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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

DJIBOUTI

This report, prepared for the third 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/G/430 contains the policy statement submitted by Djibouti.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Djibouti. This report was drafted in French.

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SUMMARY

1. Located in the Horn of Africa, Djibouti is a least developed country (LDC) and has been classified by the World Bank as a lower-middle-income country. It had a gross national income per capita of USD 5,610 in 2020. Its geographical location, port infrastructure and political stability make it a major maritime hub and have prompted several countries to establish military bases there. Revenue from the bases and from port activities has fostered the emergence of a modern segment of the economy that coexists with a large informal sector. However, the high cost of production factors and the strong presence of public companies continue to hinder the country's economic development. Given Djibouti's narrow production base, international trade is fundamental for the country, which relies almost exclusively on imports to meet its domestic demand for most goods and some services. Thanks to the infrastructure (especially ports), re-exports far outstrip exports.

2. Since Djibouti's last Trade Policy Review in 2014, a strategic development plan has been launched to streamline the government's efforts to support the country's economic growth. The plan seeks to improve the business climate and attract investment beyond the transport and logistics sector with a view to promoting economic diversification and inclusive growth. In this context, measures have been taken to rationalize state-owned enterprises, a law on public-private partnerships has been adopted, and efforts have been made to promote privatization. These reforms and recent massive investments in infrastructure, including ports, roads and free zones, fostered economic growth at rates ranging from 5.1% to 8.5% between 2014 and 2019, before plunging in 2020 due to lockdown and other restrictive measures imposed as a result of the COVID-19 pandemic. In 2020, GDP grew by 1.2%.

3. Moreover, support measures for households and businesses in response to the economic shutdown, combined with difficulties in mobilizing fiscal revenue and numerous exemptions from duties and taxes on imports, have had a negative impact on the generally low level of the public deficit. Public debt has also risen because of the financing of large infrastructure projects, with a consequent increased risk of debt distress. The authorities, mindful of this risk, undertook reforms during the review period.

4. In general, the currency board system in place in Djibouti, coupled with the stable prices of imported goods, helped, to a large extent, to maintain a low-inflation environment from the last review until 2020. However, inflation rose in 2021 in line with the global trend. Furthermore, the positive current account balance, which is heavily influenced by the trade balance, has fluctuated as a result of re-export activity. If re-exports are excluded, Djibouti recorded a current account deficit throughout the review period. The deficit worsened during the years of major infrastructure works. As was the case at the time of the previous review, export statistics are non-existent. The major imports are food and petroleum products, together with household electrical appliances and transport equipment. China, the United Arab Emirates, European Union countries and Ethiopia are the main sources of Djibouti's imports.

5. The objective of the trade policy set out in the strategy paper, "Vision Djibouti 2035", is to make Djibouti "Africa's trade and logistics hub", in particular by developing fisheries, tourism, logistics, new information and communication technologies, financial services, the manufacturing industry and renewable energy resources. The reinforcement of the link between Djibouti and Ethiopia will be vital in this regard and will lay the groundwork for regional integration with a view to creating a single market encompassing Djibouti, Ethiopia, South Sudan, Somalia and Eritrea.

6. Djibouti is an original Member of the WTO. It is not a party to the plurilateral WTO Agreement on Government Procurement. It ratified the Trade Facilitation Agreement in 2018 and is a member of the joint initiative on investment facilitation for development. Djibouti was not involved in any WTO dispute settlement cases during the period under review. The trade policies of Djibouti have been reviewed twice by the WTO. Djibouti submitted nine notifications during the review period. Djibouti is part of the Common Market for Eastern and Southern Africa (COMESA), the Tripartite Free Trade Area (TFTA), the African Continental Free Trade Area (AfCFTA), the Intergovernmental Authority on Development (IGAD) and the Community of Sahel-Saharan States (CEN-SAD). Djibouti is eligible for unilateral preferences under the Generalized System of Preferences (GSP) of most WTO Members; the EU's "Everything But Arms" initiative; and the United States' African Growth and Opportunity Act (AGOA).

7. Foreign investment is authorized in all sectors to increase financing opportunities for the economy. However, maritime and transit activities, fisheries, retail trade, telecommunications, electricity, water, regular mail services and salt remain reserved for national investors. In addition, although farmland cannot be purchased by foreigners, it may be ceded for 99 years. The basic legislation on investment remains the Investment Charter of 1994, which provides for tax incentives and has been the subject of only minor amendments, including the establishment of a single window in 2017. Djibouti acceded to the convention establishing the International Centre for Settlement of Investment Disputes (ICSID) in 2020 and is a party to five other multilateral investment protection instruments, nine bilateral investment protection treaties and five double taxation treaties.

8. During the period under review, Djibouti carried out numerous legislative reforms to modernize and improve the business climate. These reforms concern, in particular: land registration and property taxation, the specialization of the judiciary and the reduction of judicial bottlenecks, voluntary conciliation and mediation procedures, leasing and securities, the protection of creditors, the enforcement of contracts, the resolution of insolvency, the obtaining of payment orders, the protection of minority investors, conciliation in disputes with the tax and land authorities, building standards, electricity grid connection procedures and the computerization of customs and the port community.

9. On 5 March 2018, Djibouti deposited with the WTO its instrument of acceptance of the Protocol concerning the Trade Facilitation Agreement. It also notified the list of measures for the different categories but has not yet indicated the dates for their implementation. Reforms have also been carried out to streamline customs procedures and facilitate administrative formalities for those involved in international trade. All import declarations are made electronically through the ASYCUDA World customs clearance system, which is interconnected with, *inter alia*, the Ethiopian customs, free-zone operators, the tax directorate and the treasury, and with the Djiboutian port system. A specific module for regional transit is able to manage the exchange of information on the movement of goods to or from Djibouti. All Djibouti's customs offices are computerized and interconnected.

10. Djibouti still does not officially have a customs tariff. However, the procedures for the application of its internal consumption tax (TIC) are very similar to those of a customs tariff. The tax is levied in five bands (zero, 8%, 10%, 20% and 23%) and its modal or most common rate is 23%. The simple arithmetic average of these rates was 18.2% in 2022. In addition to TIC, imports are subject to VAT, excise duties and several other taxes. Djibouti has bound all its tariff lines. Bound rates range from zero to 450%. Other duties and taxes have been bound at a ceiling of 100%.

11. Most of the prohibitions and restrictions on imports and exports are in line with the international conventions to which Djibouti is a signatory, notably the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Stockholm Convention and the Rotterdam Convention. The country does not apply any quantitative restrictions on imports. Djibouti has no anti-dumping, countervailing or safeguard regulations.

12. Free zones are the main tool for promoting manufactured exports. However, they are still struggling to attract processing companies. Other support measures include incentives under the Investment Code and preferential credit granted to local companies.

13. In order to develop the national standardization and quality promotion system, a new law was adopted in 2019 to better define its legal framework (including the procedures for the development and approval of standards and technical regulations). The authorities have indicated that the operationalization of a national standardization agency is imminent. The Ministry responsible for industry is currently in charge of developing and approving standards and monitoring compliance with technical regulations. The Ministry of Agriculture is responsible for controls relating to SPS regulations. Food products, animals and plants are systematically subject to sample-taking and inspections. Djibouti has not submitted any notification either under the Agreement on Technical Barriers to Trade or under the Agreement on the Application of Sanitary and Phytosanitary Measures.

14. Djibouti's industrial property legislation governs the granting and registration of patents, layout designs (topographies) of integrated circuits, trademarks for products or services, trade names, geographical indications, appellations of origin, and industrial designs. It is implemented by the Djibouti Office of Industrial Property and Commerce. During the period under review, most of the intellectual property rights registered concerned trademarks. The Djibouti Office for Copyright

and Related Rights (BDDA) is responsible for enforcing copyright in Djiboutian territory. The holder of the intellectual property right may initiate 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.

15. Goods production is under-developed in Djibouti. Agriculture is a marginal activity owing to the difficult natural conditions and is limited to extensive livestock farming and market gardening in oases and near towns. As a result, the country imports almost all its food, including fruits and vegetables. Although domestic production meets only 10% of urban demand for meat, Djibouti is an exporter of livestock products. Fishing is reserved to nationals and industrial fishing is prohibited. Fisheries resources are not insignificant, but their exploitation suffers from a lack of infrastructure. Investment programmes are being rolled out.

16. To date, the only extractive industry is salt, which is produced through a Sino-Djiboutian joint venture. However, Djibouti has real mining potential, with evidence of the presence of perlite, bauxite, natural gas, copper, zinc, iron, aluminium, gold and oil. A mining code was adopted in 2018 with a view to the eventual development of these resources.

17. Djibouti's objective is to achieve 100% renewable energy by 2035. To this end, energy legislation has been modernized to open up production to competition; several foreign companies (independent power producers) have invested in wind and solar projects. However, a single state-owned enterprise, Électricité de Djibouti, is still currently responsible for all electricity production, using thermal power stations fuelled by imported refined oil, since Djibouti does not yet have a refinery. Part of the electricity consumed in Djibouti is delivered through a high-voltage line from Ethiopia, with plans to build a second. The percentage of the population connected to the electrical grid remains relatively low. A semi-public company has the monopoly over the importation of refined petroleum products, and the right to distribute such products has been granted to three local companies.

18. The manufacturing sector is also marginal, contributing only 0.3% to GDP. Its development faces multiple structural constraints: the small size of the domestic market, the inadequate training of the workforce and the relatively high cost of labour and inputs, among other factors. Nevertheless, Djibouti wishes to promote manufacturing activities, particularly in free zones, which it intends to develop further.

19. Services constitute the bulk of Djibouti's economic activity, accounting for around 75% of GDP in 2018. Transport services (especially ports and railways) stand out because of the massive investments made in them, mainly by Chinese companies. The Addis Ababa-Djibouti railway line has been completely rebuilt and was put into service in 2018. Djibouti has begun to pay off the USD 3.4 billion loan from China EXIM Bank, which financed the project. Road transport has suffered only temporarily from this new competition, reflecting the intensity of trade with Ethiopia. In addition to the port of Djibouti itself and the Doraleh container terminal inaugurated in 2009, there is the Doraleh multipurpose port (brought into operation in 2017 thanks to an investment of USD 600 million) and the Tadjourah mineral terminal (also operational since 2017, with an investment of USD 90 million). Another mineral terminal is under construction at Ghoubet. Maritime traffic was only slightly affected by the COVID-19 pandemic. Djibouti also has a small national-flagged fleet, for which cabotage traffic is reserved. There are two private airlines based in Djibouti that serve mainly regional destinations. Air traffic was also only marginally affected by the pandemic thanks to military base and port activities.

20. Djibouti is the terminus of several interoceanic cables. Because of this strategic position, Djibouti Telecom, the national monopoly, has specialized in the business-to-business sector, reselling most of its capacity to Ethiopia while developing interconnections between Africa and the Arabian Peninsula. In the domestic market, the penetration rate of mobile telephones in particular remains low (around 40%) and that of fixed lines is almost zero. In order to develop this market, a process has been launched to partially privatize Djibouti Telecom. Djibouti also harbours ambitions to create a special zone for information technology and, in particular, to expand call centres.

21. Financial services in Djibouti are dominated by the banking sector, which accounts for 97% of assets. The insurance sector is very small and there are no stock exchanges. During the period under review, there was an 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 was further sustained by the free movement of capital and the absence of exchange controls. Four new institutions were established during the period under review. Notwithstanding the existence of savings and credit unions and microcredit institutions, the **bank account penetration rate remains low and financial inclusion is still at an embryonic stage. Djibouti has strengthened the regulation and supervision of the sector, including through the adoption of anti-money laundering provisions and of instructions covering** internal controls, capital adequacy, solvency ratios, large exposures, capital composition, holdings, bad debt and liquidity requirements in order to apply the Basel III principles. Djibouti has also strengthened the regulatory framework for Islamic banks. The International Monetary Fund (IMF) considered this progress encouraging, but said that the central bank should continue to upgrade the banking sector regulatory environment, reinforce risk-based supervision, and improve access to finance.

22. Tourism is a promising industry for the country. Djibouti's hotels were modernized during the period under review and were only marginally affected by the pandemic, with the bulk of their clientele either being businesspeople or having a connection to the military bases. Despite the country's real potential in terms of natural attractions, tourism remains a marginal activity, but one for which the government has developed a strategy based on sustainability.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. Djibouti is a least developed country (LDC) and has been classified by the World Bank as a lower-middle-income country.[1] Although located in the conflict-ridden Horn of Africa region, the country enjoys a relatively stable political situation and occupies a prime geopolitical and strategic position. Djibouti is a major maritime trade hub with several deep-water ports that serve as a transit point for its landlocked neighbour Ethiopia and as a transhipment site for other countries.

1.2. Its strategic location close to major shipping corridors, Middle East conflict areas and maritime piracy areas, and its political stability make Djibouti an important site for military bases. The importance of revenue from ports and military bases gives rise to a dualism in the economy with, on the one hand, a modern sector sustained by this revenue (from ports and military bases rented by foreign contingents) and, on the other, a large traditional and essentially informal sector.

1.3. The strong economic performance of recent years has led to some improvement in employment and poverty rates. Indeed, the overall poverty rate has declined in recent years, from 40.8% in 2013 to 35.8% in 2017, according to the African Development Bank (AfDB). According to the 2017 Djibouti Household Survey, the overall poverty rate that year stood at 35.3%. Furthermore, the Human Development Index (HDI), which was 0.445 in 2013, gradually improved to 0.524 in 2019.

1.4. With regard to unemployment, the Djibouti authorities' official survey on employment, the informal sector and household consumption indicated an unemployment rate of 39% in 2015. It is much higher for women (49%) than for men (34%), and in rural areas (59%) than in urban areas (37%).[2] More recently, the results of the Djibouti Household Survey indicated an estimated unemployment rate of 47% in 2017, with a higher rate among women (63%) than among men (38%). These high rates are partly explained by the non-inclusive nature of growth driven by capital-intensive activities focused mainly on port services. Indeed, the structure of Djibouti's GDP remains dominated by the services sector, particularly port activities and finance, which accounted for more than three quarters of GDP on average during the review period, although there has been a noticeable decline since 2017 due to the boom in construction and building and public works (Table 1.1). Agriculture, including livestock farming, fishing and forestry, accounted for less than 2% of GDP over the period under review. The vulnerability of agriculture to climatic variations, the lack of water resources and the scarcity of arable land prevent the development of the sector.

Table 1.1 Main economic indicators, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
Nominal GDP (DJF million)	363,052	393,865	434,612	465,375	491,728	535,438	567,200	575,500
Nominal GDP (USD million)	2,043	2,216	2,445	2,619	2,767	3,013	3,191	3,238
GDP real growth rate (%)	..	7.1	7.7	6.9	5.1	8.5	6.6	1.2
Nominal GDP per capita (USD) [calculated]	..	..	2,664	2,805	2,918	3,130	3,269	3,273
Nominal GDP per capita (USD) [IMF Art. IV]	..	..	2,533	2,638	2,711	2,787	..	..
GDP by economic activity (%)								
Agriculture	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Livestock farming	0.4	0.5	0.5	0.6	0.8	0.9	0.7	0.7
Forestry	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Fisheries	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2
Mining	0.2	0.3	0.3	0.3	0.3	0.7	0.7	0.8
Agri-food industries	1.4	1.7	1.7	1.8	2.0	2.1	1.9	2.0
Other manufacturing industries	0.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Electricity	3.2	2.9	3.4	3.0	3.4	3.0	3.2	3.3
Water, sanitation	1.0	0.9	0.9	0.9	0.9	1.0	1.1	1.1
Construction (building and public works)	4.8	4.6	4.1	4.1	4.0	8.7	9.1	9.9
Trade	23.8	25.9	26.4	25.7	26.5	26.2	25.4	24.6

[1] Djibouti had a gross national income per capita of USD 5,610 in 2020.
[2] Alexei Kireyev (IMF Working Paper), Djibouti's Quest for Inclusive Growth, viewed at: https://www.imf.org/~/media/Files/Publications/WP/2017/wp17270.ashx.

