subscribers.

4.45. The TIC on electricity is 33%. The EDD is granted exemption from surcharges on its purchases of petroleum products (heavy fuel oil, diesel fuel and lubricants) used to generate electricity.[11]

Table 4.2. Electricity rates, February 2012

(a) Low voltage
(DF)

Type of rate	First bracket	Second bracket	Monthly standing charge
Social (Code 1)	27	62	544
Residential (Code 2)	40	58	Ranges from 1,069 to 1,494, depending on the power subscribed (6-36 kVA)
General (Code 3)	62		605 if the power subscribed is 36 kVA or lower and 66 x the power if it exceeds 36 kVA[a]
Non-residential	62		
Special "common bread" (Code 4)	48		1,520
Degressive (Code 5)	62	54	519 if the power subscribed is 8 kVA or lower, and 1,900 x the power if it exceeds 8 kVA
For interior districts (Code 7)	40	58	540 if the power subscribed is 36 kVa or lower, and 58 if it exceeds 36 kVA
SMI rate (Code 16)	50	..	1,520
Public lighting (Code 8)	59	59	n.a.
Building sites (Code 9)	62	..	..
Social 2 (Code 17)	40	58	951 if the power subscribed is 3 kVA or lower, and 1,069 if the power subscribed exceeds 3 kVA

.. Not available.
n.a. Not applicable.
a The amount of the standing charge is DF 80.

(b) Medium voltage

Rate	General		Industrial[a]	
	Code 11 Djibouti and Arta	Code 12 Ali-Sabieh, Dikhil, Obock and Tadjourah	Code 13	..
First bracket	50	60	37	41
Second bracket	40	50	33	..
	Monthly standing charge			
0 to 500 kVA	1,931 x power			
500 to 1,300 kVA	1,738 x power			
more than 1,300 kVA	1,642 x power			

.. Not available.

a Rate granted solely to large customers in the following categories: hotel industries (over 100 rooms); processing industries whose production is intended for export; and agro-food industries producing staple goods and fisheries.

Source: Based on information provided by the authorities.

(v) degressive rate or Code 5 for any use, with the exception of consumption in family dwellings and public lighting in the district of Djibouti and the region of Arta; (vi) public lighting rate or Code 8 for public lighting in the district of Djibouti and the region of Arta; (vii) low voltage rate or Code 7 for any use in the districts Ali-Sabieh, Dikhil, Obock and Tadjourah; (viii) Code 9 for any use on building sites.

[10] Medium voltage is for all uses other than in family dwellings.

[11] Order No. 2000-0030/PR/MEFP of 13 January 2000 granting exemption from surcharges on petroleum products intended for the generation of electricity.

4.2.2.2 Petroleum products

4.46. Djibouti has neither hydrocarbons nor refineries. All hydrocarbons are imported. In 2002, the consumption of refined petroleum products was 127,808 litres, imported from the Middle East.

4.47. In January 2014, the Government adopted a Hydrocarbons Law to govern the importation, storage, transport, distribution and marketing of hydrocarbons and hydrocarbon products. Under the new law, to engage in any commercial activity in the hydrocarbons subsector it is necessary to obtain a licence issued by the Minister for Energy, subject to a favourable opinion from the Director responsible for hydrocarbons. Where transport is concerned, the decision to issue a licence must be taken jointly by the Ministers for Energy and Transport.[12]

4.48. Hydrocarbons importers must comply with the requirements concerning quality and the constitution of emergency stocks. Quality standards and the arrangements for building up emergency stocks are to be established by decree. The authorities have indicated that a law is in the process of being adopted in this respect.

4.49. The charges for import, storage, transport, distribution and marketing licences are to be fixed by regulation**.**

4.50. Since January 2014, the Djibouti Oil Supply Company (DOSC) has been the only importer of petroleum products. It was formed as a result of a merger between the Djibouti International Hydrocarbons Company (SIHD) (a State-owned enterprise) and Independent Petroleum Group (IPG). Petroleum products are distributed by Total, Oil Libya, Djibouti Petroleum, UCIG and Emiroil.