	2013	2014	2015	2016	2017	2018	2019	2020
Transport, postal and courier services	21.7	20.6	20.1	20.3	19.1	17.2	17.0	15.9
Accommodation and food services	1.0	0.9	0.9	0.8	0.7	0.6	0.7	0.7
Information and communication	3.2	3.6	3.4	3.3	3.3	3.1	3.6	3.7
Banking and insurance	4.1	3.1	3.3	3.3	3.5	3.3	3.6	3.6
Real estate activities	5.0	4.7	4.4	4.2	4.1	3.7	3.9	3.9
Professional, scientific and technical activities	2.9	2.4	2.3	2.1	2.0	1.9	1.8	1.7
Other tradable services	1.1	1.2	1.2	1.2	1.2	1.1	1.2	1.2
Public administration	12.6	12.7	13.1	14.7	14.4	13.3	13.6	14.3
Other non-tradable services	5.2	5.5	5.2	5.0	4.9	4.4	4.7	4.8
Total value added	93.2	93.2	92.8	93.1	92.9	93.0	93.8	34.0
Taxes net of product subsidies	6.8	6.8	7.2	6.9	7.1	7.0	6.2	6.0
GDP at constant 2013 prices (DJF million)								
Final consumption	283,348	310,165	338,316	387,893	421,589	438,755	..	..
Households	211,608	230,755	255,031	283,967	314,136	329,233	..	..
Public administration	71,418	78,462	82,269	102,871	106,361	108,447	..	..
NPISH	322	948	1,016	1,056	1,092	1,076	..	..
Investment	206,481	8,881	-15,603	151,227	195,987	19,672	..	..
Gross fixed capital formation (GFCF)	90,929	107,229	125,949	127,589	127,098	97,591	..	..
Private	53,197	70,492	80,975	90,141	96,176	66,203	..	..
Public, NPISH	37,732	36,737	44,974	37,448	30,922	31,388	..	..
Variation in inventories	115,552	-98,348	-141,552	23,638	68,889	-77,919	..	..
Net exports	-126,777	69,643	95,807	-91,644	-147,382	51,710	..	..
Exports	568,315	607,486	600,298	446,704	689,589	760,723	..	..
Imports	695,092	537,844	504,491	538,348	836,971	709,013	..	..
GDP at constant 2013 prices (DJF million)	363,052	388,689	418,521	447,476	470,194	510,137	..	..
GDP at constant 2013 prices (annual growth rate, %)								
Final consumption	..	9.5	9.1	14.7	8.7	4.1	..	..
Households	..	9.0	10.5	11.3	10.6	4.8	..	..
Public administration	..	9.9	4.9	25.0	3.4	2.0	..	..
NPISH	..	194.4	7.2	3.9	3.4	-1.5	..	..
Investment	..	-95.7	-275.7	-1,069.2	29.6	-90.0	..	..
Gross fixed capital formation (GFCF)	..	17.9	17.5	1.3	-0.4	-23.2	..	..
Private	..	32.5	14.9	11.3	6.7	-31.2	..	..
Public, NPISH	..	-2.6	22.4	-16.7	-17.4	1.5	..	..
Variation in inventories	..	-185.1	43.9	-116.7	191.4	-213.1	..	..
Net exports	..	-154.9	37.6	-195.7	60.8	-135.1	..	..
Exports	..	6.9	-1.2	-25.6	54.4	10.3	..	..
Imports	..	-22.6	-6.2	6.7	55.5	-15.3	..	..
GDP at constant 2013 prices (DJF million)	..	7.1	7.7	6.9	5.1	8.5	..	..
Money								
M1 aggregate (annual growth rate, %)	22.8	8.7	22.6	13.4	1.1	11.6	4.3	8.6
M2 aggregate (annual growth rate, %)	16.1	8.7	22.8	15.5	1.0	11.8	5.2	7.2
M3 aggregate, money supply (annual growth rate, %)	6.7	6.4	18.6	8.6	20.0	-5.6	8.8	8.6
Exchange rate (DJF/USD, annual average)	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7
Consumer price index (CPI) [INSTAD]	..	..	..	104.0	105.0	105.0	109.0	110.4
Inflation (CPI, annual change) [INSTAD]	..	..	..	..	1.0	0.0	0.3	0.3
Inflation (CPI, annual change) [IMF]	..	..	-0.8	2.7	0.6	0.1	2.2	2.0
Population ('000)	886.1	902.3	918.1	933.4	948.2	962.5	976.1	989.1

.. Not available.

Source: National Institute of Statistics of Djibouti (INSTAD), Statistical Yearbook, various issues; Ministry of the Economy and Finance, 2019 Annual Report; International Monetary Fund, International Financial Statistics.

1.5. Djibouti maintains a strong presence of state-owned enterprises in several economic sectors. Since the economy is small, these enterprises often enjoy full or near monopolies, which has generally affected the quality of the goods and services that they offer while keeping their prices high. Efforts are currently under way to rationalize the activities of state-owned enterprises and promote the development of the private sector in certain economic sectors such as telecommunications (Sections 3.3.5 and 4.4.1).

1.6. A currency board arrangement is in place in Djibouti. This means that deposits held by commercial banks and banknotes issued by the central bank are fully covered by foreign assets. Under this system, the Djibouti franc is pegged to the US dollar at a fixed rate of DJF 177.721. Djibouti applies the provisions of Article VIII of the IMF's Articles of Agreement and maintains an exchange system that is free of restrictions on payments and transfers for current international transactions.[3]

1.7. International trade remains fundamental for Djibouti, given its narrow production base and heavy reliance on imports.

1.2 Recent economic developments

1.8. In 2014, Djibouti launched a strategic reference framework, Vision Djibouti 2035, which sets out a long-term vision for the country. The national development strategy outlined in the strategy paper aims to promote economic diversification through reforms such as improving the business climate, including by reducing factor costs and carrying out major infrastructure projects. The first medium-term strategy, the Strategy for Accelerated Growth and Employment Creation (SCAPE), was adopted in 2015 to promote growth and employment in the short term.

1.9. Overall, the implementation of the SCAPE has enabled Djibouti's economy to registered strong growth during the review period, with GDP increasing at rates ranging from 5.1% to 8.5%, before falling in 2020 owing to the socio-economic effects of the COVID-19 pandemic. That strong performance was bolstered by, among other things, vibrant trade and logistics activities in the wake of the recent performance of the Ethiopian economy. In addition, the spillover effects of major government investments continue to boost final consumption (Table 1.1). The slight decline in the pace of growth in 2017 was due to the completion of major infrastructure projects and the political unrest in Ethiopia, which affected port and transport activities.

1.10. Since 2015, in line with the ambitions expressed in Vision Djibouti 2035, significant investments have been made in ports, free trade zones, an aqueduct, and a railway line linking Djibouti to Addis Ababa. As a result, public investment also contributed to Djibouti's economic growth during the period.

1.11. From a sectoral point of view, services, especially port activities, transport and financial intermediation, continue to drive growth. Far behind, the contribution of construction, and water and electricity supply activities is increasing. Manufacturing activities remain very limited because of the persistently high cost of water, electricity and labour. Agriculture's contribution remains low and volatile owing to its vulnerability to climatic variations.

1.12. Djibouti was hit hard by the COVID-19 crisis. The lockdown and other restrictive measures, including those imposed on international transport, have particularly affected economic activity. Having been projected at 6% before the crisis, Djibouti's economic growth was just 1.2% in 2020. The government's stimulus package seems to augur a resumption of growth in the coming years at levels comparable to those of the pre-pandemic years.[4]

1.13. In the midst of a multi-faceted crisis (COVID-19, armed conflict in Ethiopia and drought in Djibouti), the second operational plan of Vision Djibouti 2035, entitled Inclusion, Connectivity, Institutions (ICI), was adopted in February 2022 to replace the SCAPE. According to the authorities, this five-year plan aims to make Djibouti a trade and logistics hub, and develop a modern regional financial centre.

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[3] IMF, Djibouti: 2019 Article IV Consultation, viewed at: https://www.imf.org/en/Publications/CR/Issues/2019/10/23/Djibouti-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-48743.

[4] Central Bank of Djibouti, *Rapport Annuel 2020*, viewed at: https://banque-centrale.dj/wp-content/uploads/2021/11/BCD-Rapport-annuel-2020.pdf.

1.14. On the fiscal side, official statistics show that government deficit levels have remained below 2% of GDP since 2013 (Table 1.2). However, according to the IMF, the overall fiscal deficit, which includes public investment expenditure, was particularly high in 2015 and 2016 (15.7% and 8.7% of GDP) because of the financing of large infrastructure projects. Thus, following the completion of these major projects, the deficit fell to less than 3% of GDP in 2018 and to 1.8% in 2019. Moreover, while the projected fiscal deficit for 2020 was 1.7% of GDP before the COVID-19 crisis, it eventually reached 2.5% as a result of lower government revenues due in particular to the economic downturn and higher government spending, especially on health and on support for businesses and households.

Table 1.2 Financial transactions by the State, 2013-20

(% of GDP)

	2013	2014	2015	2016	2017	2018	2019	2020
Revenue and grants	**26.5**	**23.9**	**26.2**	**25.0**	**23.6**	**22.6**	**23.3**	**22.8**
Total budgetary income	23.4	19.7	21.3	23.4	21.8	20.6	19.3	19.5
Tax revenue	15.2	14.0	15.1	13.9	13.5	13.2	12.7	11.4
Direct taxes	6.3	6.6	6.1	6.0	5.6	5.5	5.3	5.0
Indirect taxes	6.9	6.7	7.2	6.9	7.1	6.7	6.4	6.0
Other taxes	1.9	0.8	1.7	1.0	0.8	1.0	1.0	0.5
Non-tax revenue	8.2	5.7	6.2	9.4	8.3	7.4	6.6	8.0
Grants	3.2	4.2	4.9	1.6	1.8	2.0	4.0	3.3
Total expenditure	**26.8**	**25.4**	**26.5**	**25.7**	**23.8**	**23.3**	**23.6**	**25.0**
Current expenditure	17.1	16.0	16.3	17.8	17.7	16.6	15.5	15.6
Wages	6.9	6.7	6.4	6.7	6.8	6.6	6.0	6.2
Equipment	5.3	4.5	5.3	6.4	6.1	5.1	4.7	5.3
Maintenance	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Transfers	3.8	3.6	3.6	3.5	3.4	3.3	3.1	3.3
Interest	0.2	0.3	0.4	0.8	1.1	1.2	1.2	0.6
Externally financed development programmes	0.6	0.5	0.3	0.1	0.1	0.2	0.3	0.0
Capital expenditure	9.7	9.2	10.3	7.9	6.1	6.7	8.1	7.0
On domestic financing	5.7	4.5	7.1	4.8	3.7	3.2	3.7	3.9
On external financing	4.0	4.7	3.2	3.1	2.4	3.5	4.4	3.1
Deficit (based on payment orders)	**-0.3**	**-1.4**	**-0.3**	**-0.8**	**-0.2**	**-0.7**	**-0.3**	**-2.3**
Arrears (+ accumulation, - payment)	-0.7	-0.4	-0.4	-0.4	-0.1	-0.3	-0.3	0.1
Deficit (cash basis)	**-1.1**	**-1.7**	**-0.7**	**-1.1**	**-0.3**	**-1.0**	**-0.6**	**-2.2**
Financing	**1.0**	**1.5**	**0.6**	**1.0**	**0.3**	**1.0**	**0.6**	**2.2**
Domestic financing	0.3	0.8	0.0	-0.4	-0.5	-0.4	-1.4	-0.4
Bank financing	-2.1	-2.4	0.1	-0.4	-0.5	-0.4	-1.3	-0.4
Non-bank financing	2.4	3.2	0.0	0.0	0.0	0.0	-0.1	0.0
External financing	0.7	0.6	0.6	1.4	0.8	1.5	1.9	2.6
Adjustments	**0.0**	**-0.2**	**-0.1**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**
Public debt	**34.2**	**38.1**	**47.6**	**62.2**	**71.1**	**68.4**	**67.6**	**74.0**
Direct government debt	25.0	22.3	19.9	19.5	20.2	19.8	14.7	..
Government-guaranteed debt of public institutions	9.3	15.8	27.7	42.7	50.9	48.6	50.2	..

.. Not available.

Source: National Institute of Statistics of Djibouti (INSTAD), Statistical Yearbook, various issues.

1.15. In order to address the socio-economic impacts of the pandemic, the government distributed food and cash transfers to vulnerable households, deferred the collection of taxes for four months for the companies most affected by the crisis, and granted subsidies to public water, electricity and telecommunications companies.[5] Public finances remain under increased pressure as tax

[5] African Development Bank, Country Portfolio Performance Review, viewed at: https://www.afdb.org/en/documents/djibouti-csp-2016-2020-update-and-extension-until-end-2022-and-country-portfolio-performance-review-2020.

expenditures (special tax regimes and exemptions for free zones, military bases and new investments) remain high (Sections 2.4 and 3.1.6).

1.16. Public investment in large infrastructure projects, financed by large, partly non-concessional, loans, has increased the risk of debt distress. Against this backdrop, foreign debt contracted or guaranteed by the State increased from 34.2% of GDP in 2013 to about 74% in 2020 (Table 1.2). However, it fell slightly in 2018 and 2019, thanks in particular to the restructuring of part of the government's borrowing from China.[6] Although the recent IMF/World Bank debt sustainability analysis published in 2019 concluded that Djibouti's public debt remained sustainable, it highlighted that the risk of debt distress remained high with a strong susceptibility to shocks, including falling export earnings. The Central Bank of Djibouti's annual report (2020) indicated that the majority of foreign debt is still owed to bilateral partners, which accounted for 70.5% in 2019, compared to 29.5% for multilateral institutions.[7] According to the authorities, Djibouti's main bilateral donors are China, the Kuwait development fund and the Saudi development fund.

1.17. Against this backdrop of tight public finances, the Djibouti authorities' efforts are focused on clearing external arrears and reducing public sector borrowing through reforms aimed at developing a medium-term fiscal framework and strengthening debt management. In this context, the authorities have indicated that reforms are under way to improve the governance of state-owned enterprises, which are the main debtors in the total public external debt stock. In addition, a technical debt committee, chaired by the Prime Minister, has been set up to monitor the debt and the implementation of reforms necessary to ensure public debt sustainability.

1.18. On 8 May 2020, the IMF approved a disbursement to Djibouti under the Rapid Credit Facility equivalent to SDR 31.8 million (about USD 43.4 million, or 100% of its quota) to help the country to meet its urgent balance of payments needs stemming from the COVID-19 pandemic. The IMF also approved grants under the Catastrophe Containment and Relief Trust (CCRT) to cover Djibouti's debt service falling due to the IMF on 13 October 2020, the equivalent of SDR 1.692 million, or USD 2.3 million.[8]

1.19. Inflation in Djibouti is chiefly imported. It has remained under control, averaging less than 1% since 2017, thanks to stable food and oil prices during the review period. However, according to the authorities, it rose by 2.5% year-on-year in December 2021 on the back of higher global oil and food prices. In addition to contributing to the predictability of international transactions by pegging the Djibouti franc to the dollar[9], the currency board system has helped to maintain a low-inflation environment.

1.20. In accordance with the legislation in force, the Central Bank of Djibouti monitors money supply, bank credits and foreign currency transactions. In this regard, it is committed to preserving the external and internal value of the national currency by maintaining the fixed parity of the Djibouti franc with the US dollar and its floating rate with other currencies. According to the authorities, the coverage of the currency board was 106.5% in 2015 and 106% in 2021. Foreign exchange reserves remained stable during the review period, averaging over three months of imports of goods and services.

1.21. The current account balance has fluctuated significantly, particularly as a result of re-export activity. Although it was in surplus for most of the review period, if re-exports are excluded, it remained heavily in deficit over the whole period. The influx of imports for investment projects led to a deterioration of the current account in 2016 and 2017. However, the relatively good performance of the services balance helped, to some extent, to offset the decline in the current account (Table 1.3).

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[6] IMF, Djibouti: 2019 Article IV Consultation, viewed at: https://www.imf.org/en/Publications/CR/Issues/2019/10/23/Djibouti-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-48743.

[7] Central Bank of Djibouti, *Rapport Annuel 2020*, viewed at: https://banque-centrale.dj/wp-content/uploads/2021/11/BCD-Rapport-annuel-2020.pdf.

[8] IMF, Press Release, viewed at: https://www.imf.org/en/News/Articles/2020/05/08/pr20211-djibouti-imf-executive-board-approves-disbursement-under-the-rcf-to-address-covid-19.

[9] The Djibouti franc (DJF) is pegged to the United States dollar at a fixed rate of DJF 177.721 = USD 1.

Table 1.3 Balance of payments, 2013-20

(USD million)

	2013	2014	2015	2016	2017	2018	2019	2020
Current account balance	**-629**	**531**	**714**	**-26**	**-132**	**429**	**564**	**366**
Current account balance excluding re-exports	**-2,646**	**-1,868**	**-1,580**	**-1,484**	**-2,874**	**-2,669**	**-3,416**	**-2,098**
Trade balance	-866	113	135	-595	-414	-81	-142	-127
Trade balance excluding re-exports	-2,883	-2,286	-2,159	-2,053	-3,155	-3,178	-4,122	-2,591
Exports	2,401	2,704	2,582	1,732	3,162	3,522	3,996	2,785
Of which: re-exports	2,017	2,399	2,294	1,458	2,741	3,097	3,980	2,464
Imports	3,268	2,591	2,447	2,327	3,576	3,603	4,138	2,911
Services balance	153	331	410	450	254	455	528	397
Exports	797	863	943	971	985	1,041	1,153	910
Transport	512	500	497	526	538	556	615	511
Travel	22	25	40	39	36	57	63	30
Communications services	66	82	85	90	96	102	113	85
Government services	188	188	222	222	224	247	273	212
Embassies and consulates	40	40	46	46	45	49	55	43
Military units and delegations	108	113	138	139	141	155	172	130
Families of the military	40	35	38	38	38	42	46	39
Other	9	69	100	94	91	80	89	72
Imports	644	532	534	521	730	586	626	514
Transport	547	452	433	414	621	498	532	435
Travel	19	21	29	24	28	22	25	15
Communications services	25	11	16	22	18	15	15	17
Insurance services	20	22	31	29	27	21	23	17
Government services	17	21	19	20	21	17	19	19
Other	16	5	6	11	16	13	12	11
Income	-28	-24	-27	-80	-127	-142	-94	-99
Credit	40	38	40	40	41	60	79	64
Compensation of employees	40	38	40	40	41	58	79	45
Investment income	0	0	0	0	0	2	0	19
Direct investment	..	..	..	..	..	0	..	..
Portfolio investment	..	..	..	..	..	..	..	..
Other	..	..	..	..	..	2		19
Debit	-68	-62	-67	-120	-168	-202	-173	-163
Compensation of employees	0	0	0	0	0	0	0	-2
Investment income	-68	-62	-67	-120	-168	-202	-173	-161
Direct investment*	-28	-47	-60	-92	-121	-131	-134	-119
Portfolio investment	0	..	..	..	..	..	..	..
Other	-39	-14	-6	-29	-47	-71	-40	-42
Current transfers	112	110	196	198	154	197	272	195
Credit	127	125	210	217	173	216	285	211
General government	119	117	174	187	143	170	255	184
Other	8	8	35	30	30	47	30	26
Debit	-14	-16	-13	-19	-19	-20	-13	-16
General government	-2	-2	-1	0	0	0	0	0
Other	-13	-14	-12	-18	-19	-20	-13	-16
Capital and financial account	144	406	394	479	122	444	352	39
Capital transfers	50	65	48	34	26	70	40	37
Credit	50	65	48	34	26	72	42	38
General government	50	65	48	34	26	72	42	38
Migrants' transfers	..	..	..	..	..	..	..	..
Debit	0	..	..	0	0	2	2	2
General government	0	..	..	..	..	2	2	2
Migrants' transfers	..	..	..	..	..	..	..	..
Financial account	94	341	346	445	95	375	312	2
FDI	286	153	144	160	165	170	175	158
Credit	286	153	144	160	165	170	175	158
Portfolio investment	-1	-1	-11	9	0	0	-12	210
Assets	-1	-1	-11	9	0	0	-12	-10
Banking	-1	-1	-11	9	0	0	-12	-10
Liabilities	0	0	0	0	0	0	0	219
Banking	0	0	0	0	0	0	0	39,006
Other investment	-16	159	188	319	90	93	189	-183
Assets	-59	10	-241	-88	-241	82	-82	-346
Banking	-57	-68	-241	-39	-223	72	-49	-261
Other	0	75	-2	-42	-25	3	-22	-3
Loans	-3	4	1	-7	7	7	-12	-82
Liabilities	43	149	429	406	331	11	271	163

	2013	2014	2015	2016	2017	2018	2019	2020
Banking	22	60	42	-48	40	-56	109	-159
Currency and deposits	0	-1	-1	16	1	-1	-1	1
Other liabilities	0	-1	-1	-1	1	0	15	1
Loans	22	91	388	439	288	68	148	320
Monetary authorities	0	-3	-2	-2	-3	-3	-5	-1
IMF disbursements	0	..	..	..	..	..	..	
IMF repayments	0	-3	-2	-3	-3	-3	-5	-1
Arab Monetary Fund (AMF) disbursements	0	..	..	..	..	..	..	..
AMF repayments	0	..	..	..	..	..	..	..
Other long-term disbursements	..	..	..	..	..	..	..	..
Other long-term repayments	0	0	0	0	0	0	0	0
General government	15	5	14	39	23	49	47	59
General government - disbursement	32	22	30	53	41	70	66	75
General government - repayment	-18	-17	-16	-14	-18	-21	-20	-16
Other long-term loans	7	89	376	403	268	22	107	263
Other long-term disbursements	28	109	396	422	291	57	147	280
Other long-term repayments	-21	-20	-19	-20	-23	-35	-40	-17
Foreign exchange reserves	-175	30	25	-43	-159	112	-41	-182
Net errors and omissions	485	-937	-1,108	-453	11	-873	-916	-405
Memorandum item:								
Current account balance (% of GDP)	-30.8	23.9	29.2	-1.0	-4.8	14.2	17.0	..
Current account balance excluding re-exports (% of GDP)	-129.5	-84.3	-64.6	-56.7	-103.9	-88.6	-102.7	..

.. Not available.

Source: Information provided by the authorities.

1.3 Developments in trade and investment

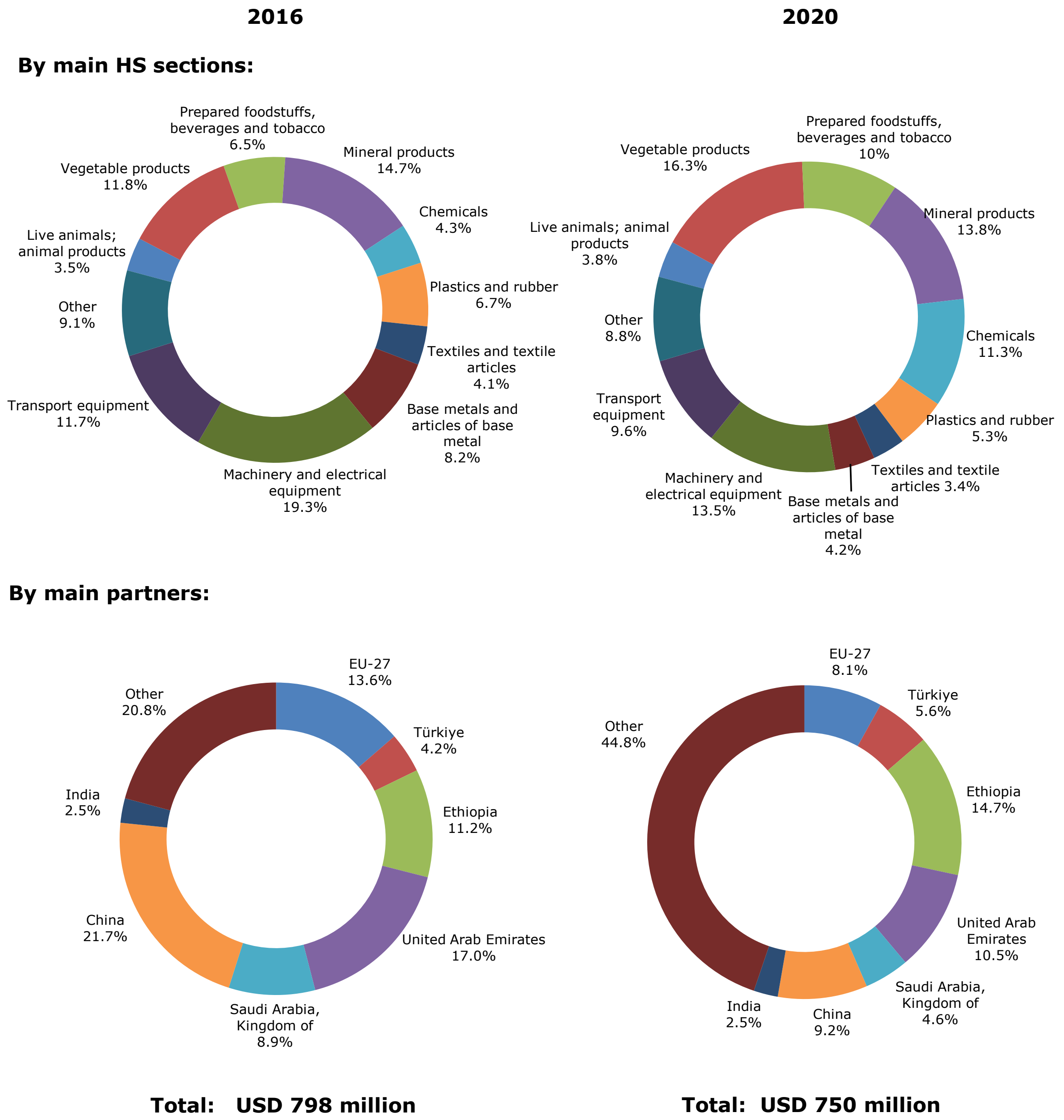
1.3.1 Trade in merchandise and services

1.22. Djibouti continues to face difficulties in collecting and publishing its foreign trade statistics. The authorities make an effort to produce data on imports. However, these remain of limited use. Data on exports, meanwhile, are non-existent. The authorities have indicated that the Economic and Statistical Observatory for Sub-Saharan Africa (AFRISTAT) would assist the National Institute of Statistics of Djibouti (INSTAD) in setting up a system to compile export data.

1.23. Available data indicate that merchandise imports ticked upward from 2016 to 2018 before declining in 2019 and 2020. Food and petroleum products, together with household electrical appliances and transport equipment, make up the bulk of Djibouti's imports (Table A1.1 and Chart 1.1). While food imports continued to rise for most of the review period, imports of machinery, household electrical appliances and transport equipment fell significantly, due in large part to the military conflict in Ethiopia and the health crisis. In addition to Ethiopian imports transiting through Djibouti, some goods enter in relatively large quantities and are stored on Djibouti's territory, including in customs warehouses and free zones, before being re-exported, usually to Ethiopia. As a result, total goods exports would certainly have followed the same pattern as imports.

1.24. China, the United Arab Emirates, European Union countries and Ethiopia are the main sources of Djibouti's imports (Table A1.2 and Chart 1.1).

Chart 1.1 Structure of merchandise imports, 2016 and 2020



Source: WTO Secretariat calculations, on the basis of the Yearbook of Foreign Trade, various issues (INSTAD), and of data provided by the authorities.

1.25. Thanks to the impetus of its port services, Djibouti is a net exporter of services, with transport activities accounting for the largest share (Table 1.3). The surplus balance in the services account decreased in 2017 and in 2020, as a result of the end of services related to major infrastructure works and the effects of the health crisis, respectively.

1.3.2 Trends and patterns in FDI

1.26. Despite political stability and a stable exchange rate system that ensures a degree of predictability in economic transactions, Djibouti is still struggling to mobilize foreign investment in a sustainable manner outside the transport and logistics sector. Indeed, foreign direct investment (FDI) remained concentrated in services, particularly the port and road sectors. The high costs and scarcity of production factors, especially electricity and labour, detract from the country's attractiveness and are a real obstacle to its economic diversification.

1.27. According to the OECD, Chinese companies have recently begun to diversify their investment sectors by turning to the exploitation of natural resources (fish, salt and energy) and the development of tourism.[10]

1.28. The data available on FDI are incomplete and exclude investments in port entities. The data do indicate that FDI flows to real estate, industry and services have fluctuated significantly over the review period and come mainly from Asian countries, in particular China and India, and from Gulf countries, especially the United Arab Emirates, Kuwait and Saudi Arabia (Table 1.4). The services sector was the main recipient of annual FDI inflows, except in 2018 when industrial activities received greater investment.

Table 1.4 Foreign direct investment (FDI) by sector and origin, 2014-19

(In USD)

	2014	2015	2016	2017	2018	2019
Total	600,109	16,257,515	11,896,744	3,380,925	41,815,698	4,457,688
By sector						
Real estate (Construction)	0	0	3,124,162	607,953	0	859,438
Industry	280,963	143,331	6,244,109	260,463	36,063,330	611,506
Services	7,589	15,824,384	2,325,296	2,512,509	5,631,559	2,986,744
Transport	311,557	289,800	203,177	..	120,809	..
By origin						
Africa	288,552	..	447,801	2,184,012	249,385	92,516
Arab countries	..	270,088	9,204,070	..	25,377,707	2,987,089
Asia	..	13,618,973	607,953	1,196,913	11,102,025	669,128
Europe	..	2,078,654	203,176	..	4,951,137	97,449
Joint venture	311,557	289,800	1,433,744	..	135,444	611,506

.. Not available.

Source: IMF, Djibouti: Technical Assistance Report-External Sector Statistics, January 2021.

[10] OECD, *Perspectives économiques en Afrique 2017*, viewed at: https://www.oecd-ilibrary.org/development/perspectives-economiques-en-afrique-2017/djibouti_aeo-2017-27-fr.

2 TRADE AND INVESTMENT REGIMES

2.1 General framework

2.1. Djibouti is a unitary republic. Its last Constitution to date, under a presidential system, was approved by referendum on 4 September 1992. This Constitution abolished the single-party regime and instituted a multi-party system limited to four parties, which lasted for 10 years. The full multi-party system (with an unlimited number of parties) was established in 2002. The Constitution was last amended in 2010. Among other things, it reinforced the multi-party system, abolished the death penalty, reduced the presidential term of office from six to five years, introduced a presidential age limit of 75 years and created the office of Ombudsman of the Republic.

2.2. Under the Constitution, executive power is exercised by the President of the Republic, who is also the Head of State and Government and Commander-in-Chief of the armed forces. The President is elected by universal direct suffrage (in two rounds of voting) for a five-year term, renewable once. He or she must be at least 40 and under 75 years of age at the time of election. Following the most recent elections held on 9 April 2021, the incumbent President was re-elected for his fifth consecutive term.

2.3. The President of the Republic formulates and shapes national policy, has regulatory authority and may put any bill to a referendum. The President promulgates laws adopted by the National Assembly within 15 days of receiving them unless he or she requests a second reading by the Assembly. The President is responsible for implementing laws passed by the Assembly and may refer laws to the Constitutional Council if he or she considers them to be unconstitutional.

2.4. The President of the Republic is assisted in his or her role by the government, of which the Prime Minister and the other ministers are full members. The government is responsible for assisting and advising the President in his or her duties. The President appoints the Prime Minister and the other members of the government on the Prime Minister's proposal. The President establishes their powers and can remove them from office. Members of the government are answerable to the President.

2.5. Legislative power is held by the National Assembly, composed of 65 members elected for five-year terms. It has set its own agenda since the Constitution was amended in 2006. The Assembly alone adopts laws by simple majority of the members present, except for organic laws, as defined by the Constitution, which must be adopted by an absolute majority of the National Assembly members present and can be enacted only after the Constitutional Council has declared them to be constitutional. Laws are proposed by the President of the Republic and the members of the National Assembly concurrently. The President and the members have a right of amendment. The government submits periodic reports on its activity and administration to the National Assembly. The presidential coalition has held 57 of the 65 seats since the 2018 elections and the next legislative elections are scheduled for February 2023.

2.6. The judiciary is independent of the legislative and executive branches. Judicial power is exercised by the Supreme Court and other courts. Judges cannot be removed from office.

2.7. The Constitutional Council ensures that constitutional principles are respected. It monitors the constitutionality of laws and guarantees fundamental human rights and civil liberties. It is the authority that regulates the functioning of governmental institutions and activities. The Council consists of six members who serve non-renewable eight-year terms, and the President of the Republic, the President of the National Assembly and the President of the Supreme Council of Justice each appoint two members. Half of the Council is renewed every four years.

2.8. The President of the Republic, the President of the National Assembly or 10 members may refer laws to the Constitutional Council to verify their constitutionality. Anyone may challenge the constitutionality of any law before any court. The court hearing the matter must defer judgment and transfer the case to the Supreme Court. The Supreme Court has one month in which to dismiss the case if it lacks merit, or otherwise refer it to the Constitutional Council.

2.9. The state judicial system coexists alongside the customary and Islamic legal systems. The judicial bodies include the Court of First Instance, the Court of Appeal and the Supreme Court. The

Court of First Instance is composed of specialized chambers, including the Civil Chamber and the Commercial Chamber, which has jurisdiction over commercial disputes.

2.10. The Court of Appeal, a higher court, hears appeals against the judgments of the Court of First Instance. It too is organized into specialized chambers; an indictments chamber is responsible for supervising first-instance court judges and another chamber tries criminal cases. The Administrative Court was created by the Law of 19 July 2009 and has the same level of jurisdiction as the Court of Appeal. Its decisions are subject to appeal before the Administrative Chamber of the Supreme Court. The Supreme Court is also a court of cassation, which is responsible for upholding the rule of law. Its president is appointed by the President of the Republic.

2.2 Trade policy formulation and objectives

2.11. Under Decree No. 2021-106/PRE of 24 May 2021, on the appointment of members of the government, the Ministry of Trade and Tourism is in charge of implementing and monitoring the government's trade policy. To this end, it initiates and helps enforce trade legislation and regulations. It is responsible for preparing and implementing, in conjunction with the ministries concerned, trade policy instruments that include customs measures and technical barriers to trade, such as quality control measures.

2.12. The Ministry of Trade and Tourism is also in charge of negotiating, implementing and monitoring trade agreements and relations with international organizations that regulate trade. It cooperates with the ministries concerned to prepare, publish and monitor the trade balance and economic information. It is responsible, along with the relevant ministries, for regional integration policy, especially with respect to trade. The Djibouti Office of Industrial Property and Commerce, the National Tourist Board and the Djibouti Chamber of Commerce fall under the Ministry's authority.

2.13. Other matters pertaining to trade policy, including the investment regime and business climate, and sectoral policy are the direct responsibility of other departments which cooperate with the Ministry of Trade and Tourism. The Ministry of Foreign Affairs has a specific role in terms of treaties. The Secretariat of State for Investments and Private Sector Development works together with the Ministry of the Economy and Finance (which has responsibility for industry) to implement policy on the business climate, the promotion of investment and private sector development.

2.14. The Secretariat of State ensures that the business environment is internationally competitive and favourable to private initiative. It does so by identifying administrative reforms to remove obstacles to a well-functioning private sector. It ensures that investment procedures are straightforward, and leads negotiations on special benefits sought by investors. It also undertakes the necessary studies to make the legislative and regulatory framework more attractive and introduces all appropriate measures to improve the investment climate. It proposes and introduces amendments to the Investment Code to this end, in collaboration with the relevant ministries. The Secretariat of State is in charge of the National Agency for Investment Promotion.

2.15. The National Trade Negotiations Committee (CNNC) was created in 2009 and meets to adopt positions on African Continental Free Trade Area (AfCFTA) negotiations and Common Market for Eastern and Southern Africa (COMESA) integration issues.

2.16. Consultations are held with the private sector via the Djibouti Chamber of Commerce on an *ad hoc* basis. The High Council for Public-Private Dialogue, established by decree in August 2015, is also tasked with creating a business environment in which the private sector can thrive and contribute to economic growth and job creation. It meets once every year as part of an annual public-private consultation forum, under the distinguished patronage of the President of the Republic, to discuss the situation in the private sector and its development prospects.

2.17. Trade policy is one of the core themes of Vision Djibouti 2035, the long-term development strategy document from 2013. Two of the strategy's five pillars – "a diversified and competitive economy, with the private sector as a driver" – and "an active role in regional integration", are given over to it.[1]

2.18. The first of these two pillars aims to make Djibouti the "Lighthouse of the Red Sea" and Africa's trade and logistics hub. The goal is to exploit existing opportunities in various sectors, especially fisheries, tourism, logistics, new information and communication technologies (ICTs), financial services and the manufacturing industry, in which development would be bolstered by the necessary investment to mobilize water and renewable energy resources. With the diversification of the economy, new sectors would contribute to a sustained growth in exports, especially fishery products, tourism (increasing the number of tourists more than tenfold) and offshoring. The average annual growth rate for exports would be 14% and trade would reach around 132% of GDP by 2035.

2.19. The second pillar, concerning regional integration, is based on the understanding that world trade is currently experiencing major growth, the building of regional trade blocs is accelerating and a significant part of global trade takes place in areas of regional integration. Djibouti intends to participate fully in guiding these changes, building subregional groups, fostering regional integration and championing globalization. Whether it is the Intergovernmental Authority on Development (IGAD), COMESA, the AfCFTA or the WTO, Djibouti wishes to be an active partner that participates in and benefits from trade liberalization, capital transactions and a better allocation of labour in order to increase its growth, productivity and competitiveness.

2.20. The development and reinforcement of the link between Djibouti and Ethiopia will lay the groundwork for regional integration, with a view to creating a single market encompassing Djibouti, Ethiopia, South Sudan, Somalia and Eritrea. In 2019, Djibouti, Eritrea, Ethiopia, Kenya and Somalia launched the Horn of Africa Initiative with the overarching goal of ensuring the rapid development of the subregion. The Initiative covers four areas: improving regional infrastructure links, promoting trade and economic integration, enhancing resilience and strengthening the development of human capital. TradeMark East Africa (TMEA) and the French Development Agency (AFD) signed a EUR 29.9 million (approximately USD 35.5 million) grant agreement to help make regional economic integration in the Horn of Africa more sustainable and inclusive. The funding comes from the European Union (EU), which delegated it to the AFD via the signing of a financing agreement worth a total of EUR 32 million.