4.51. The TIC on petroleum products is 30%. A surcharge and a tax also apply (section 3).

4.52. Since 2003, kerosene for domestic use has been exempt from the surcharge and the tax on petroleum products.[13]

4.3 Manufacturing sector

4.53. There have been no developments affecting the framework of the manufacturing sector since the last review. According to the authorities, a master plan for the sector is in process of being adopted and will address, in particular, the promotion of small and medium-sized enterprises. The manufacturing industries make only a modest contribution to GDP formation (Table 1.1). They mainly consist of agro-food and cement-producing units and other artisanal activities.

4.54. Cement is produced by a public enterprise (the Ali Sabieh cement works) and a private company (Nil Ciment).

4.55. Likewise, the beverages market is supplied by three enterprises producing mineral water. When imported, mineral water, together with aerated and alcoholic beverages, is subject to TIC at 26%, VAT at 7%, and excise duty at DF 14 per litre.

4.56. A National Handicrafts Development Strategy (SNDA) was adopted in 2009 with a view to implementing measures such as: (i) the drafting of a handicrafts master plan; (ii) support for craftsmen's self-organization; (iii) the establishment of a National Handicrafts Agency (ANA) and a Handicrafts Intervention and Promotion Fund (FIPA); (iv) the building of craft villages; (v) the establishment of distribution chains for handicraft products; (vi) the introduction of tax incentives for inputs; (vii) easier access to bank credit; and (viii) promotion of the participation of craftsmen in government procurement procedures up to a value of DF 5 million.

4.57. The simple average of applied TIC rates in the manufacturing sector (ISIC definition) is 21.3%. Other duties and taxes are also levied on imports.

[12] Law No. 3/AN/13/7ème L regulating the importation, storage, transport and distribution of petroleum products.

[13] Decree No. 2003-0114/PR/MEFPCP of 25 June 2003.

4.4 Services

4.4.1 Financial services

4.58. Djibouti did not undertake any commitments on financial services under the GATS.

4.4.1.1 Banks

4.59. Since 2011, Djibouti's banking system has been governed by Banking Law No. 119/AN/11/6ème L of 22 January 2011, whose main innovations are the fixing of the minimum capital requirement for financial institutions at DF 1 billion and the extension of the scope of the law to include financial auxiliaries (in particular, money transfer agencies) and Islamic finance institutions, together with the creation of a commission responsible for implementing the Law in the event of its being infringed (Table 4.3).

Table 4.3 Prudential ratios, 2012

Ratios	Conditions
Composition of loan establishment own funds (Instruction No. 5 of 2011)	Positive net own funds required
Minimum capital representation (Instruction No. 2 of 2011)	Depending on the size of the establishment, the real representation of the capital on the asset side of the balance sheet must exceed the liabilities to third parties by DF 200 million or DF 1 billion
Solvency (Instruction No. 3 of 2011)	In comparison with overall risks, the amount of net own funds must exceed a ratio of 5%. The BCD, nevertheless, insists that this ratio should not be less than 12%
Participation in the capital of loan establishments (Instruction No. 6)	Participation in company capital, other than that used for the operation of the establishment, is limited to 15% per entity and 60% of own funds for the participating entities as a whole
Cover of fixed assets by long-term resources	Long-term resources must cover all fixed assets
Limitation on individual risks (Instruction No. 4)	The total loans given to a single borrower may not exceed 25% of the net own funds of the lender
Global cover of large individual risks	The total of individual risks, each exceeding 15% of net own funds, must not exceed ten times the amount of these same net own funds
Cover of deposits in foreign currency	Deposits in foreign currency must be covered by liabilities in foreign currency equivalent in amount, type of currency and rate
Cover of inter-bank credits and loans for over two years	Loans with a term of more than two years may not exceed an amount equivalent to twice the long-term resources
Cover of deposits in DF	Assets in foreign currency held by loan establishments must be in proportion to deposits by customers in DF
Additional regulations monitored by the BCD	
Performance ratios	Net profit/total net own funds Net profit/balance-sheet total Average cost of deposits/average return on loans (customers and all transactions)
Customer portfolio	Trends in deposits and loans (by depositor, by type of deposit or loan, by type of foreign currency, and according to the term of the loan) Cover of compromised, bad or irrecoverable risks by provisions
Internal audit of loan establishments (Instruction No. 1 of 2011)	Quality of the organization and internal procedures Observance of the limits set in terms of risk and accuracy of the accounting data Management control

Source: Information provided by the Djibouti authorities.