2.21. Vision Djibouti 2035 is divided into five-year plans and "Strategies for Accelerated Growth and Employment Creation (SCAPEs)". The first, SCAPE 2015-19, covers a large part of the period under review and is structured around four strategic areas: (i) competitiveness and the role of the private sector in driving the economy; (ii) development of human capital; (iii) public governance and strengthening of institutional capacity; and (iv) centres of regional and sustainable development. SCAPE has promoted major investments in ports, roads and railways to better connect Djibouti and Ethiopia. SCAPE 2015-19 has not been evaluated.

2.22. The current five-year plan is entitled "Djibouti Inclusion-Connectivity–Institutions" and aims to: (i) promote inclusive growth to tackle unemployment, in particular by improving vocational training in order to adapt the workforce to the needs of the economy; (ii) create and strengthen economic and trade networks at the national level; and (iii) improve government efficiency.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.23. Djibouti is an original Member of the WTO. It is not a party to the plurilateral WTO Agreement on Government Procurement. On 5 March 2018, Djibouti accepted the 2014 Protocol of Amendment to insert the Trade Facilitation Agreement into Annex 1A of the WTO Agreement. Djibouti is a party to only one joint initiative, the Joint Statement on Investment Facilitation for Development of 10 December 2021 (WT/L/1130).

[1] The three other pillars are national peace and unity, good governance and consolidation of human capital, respectively.

2.24. Djibouti has not been involved in any WTO dispute settlement cases during the period under review.

2.25. Over this period, Djibouti submitted eight notifications to various WTO committees: the Committee on Trade and Development (WT/COMTD/N/51, 9 January 2017); the Committee on Trade Facilitation (G/TFA/N/DJI/1, 3 July 2019 and G/TFA/N/DJI/1/Add.1, 24 February 2020); the Committee on Agriculture (G/AG/N/DJI/1, 4 May 2022); the Committee on Anti-Dumping Practices (G/ADP/N/1/DJI/1, 4 May 2022); the Committee on Trade-Related Investment Measures (G/TRIMS/N/2/Rev.31/Add.3, 5 May 2022); the Committee on Safeguards (G/SG/N/1/DJI/1, 5 May 2022); and the Committee on Rules of Origin (G/RO/N/239, 10 May 2022).

2.3.2 Regional and preferential agreements

2.26. Djibouti is part of four regional blocs: COMESA, the Tripartite Free Trade Area (TFTA), the AfCFTA, IGAD and the Community of Sahel-Saharan States (CEN-SAD).

2.27. COMESA has been partially notified to the WTO (accession of Egypt and aspects relating to trade in goods). COMESA was notified to the WTO on 29 June 1995 under the Enabling Clause but not under Article XXIV of the General Agreement on Tariffs and Trade (GATT). Since negotiations on services are ongoing, COMESA has not yet been notified under Article V of the General Agreement on Trade in Services (GATS). The other three organizations mentioned are yet to be notified to the WTO.

2.28. At this stage, unlike the TFTA and AfCFTA, IGAD does not feature in the "list of regional trade agreements which have appeared in factual presentations and have not yet been notified to the WTO".[2] IGAD is one of the eight regional economic communities recognized by the African Union. In order to lend it fresh impetus, IGAD's mandate was extended to economic cooperation and regional integration activities. It implements the regional integration agenda and has a regional trade policy. Like any regional economic community, it adapts to the continental integration context. Such communities are regarded as the cornerstones of the AfCFTA.

2.29. Furthermore, Djibouti was one of the eastern and southern African States that negotiated an Economic Partnership Agreement (EPA) with the EU. However, it is not part of the group of six countries (Comoros, Madagascar, Mauritius, Seychelles, Zambia and Zimbabwe) that concluded an interim agreement with the EU in 2007. The agreement entered into force for all parties in 2013 and remains open to other participants. Djibouti is among the COMESA countries that have not signed but have not yet withdrawn from EPA negotiations with the countries in the region.

2.30. A 2017 report[3] by the Ministry of Trade presented a retrospective and equivocal yet positive account of Djibouti's regional integration efforts thus far and called for the establishment of a common market encompassing Djibouti, Ethiopia, South Sudan, Somalia and Eritrea. These countries enjoy a trade facilitation programme aimed at improving harmonization of trade facilitation instruments and increasing competitiveness across the corridor.

2.3.2.1 Common Market for Eastern and Southern Africa (COMESA)

2.31. Djibouti is an original member of COMESA. Over the period 2015-22, COMESA concentrated its efforts on trade liberalization and facilitation, customs management, transport facilitation and support for agriculture, industry and energy. No progress has been made towards the creation of the COMESA Customs Union in recent years and Djibouti is in the process of aligning itself with the Customs Union instruments by transposing the Harmonized System (HS) 2007 currently used to the latest version, HS 2022; bringing itself into full compliance with COMESA's customs code, the Common Tariff Nomenclature (CTN); and implementing the COMESA Common External Tariff and CTN. Lastly, negotiations on the liberalization of priority services sectors are still under way within COMESA. The *ad hoc* group held its 11th meeting in May 2022.

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[2] In its latest version, WTO document WT/REG/W/165, 18 March 2022.

[3] *Étude de l'impact de l'adhésion de Djibouti à la zone de libre-échange du COMESA, de l'IGAD, de la tripartite et la zone de libre-échange continentale*, Ministry of Trade and Handicrafts, January 2017.

2.3.2.2 Tripartite Free Trade Area (TFTA)

2.32. The TFTA aspires to become a customs union between three economic communities in eastern and southern Africa: COMESA, the East African Community (EAC) and the Southern African Development Community (SADC). In 2015, Djibouti signed the TFTA Agreement in Sharm el-Sheikh, Egypt. In 2019, the TFTA secretariat organized a national awareness-raising workshop for the ratification of the Agreement. Djibouti takes part in technical working group meetings, and negotiations are still under way on rules of origin, trade remedies and tariffs. The Tripartite Working Group prioritized the signature, ratification and implementation of the Agreement before moving on to the second stage of the negotiations, on trade in services, completion policy, intellectual property rights, trade and development cooperation and cross-border investment. Djibouti is expected to offer other TFTA member and partner States the benefits of the COMESA free trade area.

2.3.2.3 African Continental Free Trade Area (AfCFTA)

2.33. The AfCFTA brings together all eight African regional economic communities and 55 of the continent's 56 States, including Djibouti. It was founded in 2018. The Republic of Djibouti was among the first eight countries to sign the framework Agreement on 21 March 2018. It deposited its instrument of ratification on 11 February 2019 and the AfCFTA Agreement entered into force on 31 May 2019. Djibouti has submitted its schedule of commitments for the five priority trade in services sectors and is currently negotiating its final schedule. As for the schedule of tariff concessions, a working group has been set up to hold national consultations and a roadmap has been drawn up to guide work on the preparation and submission of the schedule. The group has held several working meetings.

2.3.2.4 Intergovernmental Authority on Development (IGAD)

2.34. IGAD is the successor of the Intergovernmental Authority on Drought and Development (IGADD), which was created in 1986 by Djibouti, Ethiopia, Kenya, Somalia, Sudan and Uganda to combat the effects of recurrent droughts. It is headquartered in Djibouti. The organization was renamed in 1995 and its purview was expanded to cover economic cooperation and regional integration matters. It is active in the areas of: trade; development of tourism, transport and information and communication technologies; integration of macroeconomic policies; and development of energy, industry and regional value chains. IGAD has carried out studies on the creation of a single window, the establishment of a joint technical committee and the drafting of bilateral agreements and procedural manuals as part of a programme to facilitate trade and transport along the Djibouti-Addis Ababa-Juba-Kampala corridor. It has developed a trade policy for the region and is currently devising a regional strategy concerning the AfCFTA.

2.3.3 Other agreements and arrangements

2.35. Djibouti is eligible for unilateral preferences under the Generalized System of Preferences (GSP) from Australia; Canada; the EU; Iceland; Japan; New Zealand; Russian Federation, Belarus and Kazakhstan; Switzerland; Türkiye; 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). The country is engaged in discussions to increase exports of handicrafts and certain products within the AGOA framework, and technical assistance is provided to build the capacities of those involved.

2.4 Investment Regime

2.36. The purpose of the National Agency for Investment Promotion (ANPI), established in January 2001, is to create synergies among all stakeholders involved in the promotion and development of the private sector. It takes the form of a public limited company in order to involve the private sector in its capital. The ANPI is placed under the supervision of the Secretariat of State for Investment and Private Sector Development.

2.37. The ANPI ensures the functioning of the single window that comes under its aegis. The single window platform hosts and provides services for 16 public and semi-public institutions. All the formalities and procedures required of investors are conducted in one place, in less time and at a lower cost. This platform also provides personalized services such as advice, logistical facilities and standard protocols. Representatives of the Djibouti Office of Industrial Property and Commerce (ODPIC) participate in the single window, as the Office is involved in administrative procedures through the registration of companies.

2.38. ODPIC, which is a public establishment under the supervision of the Ministry of Trade and Tourism, manages the Register of Commerce, which consolidates and stores all information concerning natural and legal persons engaging in trade-related activities or possessing a commercial structure. These persons must be entered in the Register of Commerce to obtain a registration number as means of identification.

2.39. The main reform concerning the registration of companies carried out during the review period was the implementation of the single window in March 2017.[4] The single window enables founders of companies, whether domestic or international, to register the company's articles of association, reserve a trade name, obtain registration with the Register of Companies, and obtain a business licence, in one place, at a cost reduced from DJF 137.5 to DJF 23. This registration system went online in 2019, and is scheduled to become fully virtual after the implementation of the electronic signature and remote payment features.

2.40. The ANPI, by means of the single window, has implemented the concept of the common company identifier (ICE), which allows for the assignment of a number identifying the company and its subsidiaries in a common and uniform way for all administrations. This number is an addition to the list of legal identification numbers, which include the Trade Register (RCS) number, the tax identification number (NIF) and the National Social Security Fund (CNSS) number. Although it is effective for analysing the data relating to the activity, it does not replace the RCS number or other identification numbers required by the tax authority.

2.41. The ANPI is also the main instrument for the promotion of investment in Djibouti. Its role goes beyond foreign investment. The purpose of the ANPI is to create synergies among all stakeholders involved in the promotion and development of the private sector, and to provide them with a common platform for promoting Djibouti among investors, facilitating investment operations, and modernizing the regulatory framework and procedures. By the authorities' own admission, the ANPI still has insufficient financial and operational resources to fulfil its institutional mission and role, which is detrimental to the full accomplishment of its tasks and performance.

2.42. The basic legislation on investment remains the Investment Charter of 1994, although certain elements of it were revised during the review period. The provisions of the Investment Charter were described in detail in the two previous reports.[5] The Charter provides for two separate regimes depending on the amount of the investment project. Regime A gives tax benefits in the form of exemptions or abatements for 12 categories of economic, industrial or commercial activity involving a minimum investment of DJF 5 million and creating a minimum of 15 permanent jobs within a period of 18 months. Regime B concerns companies of special economic or social interest that make a minimum investment of DJF 50 million and create a minimum of 30 permanent jobs within a period of 18 months. The tax benefits granted under the Charter to these two regimes are detailed in annexed Table A2.1.

2.43. Foreign investment is authorized in all sectors except maritime and transit activities[6], fisheries, retail trade, telecommunications, electricity, water, regular mail services, and salt, which are reserved for national investors. In addition, although farmland cannot be purchased by foreigners, it may be ceded for 99 years.

2.44. Regarding the international commitments undertaken by Djibouti, the most notable development during the review period was the deposit of its instrument of ratification of the convention establishing the International Centre for Settlement of Investment Disputes (ICSID) on 9 June 2020 with the World Bank, which is the depositary. This convention, to which Djibouti is the 155th signatory, entered into force for Djibouti on 9 July 2020.

[4] By Service Note No. 001-2017 of the National Agency for Investment Promotion (ANPI).

[5] WTO documents WT/TPR/S/189, 23 July 2006, and WT/TPR/S/305, 17 September 2014.

[6] In these two sectors, a foreign investor must have a Djiboutian partner who owns the majority of the company's capital.

2.45. The convention represents an addition to the other multilateral and plurilateral obligations on investment undertaken by Djibouti, which include: the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Arbitration Convention) (since 1977); the International Arbitration Services Centre (CISA) (since 1984); the Multilateral Investment Guarantee Agency (MIGA) (since 2007); the 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); the Unified Agreement for the Investment of Arab Capital in the Arab States (signed in 1980); and the Agreement on Promotion, Protection and Guarantee of Investments among Member States of the Organisation of the Islamic Conference (2002).

2.46. Djibouti is also party to five double taxation agreements (with Egypt, China, Malaysia, Switzerland and Yemen), and nine bilateral investment treaties (with Egypt, Malaysia, Switzerland, India, China, France, Kuwait, the Islamic Republic of Iran, and Türkiye, respectively).

2.47. The long-term development strategy document, Vision Djibouti 2035, outlines the long-term objectives of this policy. In particular, it provides that, in order to improve the quality of the business environment, the government must:

- guarantee the legal security of investors, through the court system, and the functioning of the justice system against the risks of expropriation and breach of contract;
- and attract investors capable of creating linkage effects, transferring know-how, training the workforce, and developing new activities.

2.48. The Vision Djibouti 2035 strategy also provides for the following measures to be taken for this purpose:

- the implementation of a single window to facilitate business start-up formalities, which has been effective since 2017 (see above);
- the adoption of legislation on monopolies to create conditions for healthy competition among economic operators;
- the non-interference of the State in the establishment of private companies; and
- the elimination of barriers preventing the establishment of foreign companies.

2.49. From a regional point of view, Vision Djibouti 2035 aims to establish strategic partnerships focused on private investment with new economic powers, such as China, Brazil, India, Türkiye, South Korea and the Gulf countries.

2.50. To implement these objectives, Djibouti firstly amended, on several occasions, its recent Commercial Code, in particular to strengthen the position of its minority shareholders (see below). It adopted two new legislative codes, namely a Civil Code (Law No. 003/AN/18/8ème L) and a Code of Civil Procedure (Law No. 004/AN/18/8ème L), both of which govern voluntary conciliation and mediation procedures, and also rules on deadlines for key judicial proceedings.

2.51. Djibouti also undertook more targeted actions to improve the business climate, by deliberately and explicitly modelling the reform of its legislation, during the review period, on the categories and subcategories of the World Bank "Doing Business" index (now discontinued) in order to improve its ranking. This policy bore fruit to a certain extent, as the country improved its ranking in the index after a series of reforms.

2.52. Law No. 190/AN/17/7ème L of 2017 granted an exemption from the activity tax (from class 5 to class 8) for the first three years, and a reduction of capital registration fees to DJF 10,000. The government also facilitated and made more transparent the transfer of ownership, by reducing the fees for the registration of the first property purchase by an individual from a rate of 7% to 3%, and the registration fees for all transfers and other real estate transactions stipulated in the General Tax Code from a rate of 10% to 3% (Law No. 005/AN/18/8ème L).

2.53. The reforms were also concerned with: the modernization of leasing[7]; the extension of the collateral that can be provided as security for a loan, and the protection of creditors guaranteed by the Securities Register and the Credit Register established at the Central Bank of Djibouti[8]; and the creation of a non-possessory secured transaction system (Law No. 49/AN/19/8ème L of 2019).

2.54. Concerning investor protection, contract enforcement and the resolution of insolvency, Law No. 187/AN/17/7ème L on the order for payment procedure in civil and commercial matters, facilitated the recovery of small claims which were difficult to enforce and involved complex procedures. The objective of the order for payment procedure is to obtain a writ of execution which makes it possible to appoint a bailiff to recover the claim by means of seizure, to which the debtor may not object.

2.55. In 2018, the measures to protect minority investors were consolidated through: a requirement for greater disclosure of transactions with interested parties; the strengthening of claims against interested directors; the expansion of access to information on companies prior to the process; the strengthening of shareholders' rights and their role in key company decisions; the clarification of ownership and control structures; and a requirement for companies to improve transparency.

2.56. Following all these reforms, the time limits for the enforcement of contracts before the competent courts decreased from 1,225 days to 695 days on average, according to the authorities.

2.57. The judicial reform aimed at improving investor protection was implemented through Law No. 182/AN/17/7ème L. This law divides the Court of First Instance into two chambers, namely the Civil Chamber and the Commercial Chamber, and determines the powers of each chamber. In addition to the computerization of the two chambers, this law has enabled greater transparency and speed in the settlement of commercial disputes. This separation has also made it possible to ease the backlog in the workload of the chambers, which had experienced a sharp increase in civil and commercial disputes for several years.

2.58. In 2017, the government set a strict deadline of 72 hours for the registration of sales contracts with the tax authorities (Service Note No. 1023/DI/MB of the Ministry of the Budget), digitalized the land deeds of Djibouti City, and established, by Law No. 006/AN/18/8ème L, that all property transactions must be registered in the land register in order to be effective against third parties.

2.59. In 2018, by means of Decree No. 2018-145/PR/MB of the Ministry of the Budget, the government established the National Conciliation Commission, a joint independent advisory body for settling disputes between taxpayers and tax and state administrations. It also instructed the Parliament to update and modernize the Law on land ownership (Law No. 006/AN/18/8ème L). This update includes, in particular, the incorporation of digitalization into the land title registration and land registration procedure, the updating of clauses that have become obsolete, and the updating of references to clauses of the Civil Code and the Code of Civil Procedure. In 2019, the government facilitated, by means of Service Note No. 155/DDCF of 8 April 2019 of the Ministry of the Budget, all the steps prior to sales contracts which may be taken by sellers or buyers, namely, the verification of outstanding payments to tax offices, and the acquisition of the land conservation information sheet.

2.60. Djibouti has also implemented a project for an integrated trade facilitation platform, Djibouti Port Community Systems, connected to the Djibouti Ports & Free Zones Authority (DPFZA). This project comprises three elements: a port community system; a trading community system; and a customs system. The first two components of this platform have just been interfaced. The platform will combine with the single window so that there will be only one entry point, one electronic payment system and one paperless document system.