4.60. Several other reforms have also been introduced by the banking authorities in recent years. A banking supervision service has been set up and supervision criteria have been defined. In these criteria the following factors are taken into account: internal audit, minimum capital, solvency ratio, "large risks", capital composition, capital participation, non-performing loan declarations, and the approval of the auditors.

4.61. The Central Bank of Djibouti (BCD) is responsible for monitoring the operating conditions of loan establishments, overseeing the quality of their financial situation and ensuring that the rules of professional ethics are observed. The BCD's approval is necessary to engage in any financial activity in Djibouti. Where commercial banks are concerned, a standby refinancing arrangement in foreign currency with a bank of international standing is required.

4.62. Since Djibouti's last trade policy review, there has been a relative expansion in the country's banking system thanks, in particular, to the growth of its GDP and the dynamism of its services sector. This expansion has been further sustained by the free movement of capital and the absence of exchange controls.

4.63. The number of commercial banks has increased from two in 2006 to 11 in 2014; however, most banking operations remain concentrated in the two main banking institutions, the Bank of Africa (BoA) and the Banque pour le Commerce et l'Industrie - Mer Rouge (BCI-MR), with more than 95% of customers' deposits and 80% of total domestic lending (Table 4.4).

Table 4.4 Djibouti's banking system, 2012

Active loan establishments	Founded	Type	Capital (DF million)	Majority shareholders
Banque pour le Commerce et l'Industrie – Mer Rouge (BCI-MR)	1957	Retail	2,093	BRED
Bank of Africa (BoA)	December 2010	Retail	1,500	BMCE
International Commercial Bank (ICB)	September 2006	Retail	1,000	ICB (Malaysia)
Saba Islamic Bank (SIB)	June 2006	Islamic	300	Yemeni capital
Banque de Dépôts et Crédits Djibouti (BDCD)	January 2008	Retail	605	SF Swiss Financial Investments
Salaam African Bank (SAB)	December 2008	Islamic	600	Somali capital
Cooperative Agricultural and Credit Bank (CAC Bank)	January 2009	Retail	544	Yemeni capital
Dahabshiil Bank International S.A.	October 2009	Islamic	600	Dahabshiil FZCO
Shoura Bank	June 2010	Islamic	300	Egyptian capital
Warka Bank	May 2010	Retail	300	Iraqi capital
Exim Bank Djibouti	July 2010	Retail	551	Tanzanian capital

Source: BCD.

4.64. The State's participation in banking is limited to the 33% of the BCI-MR's shares that it holds. Loans are generally for the short term and mainly intended for the private sector (over 80% of the loans granted). Lending and borrowing interest rates are freely determined by the commercial banks. Though relatively high, they have fallen significantly due to the emergence of new loan establishments. They stand at around 12% for risk-free loans, 15% for overdrafts and 10% for real estate loans.

4.65. Mergers or takeovers require approval from the BCD, regardless of whether it is Djiboutian nationals or foreigners that are involved.[14] The authorities have noted that in 2007, BNP-Paribas, the main shareholder in BCI-MR, sold its 51% holding in the Bred Banque Populaire group. Moreover, in 2010, BIS-MR, a subsidiary of the Crédit Agricole group, was sold outright to the BoA group.

[14] Approval of the BCD is required for other operations involving substantial changes in the initial conditions of approval. These include, *inter alia*: any change leading to a reduction of the equity or capital funding; any significant change in the capital structure; any change in activities likely to lead to a change in the category of the financial establishment; and any sale of part of the shares amounting to 10% or more.

4.66. Loan establishments must be set up in the form of either a public limited company or a cooperative society under Djiboutian law. A bank or financial institution must be managed by a person with resident status, in other words, a natural person whose domicile is Djibouti, or a legal person whose place of registration or place of business is in Djibouti. There are no specific requirements as to nationality.

4.67. Loan establishments must install an anti-money laundering mechanism comprising:

- the centralization of information on the identity of customers and suspicious transactions;

- the appointment of an officer with responsibility for money laundering issues at the headquarters and in the branches and agencies of each loan establishment;

- the in-service training of employees with responsibility for money laundering issues;

- a system for internally monitoring the implementation and effectiveness of the measures adopted under the current law on money laundering;

- the processing of suspicious operations on the basis of screening lists published by the European Union, the United Nations, the United States, and the United Kingdom, together with the national list issued by the Central Bank of Djibouti.

4.4.1.2 Insurance

4.68. An insurance control unit in the Ministry of Finance is the regulatory authority for the insurance industry in Djibouti. The power to grant or withdraw approval lies with the Council of Ministers, acting on a proposal from the insurance control unit.

4.69. Law No. 17-78 of 1 March 1978 on the conditions of approval and the control of insurance companies establishes the conditions for granting and withdrawing insurance company licences. Insurance and reinsurance companies may only carry out the operations for which they have been approved.

4.70. Under the legislation, approval may be withdrawn if the company's financial situation does not offer sufficient guarantees of its ability to fulfil its commitments or if it is not operating in conformity with the regulations in force or its memorandum and articles of association.

4.71. Annual turnover in the insurance market amounts to around DF 2.8 billion, or 1.15% of GDP. Insurance services provide some 50 jobs and there are two private commercial companies: GXA and AMERGA. These companies offer the usual range of insurance products (life, health and property) and, in accordance with Djiboutian regulations, specialize in life or non-life insurance.

4.72. All insurance companies must have a reinsurance programme.

4.73. Insurance is compulsory for imported goods with an f.o.b. value exceeding DF 500,000 and for motor-driven land vehicles, their trailers and semi-trailers. The National Bureau set up under the COMESA Yellow Card Scheme covers third-party motor liability insurance in cross-border transport for Djiboutian vehicles traveling to Ethiopia.

4.74. Risks incurred in Djibouti may be covered only by companies formed and established in the country. However, there are no restrictions on Djiboutian insurance companies covering risks incurred abroad.

4.75. The insurance companies fix their tariffs individually, subject to the approval of the Insurance Regulatory Authority.

4.4.2 Telecommunications and postal services

4.76. Since Djibouti's last trade policy review, the Government's objectives have included, *inter alia*, the adoption of a legal framework for telecommunications activities, the setting up of a regulatory authority, and the establishment of a fiscal framework to promote the development of telecommunications. However, concrete measures to achieve these objectives are slow in being adopted.

4.77. Djibouti Télécom (DT), which is wholly State-owned, remains the country's only telecommunications operator (internet, fixed and mobile telephony services). The authorities have indicated that the liberalization of the telecommunications sector is under consideration.

4.78. The Ministry responsible for communications, postal services and telecommunications is the supervisory authority for Djibouti Télécom SA and formulates national telecommunications policy.

4.79. Since 2003, Djibouti has had a law defining its national policy on information and communications technologies. A national ICT development strategy and a National Advisory and Monitoring Board have been established under this law.

4.80. The authorities have made known their ambition to turn Djibouti into a regional hub in the telecommunications sector. In 2007, Djibouti Télécom rehabilitated its GSM infrastructure. It is also participating in the Europe-India Gateway submarine cable and the Eastern African Submarine Cable System (EASSy) projects.

4.81. The EASSy cable has been being marketed to East African and Southern Indian Ocean operators since 2010. As for the Europe-India Gateway cable, marketing began in 2011.

4.82. The development, outside the capital, of code division multiple access (CDMA), a technology similar to wireless telephony, proved a resounding success in rural areas in 2012. The number of CDMA subscriptions has vastly increased (from 2,858 in 2011 to 11,019 in 2013). The rapid expansion in fixed and mobile telephony led to a change in numbering in 2012. Djibouti numbers now have eight digits instead of the previous six.

4.83. The telephone network still suffers from the poor quality of international calls. The rates for telecommunications services are determined by the Council of Ministers, on the basis of a proposal from Djibouti Télécom. In 2012, Djibouti Télécom made substantial reductions in telecommunications rates. In addition to free fixed-line calls between regions (excluding Djibouti-Ville), communications rates recorded falls ranging from 33% for certain local calls to 80% for some international calls.