2.61. Furthermore, the period for the processing of building permits has been shortened (Order No. 2015-228/PR of the Ministry of Housing, Urban Planning and the Environment of 2015), and must not exceed 15 days from the date of application. A non-response during this period is now considered to be a tacit favourable decision.

[7] Law No. 183/AN/17/7ème L of 2017.
[8] Law No. 183/AN/17/7ème L as amended by Law No. 48/AN/19/8ème L of 12 April 2019.

2.62. Three other texts have respectively:

- established requirements for the inspection and quality control of permanent structures and for the purchase of insurance for large-scale constructions (Decree No. 2017-141/MHUE of 16 April 2017 of the Ministry of Housing, Urban Planning and the Environment);

- defined the skills and experience required to draw up architectural and structural plans and supervise construction work (Decree No. 2017-142/PR/MHUE of 16 April 2017 of the Ministry of Housing, Urban Planning and the Environment); and

- increased the level of skills required in this regard (amendment in 2018 to Article 2 of Decree No. 2017-142/PR/MHUE of 16 April 2017).

2.63. The state-owned company, Électricité de Djibouti (EDD), undertook a number of actions including the implementation of an electronic platform aimed at facilitating the procedures for connection to the power grid by reducing the time limits to seven days. It also enabled companies to pay the advance on consumption three months after the installation of a new connection.

2.64. In its 2018 Systematic Country Diagnostic, the World Bank considered that, in addition to these important reforms, other key measures to enhance development of a competitive private sector in Djibouti included: lowering the cost of production factors, particularly electricity and telecommunications, and reducing labour costs; further easing access to finance; improving conditions of competition; and reforming the tax system to make it more equitable across companies.[9]

2.65. The latest available IMF Staff Report on the Article IV consultation (from 2019) also recognized that significant progress had been made in recent years in simplifying business creation, facilitating access to finance, protecting minority investors, and registering property. Nevertheless, the report encouraged the authorities to continue their efforts by, for example by strengthening contract enforcement and property rights.

[9] World Bank, *Economic Transformation in Djibouti: Systematic Country Diagnostic*. Viewed at: https://openknowledge.worldbank.org/handle/10986/31301.

3 TRADE POLICY AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, valuation and requirements

3.1. Since the previous Trade Policy Review of Djibouti, there have been no changes to the registration requirements for importers. Any natural or legal person (of Djiboutian or foreign nationality) wishing to undertake commercial activities, including imports, is subject to registration in the Register of Commerce[1], and must register with the Directorate-General of Taxation to obtain an "importer's licence".

3.2. On 5 March 2018, Djibouti deposited with the WTO its instrument of acceptance of the Protocol concerning the Trade Facilitation Agreement. Although Djibouti notified the list of measures for the different categories (A, B and C), it has not yet indicated the implementation dates for categories B and C.[2] In February 2020, the country indicated that it required additional time to notify its definitive dates for category B provisions. It therefore requested the WTO Committee on Trade Facilitation to consider extending the period for notification by Djibouti of its definitive dates for category B provisions until 21 February 2021.[3] Furthermore, in June 2022, the country indicated that it needed additional time to notify its definitive dates for provisions under category C of the Agreement. It requested an extension of the deadline granted for the notification of its definitive dates for category C provisions until 31 December 2023.[4]

3.3. The authorities have indicated that, with a view to further streamlining customs procedures, Djibouti acquired mobile scanners during the review period. Their use does not involve any additional costs for economic operators.

3.4. Law No. 140/AN/11/6ème of 8 December 2011 establishing a Customs Code continues to govern the majority of customs procedures. The Directorate of Customs and Indirect Duties is responsible for customs procedures and for administering all taxes levied on imports, including the internal consumption tax (TIC), excise duty and VAT. The authorities have indicated that a project to create a website providing information on customs procedures and requirements is being implemented, with financing from the World Bank.

3.5. Customs formalities may be completed by importers or by an approved customs broker. Commercial imports 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. However, the customs authorities may require other documents where necessary. Exemption from customs or excise duty or other levies does not release the party concerned from the obligation to make a customs declaration.

3.6. All import declarations have been made electronically since 2013. Djibouti uses the ASYCUDA World customs clearance system. Since the previous review, all Djibouti's customs offices have been computerized and interconnected. In the context of the current review, the authorities indicated that, on 29 March 2021, a new version of ASYCUDA World was installed and put into operation. This new version operates like a single window system and is interconnected with, *inter alia*, the Ethiopian customs authority, free-zone operators, the tax directorate and treasury, the National Food Analysis Laboratory (LANAA), and the Djiboutian port system. Furthermore, a specific module for regional transit is able to manage the exchange of information on the movement of goods from or to Djibouti. Combined with the COMESA e-tracking system, the module could ensure better control of the movement of goods.

3.7. The authorities have indicated that, in addition to the standard ASYCUDA World modules, others have been developed in Djibouti, including for declarations of vehicles, the management of exemptions, phytosanitary measures, the management of manifests, and declarations of khat, as well as the movements of containers and goods between the different bonded areas.

[1] Law No. 134/AN/11/6ème L establishing a Commercial Code.
[2] WTO document G/TFA/N/DJI/1, 3 July 2019.
[3] WTO document G/TFA/N/DJI/1/Add.1, 24 February 2020.
[4] WTO document G/TFA/N/DJI/1/Add.2, 17 June 2022.

3.8. Djibouti does not currently use a risk management system for its customs clearance procedures. However, the authorities have indicated that there are plans to activate the risk management system incorporated in the ASYCUDA World software.

3.9. The Customs Code offers the possibility of removing goods in the following categories before a detailed declaration is submitted: perishable goods; dangerous goods; arms and ammunition for the national armed forces and for foreign units covered by cooperation agreements with Djibouti; newspapers and magazines; and so-called "express" documents.

3.10. According to an evaluation of the average customs clearance time in 2022, the average time between the registration of a declaration and the issuance of an exit voucher has been estimated at three days. According to the authorities, the evaluation was carried out as part of a project financed by the World Bank, with a view to modernizing the Djiboutian government departments.

3.11. The Customs Code's provisions on customs valuation are aligned with those in the WTO Customs Valuation Agreement. However, indicative values (minimum values) still exist for a list of products in order to counteract under-invoicing. These include: household electrical goods, building and furnishing materials, food products, electronic appliances and clothing. The authorities have indicated that they are faced with numerous cases of under-invoicing.

3.12. On 12 June 2015, Djibouti deposited with the World Customs Organization its instrument of accession to the International Convention on the Harmonized Commodity Description and Coding System (Harmonized System, HS).

3.13. Djibouti has a mechanism for the settlement of disputes arising from the application of customs legislation. Any economic operators who consider themselves injured may refer the case to the Director-General of Customs. If an economic operator is not satisfied with the decision at first instance, the remedies available include recourse to the National Tax Conciliation Commission, followed by the Commercial Chamber of the Court of Appeal. The authorities have indicated that, to date, no dispute settlement database has been created. However, a module is reportedly being developed.

3.1.2 Rules of origin

3.14. Djibouti has not notified any non-preferential rules of origin to the WTO. According to the authorities, the country does not have any.

3.15. Annex 4 to the COMESA Treaty containing the protocol on rules of origin is the basis for the rules of origin granting COMESA members preferential treatment. In this context, Djibouti issues certificates of origin through the Ministry of Trade. The Chamber of Commerce and Industry of Djibouti is responsible for issuing certificates of origin for other trade agreements.

3.1.3 Tariffs

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

3.16. Djibouti does not officially have a customs tariff. However, in terms of its functioning, the internal consumption tax (TIC) is very similar to a customs tariff. It is therefore the subject of the present analysis. Djibouti uses the 2007 version of the Harmonized Commodity Description and Coding System (HS), with a tariff schedule consisting of 6,938 eight-digit lines. All rates are *ad valorem*.

3.17. Until 2021, TIC was levied at eight different rates (zero, 1%, 2%, 3%, 5%, 8%, 13% and 20%). However, the initial Finance law for the financial year 2022 established five bands (zero, 8%, 10%, 20% and 23%). The simple arithmetic average of these rates was 18.2% in 2022 (Table 3.1), compared to 21% in 2013. As in the previous review, the tariff on non-agricultural products (WTO definition) is higher (simple average of 19.1%) than on agricultural products (simple average of 11.6%). The rate of 23% is the modal rate (the most common); it concerns over 69% of the total number of lines (Chart 3.1).

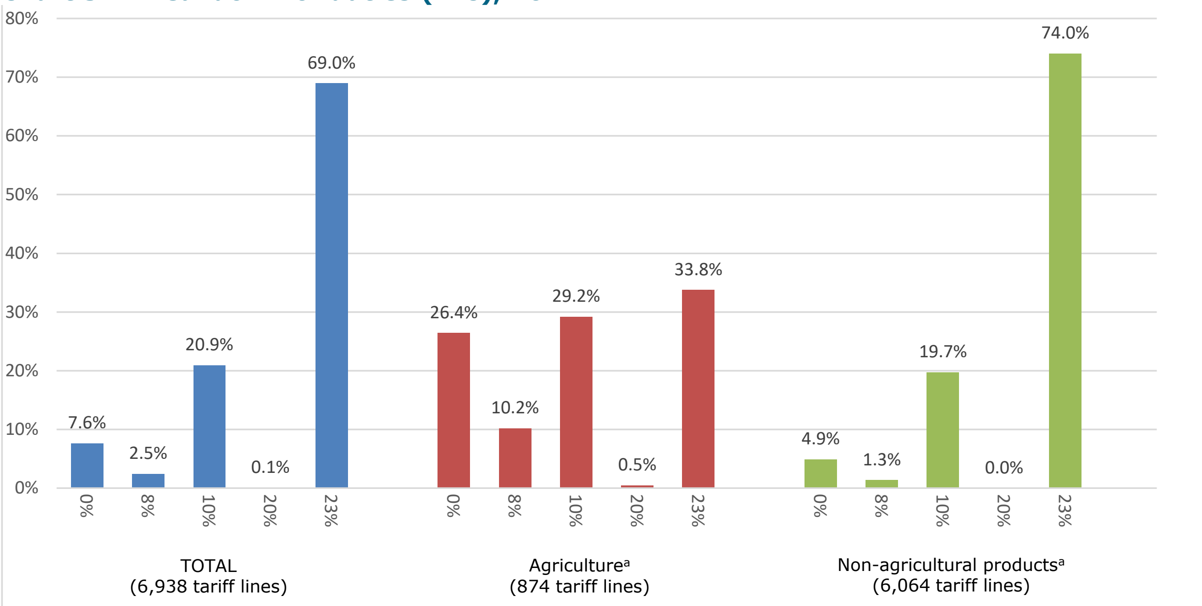
Table 3.1 Brief analysis of TIC, 2022

	Number of lines	Simple average rate (%)	Range of rates (%)	Coefficient variation
Total	6,938	18.2	0-23	0.4
Harmonized System (HS)				
Chapters 1 to 24	913	10.3	0-23	0.8
Chapters 25 to 97	6,025	19.4	0-23	0.3
By WTO definition				
Agriculture	874	11.6	0-23	0.8
Products of animal origin	100	7.5	0-10	0.6
Dairy products	27	11.1	0-23	0.4
Fruit, vegetables and garden produce	218	7.7	0-23	0.9
Coffee and tea	28	20.7	10-23	0.2
Cereals and cereal preparations	117	4.1	0-23	1.3
Oilseeds, fats and oils	91	8.1	0-23	0.9
Sugar and confectionery	31	10.5	0-23	0.4
Beverages and tobacco	95	23.0	23	0.0
Cotton	9	23.0	23	0.0
Other agricultural produce	158	18.2	0-23	0.5
Non-agricultural products	6,064	19.1	0-23	0.4
Fish and fish products	128	10.1	0-23	0.2
Metals and minerals	1,263	21.1	0-23	0.2
Chemicals	991	21.3	0-23	0.2
Wood, paper, etc.	368	19.3	0-23	0.4
Textiles	698	17.3	0-23	0.4
Clothing	264	9.9	0-10	0.1
Leather, footwear, etc.	236	19.9	0-23	0.3
Non-electrical machinery	702	17.6	0-23	0.5
Electrical machinery	398	17.8	0-23	0.5
Transport equipment	428	17.7	0-23	0.4
Other manufactures n.e.s.	564	22.6	0-23	0.1
Petroleum	24	23.0	23	0.0
By ISIC sector[a]				
Agriculture, hunting, forestry and fishing	342	10.8	0-23	0.9
Mining	101	20.2	10-23	0.3
Manufacturing	6,494	18.5	0-23	0.4
By stage of processing				
Raw materials	716	14.3	0-23	0.7
Semi-finished products	2,032	19.9	0-23	0.3
Finished products	4,190	17.9	0-23	0.4

a 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 Djiboutian authorities.

Chart 3.1 Breakdown of duties (TIC), 2022



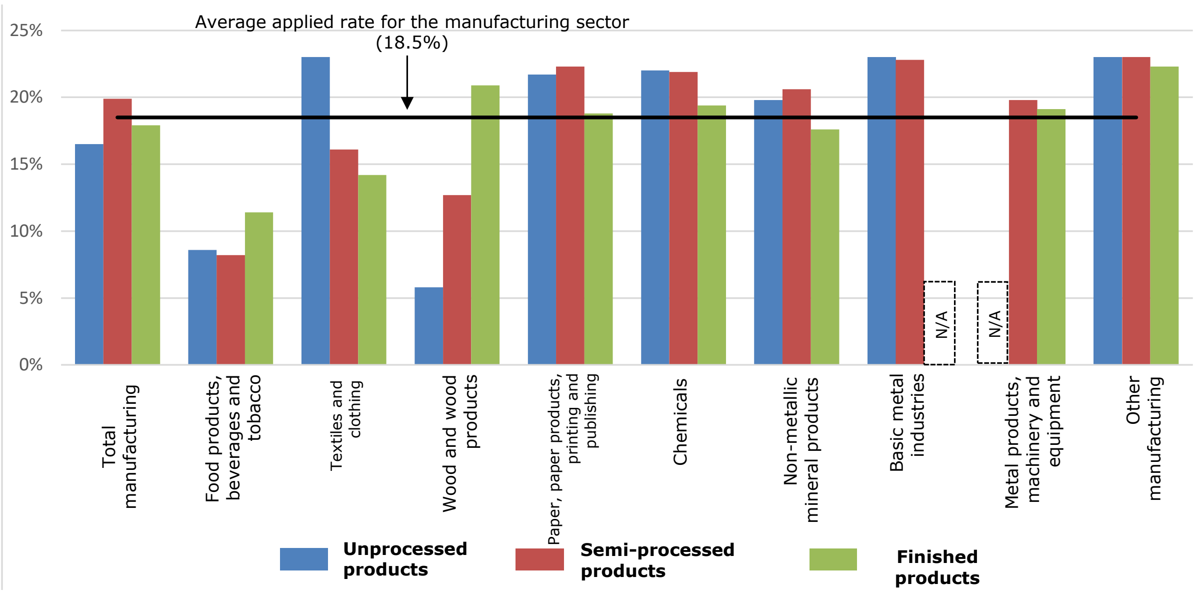
a Classification by WTO definition.

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

3.18. Using the ISIC (Rev.2) definition, the mining and quarrying sector is the most highly protected (with an average rate of 20.2%), followed by manufacturing (18.5%) and agriculture (10.8%) (Table 3.1).

3.19. The structure of TIC continues to display mixed escalation, with average rates of protection of 14.3%, 19.9% and 17.9% respectively for raw materials, semi-finished products and finished products. This mixed structure, with positive escalation from raw materials to semi-finished products, is found particularly in the paper, paper products, printing and publishing, and non-metallic mineral product industries, resulting in higher domestic production costs for finished products. The tariff escalation is positive, however, in the wood and wood product industries, and is negative in the textiles, clothing, chemicals and metal products, machinery and equipment industries, as well as in the basic metal industries (Chart 3.2).

Chart 3.2 Escalation of TIC rates, 2022



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

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

3.1.3.2 Bound duties

3.20. Djibouti has bound all of its tariff lines and has not modified its bound rates since its previous Trade Policy Review.

3.21. Bound rates range from zero to 450%. 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% (49.6% for agricultural products and 40.3% for non-agricultural products); around 98% of tariff lines are bound at 40%; three lines are bound at the ceiling rate of 450%; and five lines are bound at zero.

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

3.1.4 Other charges affecting imports

3.23. In addition to TIC, imports are subject to VAT, excise duty, a special solidarity tax (ISS), a tax on petroleum products, a business licence fee, and a general solidarity tax (IGS).

3.1.4.1 VAT

3.24. VAT is governed by the VAT law (Law No. 43/AN/08/6ème L of 2008 (as amended in 2015 and 2022) introducing value-added tax). Initially, VAT was intended gradually to replace TIC in such a way that domestic fiscal pressure remained unchanged. In order to achieve these objectives, the authorities have indicated that the amendments of 2015 and 2022 lowered the tax threshold with a view to increasing the tax base and the yield on VAT. Furthermore, to increase the benefits of the reform, Djibouti plans to create an association of chartered accountants of Djibouti, and to establish a requirement for companies to keep their accounts with a management centre or a certified accountant.

3.25. Since 2015, locally produced goods and services, together with imports, have been subject to the 10% standard VAT rate (7% during the previous review), while the rate on exports of goods and services has been zero. The tax base for imports is the customs value plus excise duty, while domestic products are taxed on the basis of the selling price.

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

3.1.4.2 Excise duty

3.27. Since the previous review, biodegradable plastic bags, certain food products (yoghurt, pasta and liquid milk), white spirit, printing paper and petroleum jelly have been added to the list of products subject to excise duty. The authorities have indicated that the taxation of food products was intended to protect infant industries within the Djibouti economy.