4.84. The main activities of Djibouti's postal operator, La Poste de Djibouti (PD), which is wholly State-owned and supervised by the Ministry responsible for postal and telecommunications services, are as follows: issuing stamps and all franking marks; all activities relating to the State's postal monopoly, at the national and international levels; and receiving savings from the public. Decree No. 99/PR/MCC provides that, subject to authorization by the competent government authority, the following are open to competition: collection, transport and distribution of articles and goods governed by the provisions of the Universal Postal Union Convention, provided that these are in the form of international expedited mail services. The issuing of postage stamps and franking marks of any kind is not open to competition.

4.4.3 Transport

4.85. Transport accounts for around 35% of Djibouti's GDP. Transport's dominant role is mainly due to the activities of the Djibouti International Autonomous Port (PAID) and those of the international road corridor, which are very closely linked with the activities of the port. However, the country's potential in terms of transport services remains unexploited.

4.86. The lack of a consistent strategy for the development of transport services and logistics is a serious obstacle to the development of trade. In 2008, the Ministry of Planning and Transport produced a strategy paper devoted to the subsector. However, the document received little publicity. It concerns, in particular, the feasibility studies relating to the large-scale infrastructure projects currently in preparation, namely, the reconstruction of the Djibouti-Addis railway line and the construction of a new railway line for exporting Ethiopian potash via a new port to be built at Tadjoura, as well as the new port of Tadjoura itself. It also concerns a project for airport expansion, or possibly even the construction of a new airport.

4.87. Djibouti has difficulty in preparing and supervising such studies, particularly in connection with the publication of basic statistics on the current transport system. It also appears that the existing studies have not been widely disseminated.[15]

4.4.3.1 Maritime transport

4.88. There has been no substantial change in the legal and institutional framework for transport since the last trade policy review in 2006. There are very few legislative or regulatory texts in place.

4.89. Because of its contribution to GDP and job creation, respectively, maritime transport is a vital segment of Djibouti's economy. The port installations have undergone a remarkable modernization in the course of the last ten years as a result of major investments by the Emirate of Dubai under a 20-year concession agreement concluded with Dubai Ports International (DPI).

4.90. However, attention is drawn to the fact that the Government terminated that contract in 2011. The PAID has a container terminal as well as a dozen berths. The port of Doraleh has had an oil terminal and a container terminal since 2006. A free zone has been built adjacent to the PAID to attract foreign investment.[16]

4.91. Djibouti's geographical location accounts for the importance of maritime transport in the country's international trade. The PAID port complex lies on one of the world's busiest sea routes. Its relative proximity to Ethiopia enables it to serve as a sea port for that country whose economy is growing very rapidly. In particular, Ethiopian transit is contributing to the development of handling, transit, shipping agency, hotel industry, transport and catering activities.

4.92. In 2012, the volume of goods and hydrocarbons traffic entering the PAID amounted to 6,872.25 tonnes as against 6,741.73 in 2011 (Table 4.5), driven up by increases in both hydrocarbons traffic and Ethiopian transit traffic.[17] The PAID employs some 1,300 people.

Table 4.5 Total traffic through the PAID, 2008-2012

(Metric tons)

	2008	2009	2010	2011	2012	Var.% 2012/2011
Goods	7,045.46	9,011.92	3,451.94	2,895.57	2,961.16	2.3
Djibouti	1,188.04	848.67	515.45	871.96	854.00	-2.1
Transit	5,068.66	7,513.28	2,910.38	2,022.35	2,107.17	4.2
Transhipment	788.77	649.96	26.11	1.25	..	..
Hydrocarbons	2,285.03	2,269.28	2,571.96	3,846.16	3,911.09	1.7
Total	9,330.49	11,281.19	6,023.90	6,741.73	6,872.25	1.9

.. Not available.

Source: Djibouti International Autonomous Port (PAID).

4.93. The PAID container terminal has been facing a problem of capacity in recent years, since it could only handle vessels of less than 4,000 TEU, with a storage capacity of 500,000 TEU per year. This prompted the port authorities to opt for the construction of a new port complex at Doraleh.

4.94. The Doraleh site comprises an oil port, a container terminal and a free zone. The management of the oil port, which has storage space for 370,000 tonnes of hydrocarbons, has been entrusted to Horizon Djibouti Terminals Limited (HDTL), a joint venture involving an Emirates

[15] World Bank (2013c).
[16] World Bank (2013c).
[17] Central Bank of Djibouti (2012).

oil company (Emirates National Oil Company, 40%), Djiboutian private operators (30%), a Kuwaiti oil company (Independent Petroleum Group, 20%) and the State of Djibouti (10%).

4.95. The container terminal required major investment of the order of US$400 million, wholly financed by the private sector and guaranteed by the World Bank. With a wharf 1,050 m long and an 18 m draught, the new terminal has a handling capacity of 1.2 million TEU per year and can accommodate container vessels of up to 15,000 TEU. Management of the terminal has been entrusted to a public limited company, Doraleh Container Terminal (DCT), two thirds of which is owned by the port of Djibouti and one third by DP World. The construction of the port facilities at Doraleh has enabled the PAID to specialize in bulk cargo handling (cereals, fertilizer, building materials) and ordinary non-containerized goods (vehicles, cattle).

4.96. The PAID is situated at the gateway to the Red Sea and on the sea routes leading from Asia to Europe, and is backed by a large African hinterland (a strategic position). This deep-water port plays an essential role in the country's development. There are no restrictions with respect to cabotage in Djibouti.

4.4.3.2 Road transport

4.97. Since the Djibouti-Ethiopia Railway closed down in 2008, most Ethiopian goods handled by Djibouti's ports leave by road. The international corridor therefore plays a key role in economic activities. It consists of two supply routes for the Ethiopian market: a northern route 910 km long (with 219 km in Djibouti territory) and a southern route 840 km long (with 107 km in Djibouti territory).

4.98. In addition to the bilateral agreement on transit between Djibouti and Ethiopia, transport along the international corridor is regulated by the COMESA provisions aimed at reducing transport costs by harmonizing members' transport regimes. Road cabotage is not authorized in Djibouti.

4.99. Road transport still faces a number of constraints, including lack of financing and failure to maintain the network. The Djibouti Highways Agency (ADR) is responsible for road maintenance. It arose as a result of the merging of the Public Works Directorate with the Road Maintenance Fund established in 1999, whose resources come from a fee equivalent to US$20 per tonne paid by all trucks leaving the port of Djibouti.

4.100. Road transport offers real opportunities for economic growth, job creation and poverty reduction. However, several obstacles, including the lack of qualified drivers in Djibouti and the cost of production factors, stand in the way of the subsector's development. Road transport between Djibouti and Ethiopia is therefore almost entirely in the hands of Ethiopian operators who enjoy something of a monopoly. Ethiopia has 6,000 to 8,000 trucks for use in international trade along the corridor, whereas Djibouti has only 200 to 250.

4.4.3.3 Rail transport

4.101. The railway linking Djibouti to Ethiopia is a 781 km long, unelectrified single-track line, of which 681 km are in Ethiopia and 100 km in Djiboutian territory. In 2008, the rolling stock consisted of 2 railcars, 9 locomotives, of which 7 were in service, 22 passenger coaches, 248 goods wagons and 111 tank wagons, mostly in a very poor state. Nearly 50% of the rolling stock is defective and there is also a problem with the lack of availability of spare parts.

4.102. The Djibouti-Ethiopia Railway (CDE) is a binational industrial and commercial public enterprise with its head office in Addis Ababa. In 2006, more than 40% of the staff on either side of the frontier were dismissed in view of the prospective concession of the CDE to a private company. The enterprise now has a staff of 1,400.

4.103. Rail transport in Djibouti has failed to profit from the development of Ethiopian transit, which depends almost entirely on road transport. The proportion of Djibouti's international freight carried by rail fell from around 60% in the 1960s to about 1% in 2007. There has been no substantial improvement in the railway infrastructure (either track or rolling stock) since the early 1980s and its condition has progressively deteriorated, which has led to accidents, including repeated derailments that have seriously undermined its credibility and reputation.