Table 3.2 Excise duty rates applied in 2013 and 2022

Product	2013	2022
Tobacco		
Manufactured tobacco	70%	70%
Tobacco extracts and essences	70%	70%
Alcohol	120%	120%
Toilet waters containing alcohol	DJF 2,500/litre of pure alcohol	DJF 500/litre of pure alcohol
Perfumes and perfume extracts containing alcohol	DJF 2,500/litre of pure alcohol	DJF 2,500/litre of pure alcohol
Petroleum products		
Regular gasoline and premium gasoline	DJF 49.5/litre	DJF 49.5/litre
Diesel	DJF 6/litre	DJF 6/litre
Kerosene	DJF 14/litre	DJF 14/litre
Lubricating oils, brake oil, grease	DJF 100/net kg	DJF 100/net kg
Khat		
Khat	DJF 561/gross kg	DJF 561/gross kg

Product	2013	2022
Mineral waters and non-alcoholic beverages		
Natural or artificial mineral waters	DJF 14/litre	DJF 14/litre
Aerated water whether or not containing added sugar or other sweetening matter or flavoured	DJF 14/litre	DJF 14/litre
Other non-alcoholic beverages	DJF 14/litre	DJF 100/litre
Fruit and vegetable juices	DJF 160/net kg	DJF 40/net kg
Biodegradable plastic bags	N/A	DJF 300/net kg
Yoghurt		DJF 100/kg
Pasta	N/A	DJF 40/net kg
Printing paper excluding printing press paper	N/A	DJF 200/net kg
Liquid milk	N/A	DJF 100/litre
White spirit	N/A	DJF 5/litre
Petroleum jelly	N/A	DJF 14/kg

N/A Not applicable.

Source: Information provided by the authorities, Law No. 108/AN/00/4ème L of 29 October 2000 reforming the General Tax Code, and Law No. 142/AN/21/8ème L of 30 December 2021.

3.1.4.3 Other internal taxes

3.28. The general solidarity tax (IGS) of DJF 150/kg is levied on locally produced and imported khat (DJF 100 at the time of the previous review), as well as the ISS of DJF 15 (DJF 50 at the time of the previous review). Locally produced and imported khat is also subject to the 0.02% levy in relation to the contribution to the African Union, a licence fee of DJF 200/kg, and tax for the youth, sports and leisure fund at a rate of DJF 50/kg of khat.

3.29. Furthermore, a supplementary tax of 7% is levied on the value of khat for the benefit of the Djibouti Chamber of Commerce and Industry.

3.30. A tax, which is unchanged since the previous review, is levied on petroleum products at the following fixed rates: DJF 5/litre of A1 jet fuel; DJF 32.13/litre of premium gasoline; DJF 7/litre of regular gasoline; and DJF 18.23/litre of diesel fuel.

3.31. The authorities have indicated the existence of a tax on concrete reinforcing bars and rods at a standard rate of 10% of the c.i.f. value of imports.

3.1.5 Tariff preferences

3.32. Djibouti does not grant tariff preferences as it does not officially apply a customs tariff (Section 3.1.3.1).

3.1.6 Duty and tax exemptions

3.33. In general, exemptions and concessions are granted in the context of priority projects, particularly in relation to the promotion of economic infrastructure, under ratified international agreements (for example, the Vienna Convention), or pursuant to the provisions of the Investment Code (Section 3.2.4) and those on free zones (Section 3.3.2), or under agreements with certain companies such as the railway company.

3.34. Djibouti continues to grant exemptions from duties and taxes on imports by foreign military bases stationed on its territory. The conditional relief procedures provided for under the Tax Code include: transit; temporary admission; and customs warehousing. The processing or economic conditional relief procedures are as follows: 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 value of goods imported under the exemption schemes was around DJF 55.78 billion in 2020 (around 42% of total imports of goods), compared with DJF 73.85 million in 2016.[5]

[5] INSTAD, Edition 2021.

3.1.7 Import prohibitions, restrictions and licensing

3.36. Export prohibitions remain unchanged since the previous review. In general, prohibitions are those provided for in the international conventions signed by Djibouti, namely, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Stockholm Convention and the Rotterdam Convention.[6]

3.37. Imports of the following products are prohibited: right-hand drive vehicles[7], non-biodegradable plastic bags[8], all wild species, their carcasses, skins and trophies, and used or new refrigeration appliances containing certain (specified) ozone-depleting substances.[9]

3.38. For transit via 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.[10]

3.39. 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.

3.40. In principle, a special authorization from the Ministry of the Environment is required for imports of toxic or hazardous substances specified in the international agreements ratified by Djibouti. The transport, storage, sale and use of such substances are subject to terms and conditions approved by the Ministry. The authorities have indicated the difficulties experienced in effectively implementing these measures at the national level.

3.41. Imports of cattle feed still require authorization from the Ministry of Agriculture and Livestock. The Ministry of Trade and Tourism regulates and issues licences for imports of khat. Imports of medicines are subject to licences issued by the Ministry of Health. Imports of arms and ammunition are subject to licences issued by the Ministry of the Interior.

3.42. Djibouti does not apply any quantitative restrictions on imports.

3.1.8 Anti-dumping, countervailing, and safeguard measures

3.43. Djibouti has no domestic legal instruments on anti-dumping, countervailing or safeguard measures, and has never imposed such measures. In 2010, the country notified the Committee on Anti-Dumping Practices that it had not established a competent authority to initiate or conduct an investigation within the meaning of Article 16.5 of the Agreement.[11] It also indicated, in 2022, that it had no specific legislation on anti-dumping or safeguard measures.[12]

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.44. The registration formalities applicable to imports of goods for commercial purposes generally also apply to exports (Section 3.1).

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[6] WTO document WT/TPR/S/159, 1 March 2006.
[7] Order No. 97-0760/PRE of 17 November 1997.
[8] Order No. 99-0059/PR/MCI of 14 January 1999.
[9] Decree No. 2004-0066/PR/MHUEAT of 22 April 2004.
[10] Decrees No. 2001-0098/PR/MHUEAT of 27 May 2001 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.
[11] WTO document G/ADP/N/193/DJI, 13 August 2010.
[12] WTO documents G/SG/N/1/DJI/1, 5 May 2022, and G/ADP/N/1/DJI/1, 4 May 2022.

3.2.2 Taxes, charges and levies

3.45. A tax of DJF 500/tonne is still levied on exports of salt. Moreover, a charge of DJF 400 is levied for a sanitary certificate for exports of large ruminants (camels and cattle), and DJF 200 for small ruminants (sheep and goats).

3.2.3 Export prohibitions, restrictions, and licensing

3.46. The main export prohibition measures in force in Djibouti have not undergone any significant changes since 2013. They are implemented with the purpose of protecting human, animal and plant health, and conserving biodiversity, and in line with international conventions and agreements to which Djibouti is party. 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.

3.47. A sanitary certificate issued by the Directorate responsible for livestock and veterinary services (DESV) is required for exports of cattle (Section 3.2.2).

3.2.4 Export promotion, finance, insurance and guarantees

3.48. Export support services are almost non-existent in Djibouti, owing to the scarcity of exported goods. The Djibouti Chamber of Commerce defends the interests of exporters of salt *vis-à-vis* the government. A mineral ore port for exports of salt and salt by-products was inaugurated in June 2017 in Ghoubet. The country does not have an export promotion agency.

3.49. As at the time of the previous review, Djibouti has no government programme for financing, insuring or guaranteeing exports. Financing and insurance for the country's few exports are provided by regional or multinational institutions.

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

3.2.5 Free zones

3.51. Free-zone companies are granted full exemption from direct and indirect taxes for a term of 50 years.[13] Since 2017, enterprises established in free zones that wish to sell their goods on the local market must set up a company or a fixed establishment under common law which is subject to the payment of duties and taxes on the importation of goods from free zones.[14]

3.52. 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 must be a 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.

3.53. 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. In 2022, a total of 175 companies registered in free zones employed around 3,352 persons. The authorities have indicated that the free zones struggle to promote manufacturing activities in Djibouti. Currently, around 99% of activities in free zones involve the provision of services. The only manufacturing activities carried out are assembly activities.

3.54. Djibouti's Ports and Free Zones Authority is responsible for administering and controlling the free zones. It approves requests for authorization from companies wishing to set up in a free zone. However, it was noted during the previous review that the Authority lacked autonomy, which

[13] Law No. 53/AN/04 of 17 May 2004 issuing the Free Zone Code, as amended by Law No. 41/AN/08 of 28 December 2008 issuing the Finance Law for 2009.

[14] Finance Law No. 166/AN/16/7ème L establishing the initial budget of the State for the financial year 2017.

allegedly undermined its dynamism, particularly with regard to the promotion of activities within free zones.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.55. Since Djibouti's previous Trade Policy Review, there has been no change in the framework for incentives. The main incentives are still those provided under the Investment Code (Table 3.3).

Table 3.3 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 issuing the amended Finance Law: - Law No. 41/AN/08 of 28 December 2008 issuing the initial Finance Law for 2009
Regime A (five-year term) Investment: 5,000,000 - 50,000,000 Internal consumption tax throughout the duration of the project
Regime B (ten-year term) Investment: >50,000,000 - Internal consumption tax: seven years - Corporate tax: seven years - Property tax: seven years - Registration fees - Exemption from tax on profits reinvested after seven years

Source: Investment Code.

3.56. In 2014, the 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.

3.57. The Djibouti Economic Development Fund (DJFED) continues to finance projects or programmes for the development of agricultural and livestock activities, fishing, tourism, services and small and medium-sized industries processing domestic raw materials. The authorities have indicated that around USD 48 million have been disbursed under these projects and programmes since 2014. Aid is generally granted in the form of loans at preferential rates (between 5% and 6%).

3.3.2 Standards and other technical requirements

3.58. In 2019, Djibouti adopted a new law establishing a legal framework for the national standardization and quality promotion system, as well as the corresponding development and approval procedures.[15] The Law is intended to be consistent with the relevant provisions of the WTO Agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary Measures. It also provides for the creation of the Djibouti Standards and Quality Agency (ADN), whose task will be to ensure the development and approval of standards, the management of metrology-related matters, and the assessment of conformity to standards. In January 2021, Law No. 100/AN/20/8ème L was adopted to establish operating conditions for the ADN. However, the ADN was not yet operational in June 2022.

3.59. At present, 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 the preparation and publication of standards, certification of 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 Agreement on Technical Barriers to Trade (TBT). The standardization system was described in the previous WTO Secretariat report on Djibouti.[16]

[15] Law No. 33/AN/18/8ème L of 14 February 2019 adopting the national standardization and quality promotion system.
[16] WTO document WT/TPR/S/305, 17 September 2014.

3.60. Standards are adopted by means of regulations. Under the law, the implementation of standards may be made mandatory by order of the minister responsible for industry if there are certain reasons that make such a measure necessary, such as public order, public safety, the protection of health, the environment, human, animal or plant life, or archaeological treasures, or compelling requirements relating to business efficiency and consumer protection. However, no technical regulations have been notified to the WTO.

3.61. The technical regulations adopted at the national level are concerned with:

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

3.62. The Sub-Directorate of Quality Control and Standards controls conformity, in conjunction with the laboratory of the Djibouti Study and Research Centre (CERD). It issues marketing licences and certificates of conformity with Djiboutian technical regulations for the products concerned, following analyses carried out by CERD.

3.63. The metrology system remains almost non-existent in Djibouti. A legal metrology system, including a laboratory, has reportedly been established with the assistance of the United Nations Industrial Development Organization (UNIDO) in order to control and calibrate measuring instruments belonging to retailers and industrialists.

3.64. No Djiboutian agency is a member of the International Organization for Standardization (ISO). Djibouti is a member of the African Organisation for Standardization (ARSO). It is not party to any mutual recognition agreement (MRA). To date, no accreditation system has been established.

3.65. As in the previous review, Djibouti has not submitted any notification to the WTO regarding its standardization regime or its accreditation and certification procedures.

3.3.3 Sanitary and phytosanitary requirements

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

3.67. The import or export of animal products requires the submission of a sanitary certificate issued by the Directorate responsible for livestock and veterinary services (DESV). Order No. 2000-0727/PR/MAEM and Order 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 specific chemical and microbiological characteristics of the products.

3.68. Djibouti does not have any specific legislation on packaging and labelling. Nevertheless, Law No. 28/AN/08/6ème L of 21 December 2008 on protection, fraud control and consumer protection 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.

3.69. In accordance with the above-mentioned legislation, 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. In the event of an animal disease outbreak, measures are taken immediately by ministerial order. For example, Order No. 2007-0193/PRE/MS was adopted in 2007 to combat avian flu, creating a steering committee for the project to combat avian flu.

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

3.71. Within the Ministry of Trade, the National Codex Alimentarius Committee (CNCA) is tasked with looking into matters relating to Codex Alimentarius standards, mainly by giving its opinion on the possibilities for their adoption as Djiboutian standards, and with promoting Djibouti's participation in the Codex bodies.[17]

3.72. The Ministry of Agriculture, Livestock and Fisheries, and more particularly the DESV, is the authority responsible for controls relating to SPS standards. According to the authorities, samples and controls are systematically carried out for food products, animals and plants. However, it appears that the majority of control activities are concerned with food products and live animals (particularly for export). The National Food Analysis Laboratory (LANAA) supports the DESV by carrying out microbiological and physico-chemical analyses of water and other food products. The fees payable for food inspections range from DJF 3.5 to DJF 30/kg of the product inspected, and amount to DJF 20,000 per container of edible oil or sugar.

3.73. Furthermore, the inspectors undertake inspections on the domestic market. In this context, the controls focus in particular on aspects such as labelling, expiry date and conservation status. Contracts for the analysis of food products are also concluded with hotels and restaurants.

3.74. LANAA has been ISO 17025:2005 accredited since 2020. It has had a contract for analysis purposes with France's veterinary services since 2010. The authorities have not indicated the content of this contract. However, they have stated that LANAA outsources the inspection of pesticides and chemical characteristics of foods to certain French laboratories.

3.75. Since 2006, the regional cattle export centre in Damerjog has been operational. It serves as a quarantine area for cattle intended for export.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.76. Djiboutian legislation on competition prohibits any form of concerted action, agreement, express or tacit understanding or coalition among economic operators with the aim or potential effect of preventing, restricting or distorting competition, as well as any abuse of dominant position.[18]

3.77. The law does not cover state-owned enterprises or practices that ensure technical progress without compromising competition for a large proportion of the products concerned. The exclusion of state-owned enterprises from the scope of competition legislation appears to have contributed to the crowding-out of the private sector in Djibouti, and the low quality and high costs of public services for individuals and companies, particularly in the areas of electricity and telecommunications.

3.78. The Directorate of Internal Trade, Competition and Fraud Control is responsible for implementing government policy for the regulation of competition.[19] Most of its activities involve raising awareness of regulations relating to competition and consumer protection.

3.79. Djibouti takes part in the work on introducing a regional competition policy within the COMESA framework. The authorities have indicated that they have planned to establish a competition commission in accordance with the COMESA competition regulations.

3.3.4.2 Price regulation and controls

3.80. In principle, Djiboutian legislation encourages the free setting of prices through market forces alone. However, it empowers the government, acting on a proposal by the minister responsible for

[17] Decree No. 2011-0204/PR/MDC creating the National Codex Alimentarius Committee (CNCA).
[18] Law No. 28/AN/08/6ème L on protection, fraud control and consumer protection.
[19] Law No. 55/AN/14/7ème L of 25 June 2014 establishing the structure of the Ministry of Trade.

trade, to take legal and regulatory measures to regulate prices in sectors/situations where freedom of competition is limited, as is the case with monopolies or ongoing supply problems. Postal and telecommunications, electricity, water and urban transport services are therefore regulated by the State.

3.81. 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 collaborate on the price structure.

3.82. If there are excessive price increases or in unusual circumstances, the government may also take temporary measures to regulate the prices of staple goods.

3.83. The Ministry of Trade publishes a monthly list of wholesale and retail prices for seven staple goods (rice, flour, oil, sugar, milk, pasta and kerosene), which are exempt from TIC and VAT. An inspection unit ensures that these prices are strictly applied. According to the authorities, an inspection unit conducts daily operations to ensure the strict application of these prices.

3.84. The Central Procurement Agency for Essential Medicines and Materials (CAMME) is responsible for approving the methods used to set the selling price of pharmaceuticals; for determining the transfer price of essential medicines and the purchasing procedures; and for organizing stock management.[20]

3.3.5 State trading, state-owned enterprises, and privatization

3.85. Djibouti has not made any notification to the WTO regarding any state-trading enterprises within the meaning of Article XVII of the GATT. However, as was the case in the previous review, the State owns shares in a number of enterprises operating in all sectors of the economy, some of which play important roles in the trade in goods and services concerned.

3.86. Some 47 public establishments continue to operate in Djibouti (Table 3.4), particularly in the agri-food industry, financial services, telecommunications, and transport and storage services. They pose major challenges to the country's public finances. A diagnostic study was launched in 2012 with a view to enhancing the quality and efficiency of state services. A code on good governance of state-owned enterprises was adopted in 2016. However, the IMF considered in 2019 that this code was poorly implemented, particularly due to the lack of performance contracts from state-owned enterprises, and limited resources available to the Ministry of Finance to monitor their financial situation.[21]

3.87. According to the IMF, the authorities nevertheless carried out audits of several large state-owned enterprises, indicating the efforts made to strengthen their governance and supervision in order to reduce costs, increase the quality of public services and control debt accumulation.

3.88. Certain state-owned enterprises continue to enjoy monopolies or exclusive rights. These include:

- Électricité de Djibouti (EDD), for the transport and distribution of electricity (Section 4.2.2);
- Office national des eaux et de l'assainissement de Djibouti (ONEAD), for the distribution of water;
- Djibouti Télécom, for telecommunications (Section 4.4.1);

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

[21] IMF, 2019 Article IV Consultation. Viewed at: https://www.imf.org/fr/Publications/CR/Issues/2019/10/23/Djibouti-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-48743.

- Radio télévision de Djibouti (RTD), for radio and television;
- Imprimerie nationale, for printing for the print media;
- Office de voirie, for waste disposal; and
- National Food Analysis Laboratory (LANAA), for food safety inspections.

3.89. On 11 July 2021, the government announced that it would open up the capital of Djibouti Télécom to a private minority shareholder as a strategic partner (Section 4.4.1).