4.104. The CDE stopped carrying passengers at the end of 2008. The reason appears to be, in particular, an ongoing programme for the rehabilitation of 114 km of track between Dire Dawa and Addis Ababa. In recent decades, the CDE has suffered from a lack of financing for maintenance and the renewal of equipment. An attempt to redress the situation by giving the railway out to private operators on concession was made in the years 2005-2009 before being abandoned.

4.4.3.4 Air transport

4.105. Djibouti International Airport (AID) is the country's only international-class airport. It has a runway over 3 km long, capable of accommodating any type of aircraft. The authorities intend to develop air transport with a view to building up tourism. A limited number of airlines make regular flights to the AID. Ethiopian Airlines, Turkish Airlines, Kenya Airways and Daallo Airlines handle most of the passenger traffic, while Air France generates most of the cargo traffic. Traffic rights continue to be governed by bilateral agreements between Djibouti and the countries of origin of the various airlines. Djibouti is also a signatory to the Yamoussoukro Agreements.

4.106. The airport's regular direct links with the rest of the world include flights to Europe (Paris, London, Istanbul), the countries of the Arabian Peninsula (Dubai, Jeddah, Sana'a) and the countries of the Horn of Africa (Addis Ababa, Dire Dawa, Bossaso, Hargeisa, Mogadishu, Asmara, Nairobi). The frequencies of the flights to these various destinations are: 6 per week to Europe, 7 to the Middle East, 14 to Addis Ababa, 4 to Nairobi and 7 to Somalia.

4.107. The authorities have indicated that passenger traffic doubled between 2004 and 2012, from 95,000 to 186,000 local passengers. There has been no substantial development in the volume of freight traffic, which stands at around 9,000 tonnes of goods, nearly 75% of which consist of imports. Military traffic accounts for about 60% of the airport's activities.

4.4.4 Tourism

4.108. Djibouti has had a national tourism development strategy since the year 2000. It was drawn up with the support of the World Tourism Organization (UNWTO) and serves as a framework law for the sector.

4.109. The National Tourist Board (ONDT) in Djibouti is responsible for the promotion of tourism. Its goal is to make tourism a tool for reducing poverty, while ensuring the protection of the environment. A national commission, chaired by the ONDT, is in charge of regulating tourism (all matters relating to licences, standardization and the classification of tourist facilities and services).

4.110. Despite Djibouti's very considerable tourism potential, which it owes, in particular, to its geological heritage and the wealth of its marine environment, its tourism industry suffers from competition with better-known tourist destinations in neighbouring East Africa (Kenya, Tanzania, Ethiopia), as well as from the infrequency of flights to Djibouti and the associated high transport costs.

4.111. The ONTD has recently undertaken a series of tourism promotion campaigns. The number of visitors more than doubled between 2004 and 2009, from 23,600 to 58,425. Nearly half of the tourists are French, while Gulf country nationals, a new category of clientele, account for about 17% of arrivals.[18] The number of visitors increased from 20,100 in 2000 to 26,300 in 2004.[19] The presence of foreign armed forces in Djibouti was one of the reasons for this growth. Tourism activities employ some 1,500 people.[20] Djibouti's hotels had 685 beds in 2002.

4.112. The aims of tourism policy for the period 2001-2010 were as follows: (i) to alleviate poverty and maximize the sector's contribution to job creation; (ii) to develop and protect the country's tourism potential (fauna, flora and the ecosystem) and cultural potential;

[18] *Rapport sur l'impact du réseau de transport sur le commerce et le tourisme à Djibouti* (2011). Viewed at: http://www.comcec.org/UserFiles/File/ulastirma/%C3%9CLKE%20RAPORLARI/Djibouti.pdf.

[19] The number of nights increased from 32,870 in 1999 to 77,623 in 2002.

[20] According to the Integrated Framework Diagnostic Study, tourism gives work to over 600 crafts workers, chiefly women.

(iii) to boost women's participation in economic development; and (iv) to build up the capacity of Djiboutian operators.

4.113. Under the GATS, Djibouti bound, without limitations, measures affecting cross-border supply, consumption abroad and commercial presence for hotel and restaurant services. The measures affecting all modes of supply for recreational, cultural and sporting services (only underwater diving centres) were also bound without limitations.[21]

[21] WTO document GATS/SC/104 of 30 August 1995.

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