Table 3.4 State-owned enterprises engaged in commercial activities

Entity	Activity	Share of capital held by the State	Progress of 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)
Central Procurement Agency for Essential Medicines and Materials (CAMME)	Purchase and sale of medicines	100%	In operation
Djibouti Economic Development Fund (DJFED)	Financing	100%	In operation
Électricité de Djibouti (EDD)	Electricity	100%	In operation
Office national des eaux et de l'assainissement de Djibouti (ONEAD)	Water	100%	In operation
Djibouti Télécom (DT)	Telecommunications, fixed and mobile telephony	100%	In operation
Djibouti International Autonomous Port (PAID)	Port services	100%	In operation
Djibouti International Airport (AID)	Airport	100%	In operation
Djibouti-Ethiopia Railway	Rail transport	Owned by the two States (50%)	In operation
Poste de Djibouti (PD)	Postal services	100%	In operation
Djibouti International Hydrocarbons Company (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: Decree No. 99-0077/PR/MFEN of 8 June 1999 and Decree No. 2001-0191/OR/MEFPP of 23 September 2001.

3.90. Law No. 130/AN/96/3ème L of 15 February 1997[22] lays down the terms and conditions for the privatization of state holdings, enterprises, assets or activities. However, the privatization programmes launched two decades ago have struggled to produce the expected results. The authorities have indicated that Law No. 139/AN/21/8ème L on restructuring public administrative establishments was adopted in 2022, and provides for the restructuring of public bodies of an administrative nature. However, it has not yet been implemented.

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

3.91. The privatization programmes have involved, in particular, Électricité de Djibouti, ONEAD, Djibouti International Airport, and Djibouti Télécom (Sections 4.2.2 and 4.4.1).

3.3.6 Government procurement

3.92. The legal framework for public procurement in Djibouti has not undergone any significant change and continues to be governed primarily by Law No. 53/AN/09/6$^{\text{ème}}$ L of 1 July 2009. It applies to contracts signed by the State (ministries, industrial and commercial public establishments, state-owned companies and local authorities) for the purpose of carrying out works, supplying goods or providing services.

3.93. Decree No. 2010-0083/PR/SGG established the National Government Procurement Commission (CNMP) as the lead agency in relation to government procurement procedures. Its scope of competence includes issuing opinions on the procurement proceedings of a contracting department (no contract that falls within the purview of the CNMP may be signed without its agreement); conducting technical or financial audits; verifying and certifying the acceptance of the work, supplies or services and other deliverables; proposing government procurement policies; and amending the law. Decree No. 2018-174/PR/MEFI was promulgated in 2018 and is intended to expand the purview of the CNMP, *inter alia* to include oversight of the process for awarding public-private partnership (PPP) contracts.

3.94. Bidders must be in good standing with the departments responsible for tax and parafiscal matters. Failing this, they must have posted security deemed sufficient by the entity or accountant in charge of collecting payment. Foreign bidders must present a sworn declaration confirming that they have complied with their tax and parafiscal obligations.

3.95. The contracting department determines the general administrative and technical conditions applicable to each specific procurement contract. An open call for bids remains the preferred procedure for procurement. However, the authorities have not provided statistics on the value of government procurement contracts disaggregated by procurement method. The contracting department and the CNMP may make use of the restricted bidding procedure if they find that the service can only be provided by a limited number of suppliers, 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 an emergency or when the needs can only be met by specific intellectual property rights.

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

3.97. In the open bidding procedure, calls for tender are usually published in the newspaper *La Nation* and, where appropriate, advertised on other media. In addition, above a certain amount determined by regulation or at the discretion of the CNMP, a call for tender may also be published internationally Generally speaking, most contracts financed by foreign donors have been awarded following calls for tender published internationally.

3.98. The legislation provides for preferential margins of up to 7.5% for bids by legal or 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.

3.99. The CNMP organizes the public opening of bids, to which all bidders are invited. The contracting department is responsible for evaluating bids. As such, in addition to the stated price, it may take into account quality, quantity, supply modalities, service offered, the supplier's ability to fulfil the conditions of the government procurement contract and any other criterion directly relating to the procurement contract. The CNMP must render its opinion on the choice of successful bidder, government procurement projects or modifications to contracts and, more generally, on any document or issue submitted to it, within one month of its opinion having been sought. Pursuant to the Code, it must notify bidders whose bids have not been selected and inform them of the reasons if they so request.

3.100. Public procurement disputes may be settled before the Dispute Settlement Committee. Any party considering themselves to have suffered injury as a result of a decision by the Dispute Settlement Committee is entitled to claim damages for the injury sustained through arbitration or before the Administrative Tribunal.

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

3.102. In 2017, Djibouti adopted Law No. 186/AN/17/7ème L of 29 May on public-private partnerships, the procedures for which are similar to those for public procurement. The Law applies to PPPs concluded by the State, state agencies and enterprises (public administrative establishments, industrial and commercial public establishments, state-owned enterprises, semi-public companies where the majority of capital is held directly or indirectly by the State) and local authorities.

3.103. A PPP Unit has reportedly been in operation since January 2021. It assists the government in defining and regulating policy in relation to PPPs, whilst also offering advice and assistance to public bodies and local authorities, as well as state-owned establishments and enterprises, in identifying, evaluating, concluding and monitoring PPP contracts. A PPP Regulatory Commission was established under the PPP Law but is not yet operational. In addition, the Law provides for the establishment of a PPP Fund to finance preliminary studies prior to the launch of a PPP.

3.104. Pursuant to the 2017 Law on Public-Private Partnerships, award procedures are governed by the principles of freedom of access, equality of treatment for bidders, procedural transparency and efficiency, as well as confidentiality of proposals and tenders.

3.105. The main methods for awarding a contract and selecting a private partner are open bidding processes, competitive dialogue, negotiated procedures and unsolicited proposals. Competitive dialogue is employed when: (i) the contracting authority is unable to determine by itself and in advance the technical means capable of satisfying its needs; (ii) the contracting authority is unable to specify by itself and in advance the legal or financial make-up of the project; or (iii) the degree of technical, legal or financial complexity of the project means that only certain operators are capable of delivering the services expected. A negotiated procedure is an exceptional procedure applicable to defence- or security-related projects. An unsolicited proposal is only permitted under certain conditions set out in the Law and cannot be submitted for projects for which the contracting authority has already launched studies.

3.3.7 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 Convention Establishing the World Intellectual Property Organization (WIPO), the Beijing Treaty on Audiovisual Performances, the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, the Paris Convention for the Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works. According to the authorities, Djibouti acceded to the Bangui Agreement Relating to the Creation of an African Intellectual Property Organization (OAPI) in 1994, but withdrew in 2001. On 23 June 2016, Djibouti deposited its instrument of accession to the Patent Cooperation Treaty.

3.107. The WTO has not been notified of any contact point in relation to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In addition, Djibouti has not yet accepted the Protocol Amending the Agreement, which gives permanent effect to the provisions in the Doha Declaration on the TRIPS Agreement and Public Health. These provisions concern compulsory licences for certain essential medicines.[23]

3.108. The legislative framework for IPRs has not changed during the period under review.

[23] WTO, Amendment of the TRIPS Agreement, viewed at: https://www.wto.org/english/tratop_e/trips_e/amendment_e.htm.

3.109. Law No. 50/AN/09/6ème L of 19 July 2009 on the protection of industrial property covers the granting and registration of patents, layout designs (topographies) of integrated circuits, trademarks for products or services, trade names, geographical indications, appellations of origin, as well as industrial designs. According to Decree No. 2011-079/PR/MDCC implementing Law No. 50/AN/09/6ème L on the protection of industrial property, the Djibouti Office of Industrial Property and Commerce (ODPIC), acting under the authority of the Ministry responsible for industry, is the body charged with implementing the law on the protection of industrial property rights. Its tasks include examining and approving applications for intellectual property titles.[24] To this end, it holds the national registers of patents, layout designs of integrated circuits, industrial designs and trademarks. Law No. 159/AN/12/6ème L establishes the fees charged by ODPIC, including fees for the registration of intellectual property titles. These range from DJF 30,000 for registering a certificate for temporary protection at exhibitions to DJF 122,500 for, *inter alia*, registration of a patent for invention or integrated circuit layout-design.[25] Trademarks accounted for most of the intellectual property rights registered during the period under review (Table 3.5).

Table 3.5 Statistics on approved trademarks, patents and industrial designs, 2014-20

	2014	2015	2016	2017	2018	2019	2020
Registered trademarks							
By residents	27	34	47	42	43	23	31
By non-residents	320	353	339	286	309	284	312
Total	347	387	386	328	352	307	343
Registered patents							
By residents	0	5	0	5	1	3	0
By non-residents	4	2	16	1	4	3	5
Total	4	7	16	6	5	6	5
Registered industrial designs							
By residents	0	1	5	3	1	1	0
By non-residents	2	1	2	0	2	0	5
Total	2	2	7	3	3	1	5

Source: Information provided by the authorities.

3.110. Djiboutian industrial property law provides that a competent court may grant a compulsory licence for a patent three years after the patent was granted or four years after the date the patent application was filed. This course of action may only be followed if the patent holder exercises their right in an "abusive" manner and where national security, health or nutritional concerns or the development of vital sectors of the economy so require. However, the authorities have never had recourse to compulsory licensing in Djibouti.

3.111. The protection of marks, including collective marks and certification marks, is conferred through registration with ODPIC. A mark is registered from the date of filing the application for a period of 10 years, renewable indefinitely. The registration can be renewed on request with payment of the relevant renewal fee. The registration should be renewed in the six-month period prior to its expiry.

3.112. As with marks, only industrial designs duly filed with and registered by ODPIC enjoy protection pursuant to the industrial property law.

3.113. The provisions of Law No. 154/AN/06/5ème L of 23 July 2006 on the protection of copyright and related rights protect the rights of authors of all original literary, scientific or artistic works, regardless of genre, form of expression, merit or purpose. This protection shall not be subject to any formality. Authors have the right to exploit their work themselves or to license its use for the purpose of deriving pecuniary gain, where applicable. For protected works, protection of economic rights lasts for the lifetime of the author and for 50 years after their death. Anonymous or pseudonymous works are protected for 50 years after the date on which the work was lawfully made available to the public.[26] However, if the author's identity is disclosed or no doubts exist as to their

[24] ODPIC. *L'ODPIC en bref*, viewed at: http://www.odpic.dj/odpic-en-bref.

[25] Official Journal of the Republic of Djibouti, Law establishing ODPIC fees, viewed at: http://www.ministere-finances.dj/LOISODPIC/SITE%20OFFICIEL%20DE%20LA%20REPUBLIQUE%20DE%20DJIBOUTI_fichiers/texte.htm.

[26] The Law is expected to be amended to extend the duration of copyright protection to 70 years after the author's death.

true identity prior to the end of this period, protection shall extend for a term that is the same as that granted for economic rights.

3.114. The Djibouti Office for Copyright and Related Rights (BDDA), which reports to the Ministry of Culture, is charged with enforcing copyright on Djiboutian territory. It represents copyright owners in connection with the production, interpretation and performance of musical works, the interpretation and performance of audiovisual works, and the reprographic reproduction of works. Its main task is to monitor the use of copyright-protected works, to negotiate the terms for their use, to collect royalties and distribute them to the rights holders, and to bring legal proceedings if royalties are not paid.

3.115. The law also recognizes the related rights of performers and of phonogram producers. It provides for the establishment of a social and cultural fund within the BDDA for creators and their heirs. The authorities have however indicated that this fund has not yet been set up.

3.3.7.1 Sanctions

3.116. As with intellectual property legislation, there has been no major change to the sanctions system during the period under review. Djibouti's industrial property legislation provides that any infringement of the rights of a patent-holder or of the owner of a certificate of registration for integrated circuit layout-designs (topographies), industrial designs or trademarks for products or services, constitutes an act of counterfeiting. The law prohibits counterfeiting, trade or any other transaction in counterfeit goods, and sets out criminal sanctions for counterfeiting and piracy. Civil proceedings may also be initiated by any interested party, whether a natural or legal person, association or syndicate, in particular, by producers, manufacturers or traders.

3.117. The holder of the intellectual property right may initiate 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 beneficiaries of economic rights or the holder of a licence for the copyright 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 ODPIC is located.

3.118. Pursuant to the law on the protection of copyright and related rights, in the event that counterfeit goods are imported or exported, the customs administration may, at the request of the right holder, intercept suspected counterfeit goods at the border.

3.119. The sanctions provided for in the event of infringement of industrial property rights may involve a term of imprisonment of five years and a fine of DJF 10,000,000 or one of these two penalties in the case of patents for inventions and industrial designs; two years of imprisonment and a fine of DJF 2,000,000 in the case of product or service trademarks.

3.120. The courts may order that the counterfeit goods and all the materials and tools used to create or manufacture them be confiscated or destroyed, that the filing and registration be annulled, that the verdict the verdict be published, either in full or an extract thereof, in a Djiboutian newspaper at the expense of the unsuccessful party and may enjoin, under penalty of a fine, infringing acts.

3.121. 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 counterfeits.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry and fisheries

4.1. The arid climate and semi-desert soil of Djibouti are ill-suited to agriculture. Agricultural activity, in the rare instances it does take place, involves oasis crops, semi-nomadic extensive livestock farming and market gardening around urban areas, particularly Djibouti city, which is home to almost 80% of the population.

4.2. For all the above reasons, agriculture plays an economically marginal role in Djibouti, accounting for only 1.12% of total employment in 2020[1] and 1.5% of GDP in 2019. Aside from fisheries and livestock products, the country imports almost all its food, including fruit and vegetables.

4.1.1 Crop production

4.3. According to the Vision Djibouti 2035 long-term development strategy document of 2013, only 2% of the 100,000 hectares of irrigable land are currently under cultivation, with domestic fruit and vegetable production covering only around 10% of needs. However, despite the challenging growing conditions, the country does have agricultural potential, particularly in market garden crops, fruit-tree growing and forage crops.[2]

4.4. The situation as set out in the Vision Djibouti 2035 document has changed little, as can be seen in Table 4.1 below, which shows agricultural production, acreage and the number of farms during the period under review. The table shows a slow but regular increase in production, acreage and number of farms, although this progress is not commensurate with the country's demographic growth.

Table 4.1 Agricultural production, acreage and number of farms, 2016-20

Crop year	2015/16	2016/17	2017/18	2018/19	2019/20
Agricultural production (tonnes)	8,344	8,964	9,412	9,694	9,896
Area under cultivation (ha)	1,396	1,441	1,543	1,548	1,620
Farms (number)	1,888	1,953	1,982	1,992	2,081

Source: Agriculture and Forestry Directorate.

4.5. Djibouti also imports nearly all the cereals and oils it consumes. Because of security issues in Ethiopia and Sudan, the Republic of Djibouti has ceased agricultural production on farms outside its territory. Law No. 139/AN/21/8ème L on restructuring public administrative establishments led to the dissolution of the Djiboutian Food Security Company, which had previously managed these farms. Its rights and public service obligations have been centralized within the Ministry of Agriculture.

4.1.2 Livestock breeding

4.6. Livestock breeding is the country's main agricultural activity (0.9% of GDP of a total agricultural contribution to GDP of 1.5%). It provides more than a third of the income of rural populations in Djibouti, as well as contributing to calorie intake through on-farm consumption. Despite cross-breeding efforts, particularly involving exotic and dairy breeds, as well as notable improvements in veterinary surveillance thanks to the State's proactive approach, animal breeding conditions became more challenging during the period under review as a result of global warming, repeated droughts and the degradation of soils and grazing land.

4.7. These livestock numbers are sufficient to meet the meat-consumption needs of the rural population through on-farm consumption, but cover only 10% of the needs of the urban population. Meat consumption in Djibouti during the period under review is shown in Table 4.2 below.

[1] Statistical Yearbook 2021, National Institute of Statistics of Djibouti (INSTAD).

[2] *Renforcement de la Productivité des Productions Végétales et Animales à Djibouti*, FAO, 2021. Viewed at: https://www.fao.org/3/cb2719fr/CB2719FR.pdf.

Table 4.2 Meat consumption by animal species, 2016-20

(By head of animal)

Species	2016	2017	2018	2019	2020
Sheep/goats	120,775	127,199	164,167	131,189	132,469
Camels	529	1,653	2,313	2,855	1,570
Cattle	34,000	41,673	47,903	36,677	37,303
Total	155,304	170,525	214,383	170,721	171,342

Source: Directorate for Livestock and Veterinary Services.

4.8. Djiboutian farmers export a larger number of animals (Table 4.3), particularly to the Arabian Peninsula, with the support of the export assistance centre (veterinary and customs) established by the authorities.

Table 4.3 Livestock exports by animal species, 2016-20

(By head of animal)

Species	2016	2017	2018	2019	2020
Sheep/goats	156,772	595,396	551,260	666,139	288,274
Camels	16,285	40,909	52,339	80,410	29,795
Cattle	55,825	14,040	3,733	4,915	12,951
Total	228,882	650,345	607,332	751,464	331,020

Source: Directorate for Livestock and Veterinary Services.

4.9. Trade policy within the livestock sector primarily involves:

- the export of live animals, with the establishment of a regional quarantine centre and an animal port (exclusively for livestock exports);
- a stockyard and abattoir to supply the domestic market;
- transferring management of the abattoir and stockyard to private partners in order to reinvigorate red meat exports;
- the establishment of an accredited food analysis laboratory in order to monitor foodstuffs of animal origin.

4.10. In addition, the government has launched 16 projects in the area of nomadic livestock breeding, involving improved pastoral water supply, regeneration of grazing lands and sanitary surveillance, oasis agriculture through the revitalization of family gardens, and the creation of small areas on wadi terraces for nomadic pastoralists affected by drought.

4.1.3 Forestry

4.11. The Republic of Djibouti's forested or wooded areas are small and ecologically fragile. Local species, including acacia, are well suited to the harsh climatic conditions. In recent decades, they have been highly exposed to repeated droughts and to the phenomenon of desertification. They are in constant decline owing to both natural factors (lack of regeneration, invasive plants) and human factors (over-exploitation to provide wood for cooking, grazing and charcoal). These forests are exploited on a small scale and are the subject of various protection programmes in coordination with the FAO.

4.1.4 Fishing

4.12. Fishing accounted for 0.14% of total employment in 2020[3] and 0.2% of the Djiboutian GDP in 2019. While fishing is important from a socio-economic standpoint for coastal populations, it is a small-scale activity, hampered by a general dietary preference in Djibouti for meat and by the lack of financing for the construction of downstream infrastructure, including cold chains and processing

[3] Statistical Yearbook 2021, National Institute of Statistics of Djibouti (INSTAD).

and canning plants. There was, however, a limited but regular increase in catch during the period under review, as indicated in Table 4.4 below.

Table 4.4 Fisheries production, 2016-21

(Unit: tonnes)

	2016	2017	2018	2019	2020	2021
Production	1,801	2,022	2,101	2,269	2,322	3,089

Source: Fisheries Directorate.

4.13. The objective of 10,000 tonnes of fisheries products by 2020 set out in the Vision Djibouti 2035 long-term strategy document of 2013, with fisheries resources estimated at 47,000 tonnes, is a long way from being reached. However, work has been undertaken during the period under review, at both the domestic and international levels.

4.14. At the domestic level, work to revise the 2002 Fisheries Code and its implementing decree was completed in 2017 as part of the Project to Reduce Vulnerability in Coastal Fishing Areas (PRAREV), financed by IFAD. The relevant documents have been completed and endorsed by all stakeholders but are not yet official.[4] This new Fisheries Code will give the Republic of Djibouti a binding legal instrument for the sustainable management of the fisheries resources within its waters as well as for the conservation of marine ecosystems and biodiversity, whilst also enabling it to effectively combat illegal, unreported and unregulated (IUU) fishing and to meet its international obligations as a coastal State, flag State and port State.

4.15. This project also focuses on the sustainable management of fisheries resources and on involving fishers in such resource management via advisory councils.

4.16. At the international level, Djibouti signed Memorandums of Understanding covering the fisheries sector with both Somaliland and Puntland in 2012. Their purpose is to enable Djiboutian vessels to fish in the waters under the jurisdiction of these two States. They also enable fisheries products to be sold on regional and international markets.

4.17. There is no bilateral agreement governing relations between Djibouti and Yemen on fisheries matters. However, Yemen and Djibouti are both members of the Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden (PERSGA) and of the Subregional Centre for Combatting Marine Pollution in the Gulf of Aden.

4.18. From a regulatory standpoint, the sector continues to be governed by Law No. 187/AN/02/4 of 9 September 2002 establishing the Fisheries Code and its implementing texts, in particular Decree No. 2007-0014/PR/MAEM of 17 January 2007 implementing the Law establishing the Fisheries Code.

4.19. The Fisheries Code takes a precautionary approach, basing itself on the following three principles:

- fishing in Djiboutian waters is reserved for vessels registered in Djibouti (national fleet) and for Djiboutian nationals;
- only artisanal fishing is permitted in Djiboutian waters;
- trawling is prohibited in Djiboutian waters, except for scientific purposes.

[4] Preliminary draft fisheries law and preliminary draft implementing decree, in the document entitled *Projet ACP FISH II - Renforcement de la Gestion des Pêches dans les pays ACP.* Review and updating of the legal framework and texts governing fisheries currently in force in the Republic of Djibouti. Final technical report. COFREPECHE, 18 November 2013.

4.20. Foreign vessels are thus prohibited from fishing in Djiboutian waters. Industrial fishing is also prohibited. The Fisheries Code also defines artisanal fishing as commercial fishing carried out on foot or on vessels without refrigeration equipment. It distinguishes three categories of artisanal fishing:

- enhanced artisanal fishing, on vessels measuring over 9 m in length (Category A);
- small-scale artisanal fishing, on vessels of up to 9 m in length (Category B);
- traditional fishing, either on foot or on floating structures that do not have to be registered (Category C).

4.21. Fishing activities in Djiboutian waters, whether for professional or recreational purposes, require a fishing licence. The conditions for the granting and renewal of all categories of fishing licence are set out in Order No. 2007-0036/PR/MAEM of 2007 on fishing licences.

4.22. The Vision Djibouti 2035 long-term strategy document of 2013 also highlights opportunities for export, particularly to Ethiopia, Europe and the Gulf states, whilst expressing the wish for fishing to remain purely artisanal. This artisanal fisheries model will be based on three elements. The first element involves more intensive exploitation of the entire Djiboutian continental shelf, with incentives for the acquisition of new longer-range vessels. The second element concerns the exploitation of small pelagic fish (short-lifespan fish: anchovy, horse mackerel, mackerel, etc.). The third and final element involves experiments with new fisheries, in particular molluscs and crustaceans, through the promotion of aquaculture.

4.23. The Ministry has made significant efforts to implement these three elements focusing on the promotion of the fisheries sector. Accordingly, the Ministry secured financing from IFAD to improve fisheries infrastructure, with new fisheries equipped with refrigeration (cold chambers, ice machines) in Obock and Tadjourah. Given that fish is a perishable foodstuff, the Ministry has initially undertaken to improve infrastructure at the ports where fish is landed before implementing the three elements of the model at a later date.

4.24. Since the establishment of the Fisheries Directorate in 2007, the Ministry has carried out numerous reforms in order to enhance the availability of fisheries products on domestic and international markets. To this end, the Ministry of Agriculture has, through various projects and programmes, undertaken the following actions:

- improvements in fishery product preservation with the construction of a fishing port in Djibouti city and new fisheries in Obock and Tadjourah;
- the establishment of a National Food Analysis Laboratory in order to facilitate the import and export of foodstuffs;
- the drafting of orders governing various procedures.

4.25. The ultimate objective of the Ministry of Agriculture is to export products not only to neighbouring countries but also to the European Union. To this end, it is seeking financing to:

- establish a digital traceability system for the fisheries value chain;
- raise economic operators' awareness of trading opportunities (COMESA, IGAD);
- build the capacity of economic operators;
- train inspectors on the various international export procedures for fisheries products;
- improve the analysis capacity of the National Food Analysis Laboratory.

4.2 Mining and energy

4.2.1 Mining

4.26. With the exception of the Lake Assal salt pans, Djibouti does not currently exploit any natural resources. Salt production has shifted from artisanal to semi-industrial production. Initially, 24 firms had a presence on this market (with provisional licences), but the lake is currently exploited by a single firm, Salt Investment, a joint venture between a private Djiboutian company and a Chinese firm. It holds an exclusive contract and produces industrial salt as well as sodium bromide. Production stands at approximately 110,000 tonnes per year and employs 2,000 people, equivalent to 0.08% of total employment.[5] For the most part, this salt is exported to Ethiopia.

4.27. In addition, the Vision Djibouti 2035 long-term development strategy document dating from 2013, states that there is evidence of the presence of significant resources such as perlite, bauxite, natural gas, copper, zinc, iron and aluminium, as well as gold and hydrocarbons.

4.28. Against this backdrop, the government had been planning to take steps to initiate the swift exploitation of minerals that have already been located, and to launch prospecting activities for underground resources on sites where showings have been identified. To this end, a mining code was adopted in 2018.

4.2.2 Energy

4.29. The Vision Djibouti 2035 long-term strategy document sets Djibouti the task of becoming a trade and logistics hub and a platform for hydrocarbon redistribution for the Horn of Africa and COMESA. A second objective stated in this document is a green transition towards a target of 100% renewable energy by 2035.

4.30. Djibouti's energy policy is aimed at reducing consumer energy costs, safeguarding the country's energy supply and contributing to international efforts to combat climate change through cuts in greenhouse gas emissions.

4.31. The Republic of Djibouti does not yet have either oil resources or a refinery. The country imports 100% of the hydrocarbons it consumes from abroad. Imported petroleum products are refined finished products ready for distribution. Two broad groups of products may be distinguished:

- fuels: premium unleaded petrol, diesel, jet A1 (JP-5 and JP-8 and avgas), kerosene and heavy fuel oil;
- lubricants: engine oils, transmission oils, industrial oils (compressor, gear, hydraulic, etc.) and special products (brake oils, etc.).

4.32. The Djibouti International Hydrocarbons Company (SIHD) is the sole importer of hydrocarbons to Djibouti (Order No. 2015-794/PR/MERN). It is tasked with importing hydrocarbons and their derivatives at the best prices. It is also involved in hydrocarbon storage and re-export activities.

4.33. Although its activities are currently restricted to importing, the company plans to expand into storage and the export of refined petroleum products to countries throughout the subregion (COMESA countries in the Horn of Africa) in the short and medium term. The SIHD does not currently have any storage infrastructure and subcontracts the storage of its imports to the Horizon company. In addition, it has contracted hydrocarbon distribution to three companies: NOC, RUBIS and UCIG. The sales prices of hydrocarbons are set by the State.

4.34. The SIHD conducts calls for tender for its hydrocarbon supplies.

[5] Statistical Yearbook 2021, National Institute of Statistics of Djibouti.

4.35. The following tables show fuel imports by value (DJF) and volume (litres).

Table 4.5 Import of petroleum products by value (DJF 2016-20)

(By value in DJF)

	2016	2017	2018	2019	2020
All petroleum products					
Premium	752,524,426	929,497,157	1,249,758,687	1,010,176,602	579,754
Oil	1,080,000,000				
Jet A1	8,286,855,893	12,628,992,064	12,888,485,272	11,383,821,896	7,215,844
Diesel	11,885,772,485	14,046,561,481	16,799,698,358	16,137,571,176	9,545,822
Fuel oil	780 000 000	..	..	..	..

.. Not available.

Source: SIHD.

Table 4.6 Import of petroleum products by volume (litres, 2016-20)

(In litres)

	2016	2017	2018	2019	2020
All petroleum products	**242,978,702**	**207,972,956**	**210,920,482**	**390,112,115**	**188,183,026**
Premium	9,947,647	9,489,557	11,251,843	9,278,061	9,703,625
Oil	16,620,604	20,496,472	18,469,757	18,446,688	20,235,609
Jet A1	80,602,968	59,457,919	57,571,430	64,626,886	54,424,647
Diesel	119,500,965	100,687,439	117,072,478	103,041,394	82,416,762
Fuel oil	16,306 518	17,841,569	6,554,974	28,719,286	21,402,383

Source: SIHD.

4.36. 75% of petroleum products come from the Near and Middle East (90% for premium petrol), with COMESA countries recently gaining an increased share.

4.37. Three private oil companies operating on the market (Rubis, UCIG and NOC) are accredited to import lubricants. These three companies have exclusive control over the market for fuel distribution and re-export (diesel, petrol, Jet A1), in particular to Somaliland.

4.38. In order for the country to ensure a higher level of supply security for petroleum products, whilst also capturing the regional market, the SIHD has begun a major project to construct a petrochemical complex in Damerjog, around 10 km south of the capital. The site will comprise a 2.5 million tonne refinery, a power station with an installed capacity of 2.3 megawatts, a cement works (600,000 tonnes per year), a shipyard with a metallurgical plant, the landing site for a 767 km gas pipeline from Ethiopia (to receive gas from Ogaden destined for export), and an oil storage depot with a storage capacity of 300,000 m^3.

4.39. Electricity production is currently undertaken solely by Électricité de Djibouti (EDD), a state-owned enterprise. This is, however, merely a *de facto* monopoly, since Djibouti adopted Law No. 88 AN of 1 July 2015 (*septième législature*), regulating the activities of independent electricity producers. This law opened the electricity production sector to competition. Only one independent producer (Red Sea Power) has obtained a licence and it is not yet operational. It has already signed a contract to sell its electricity to EDD, with oversight from the Ministry of Energy. Self-generators of electricity are obliged to resell their surplus to EDD at negotiated rates. Transmission/transport and distribution remain under EDD monopoly.

4.40. Key data on electricity production during the period under review can be found in Table 4.7.

Table 4.7 Electricity production and consumption 2016-20

	2016	2017	2018	2019	2020
Number of customers	56,062	58,708	62,177	65,568	69,315
Production in MWh	537,340	566,859	580,856	605,150	627,111
of which imported energy	449,510	508,198	526,034	..	501,759
Consumption in MWh	422,808	461,141	469,358	502,244	517,035
Commercial rate of return (%)	79	81	81	83	82
Average selling price per KWh (DJF)	56	56.4	54	39	51

.. Not available.

Source: EDD/DE.

4.41. From this table, it can be seen that the percentage of the population connected to the electrical grid remains low (69,000 customers out of a population of almost 900,000), despite a regular upward trend. A very significant portion of distributed electricity (over 75%) has, since 2012, been imported from Ethiopia via a transmission line capable of delivering up to 85 MW. This energy is hydroelectric, and supply levels vary, with Ethiopia interrupting delivery if the water level in its dams is low.

4.42. EDD generates its own electricity at two ageing thermal power stations with a capacity of 100 MW. As with imported electricity, this is distributed via a grid with a high rate of technical loss. The World Bank deems consumer prices to be high[6] in comparison with the regional average. There is a steady upward trend in electricity consumption, leading to supply shortages and power cuts. For this reason, the port, airport and military bases have their own generators. Studies are currently underway into the financing by the World Bank and the African Development Bank (USD 75 million) of a second transmission line, which would allow Djibouti to import up to an additional 220 MW.

4.43. The country has major renewable energy potential in the form of wind, solar and geothermal energy. The Vision Djibouti 2035 strategy of 2013 foresaw an ultimate goal of 100% renewable energy production.

4.44. French, Spanish, Emirati and US companies have plans to invest, or have already invested, in the renewable energy sector through the following projects:

- a solar power plant in Grand Bara (23 MW), currently being negotiated with AMEA POWER (UAE);
- two solar power plants with storage in Obock (1 MW) and Tadjourah (2 MW), managed by the Ausar-Equity joint venture (France-India)/EDD;
- a wind farm in the Ghoubet region (60 MW) built by the Spanish firm Siemens Gamesa; and
- a biomass power plant (50 MW) near Damerjog, built by the US firm CR Energy Concepts LLC.

4.3 Manufacturing

4.45. In 2019, the manufacturing sector accounted for 8.5% of formal employment. Moreover, a recent survey of the informal sector conducted by the Government of Djibouti indicated that in 2020, only 12.5% of informal activities related to processing, with the remainder concerning trade and services.

4.46. The contribution of manufacturing activities to the GDP of Djibouti is smaller still, standing at 0.3% for 2019. This figure is the sum of the two manufacturing subsectors included in Djibouti's national accounts: manufacturing of food products and wood (0.2%) and "manufacturing branches" (0.1%). Taking a broader definition of the manufacturing sector, water, gas and electricity production could be added, as per Djibouti's Statistical Yearbook. They accounted for 1.1% of GDP in 2019.

4.47. The authorities have analysed the key factors limiting the development of the manufacturing sector and placed them in four categories:

- Constraints related to the legal and institutional framework: paucity of public and private institutions specializing in promotion, support and assistance in the area of industrial development, and an investment code that is more favourable to large firms than SMEs; very limited opportunities for technical and vocational training; a thriving informal sector that competes unfairly with the formal sector, and absence of a formal framework for dialogue between the public and private sectors; poor coordination and lack of synergy between public institutions involved in promoting the industrial sector, an absence of

[6] *Economic Transformation in Djibouti: Systematic Country Diagnostic*, World Bank, 2018 (in English only). Viewed at: https://openknowledge.worldbank.org/handle/10986/31301.

reliable information and detailed statistics on the industrial sector, and a mismatch between education and employment.

- Cost-based constraints: high production costs (energy, labour, water, etc.), a limited domestic market, excessive competition from imports from certain emerging countries, a poorly trained, low-productivity and costly workforce (three or four times more expensive than in certain dynamic neighbouring countries), a lack of dedicated industrial estates and the poor performance of certain upstream sectors such as agriculture and fishing.

- Constraints relating to the failure to exploit natural resources: low rate of usage of natural resources (mineral, fisheries, salt and animal), which hampers the development of a denser economic ecosystem; limited industrial linkages (subcontracting) and high cost of imported raw materials.

- Other structural constraints: harsh climatic conditions, lack of entrepreneurship (awareness about investing in industry), hesitancy and weak industrial investment on the part of operators, and previous failed industrial ventures (dairy production, Tadjourah water, livestock feed plant, etc.).

4.48. Production activities (domestic and foreign) take place in the following fields: furniture, reams of paper and other office consumables, construction materials (cut stones, synthetic marble, tiles, paint, bricks, cement, galvanized and aluminium metal sheets, nails and insulating material), biodegradable plastic bags and other accessories, setts, milk, preserved fish and blue crab, aerated beverages, ice-cream, pastrycooks' products, purified water production, bottling and distribution of LPG gas such as propane and butane, chalk and pens, printing works and salt production.

4.49. Existing free zones have to date only attracted packaging firms but the government has high hopes for the new free zone currently being developed with its Chinese private partner, China Merchant Ports Holdings.

4.50. The Vision Djibouti 2035 long-term strategy document sets out even more ambitious targets for the manufacturing sector. Its share of GDP should increase from 2.7% in 2013 to 5.8% in 2022 and ultimately to 7% by 2035. The mid-point objective for 2022 does not appear to have been met. An industrial policy and strategy are currently being prepared.

4.4 Services

4.4.1 Telecommunications services

4.51. As well as being a logistical hub, Djibouti is a telecommunications hub, serving as the arrival point for a number of submarine cables. The most recent of these is DARE1 (Djibouti Africa Regional Express 1), which was begun by Djibouti Télécom in 2015 and became operational in June 2020. This favourable position has led to the Djiboutian public monopoly, Djibouti Télécom, specializing in the B2B segment, reselling most of its capacity to Ethiopia and focusing on interconnections between Africa and the Arabian Peninsula rather than developing its domestic market.[7]

4.52. Within this domestic market, mobile telephone penetration in particular remains low (around 40%) even by regional standards, despite the fact that its spread ought to have been facilitated by the concentration of 80% of the population in Djibouti City. This focus on a business and international clientele also explains why Djibouti Télécom has been rolling out an LTE network since June 2018.

4.53. Table 4.8 below sets out the key activities undertaken by Djibouti Télécom during the period under review.

[7] *Economic Transformation in Djibouti: Systematic Country Diagnostic*, World Bank, 2018 (in English only). Viewed at: https://openknowledge.worldbank.org/handle/10986/31301.

Table 4.8 Mobile telephony, fixed-line telephony, telex and internet, 2016-20

	2016	2017	2018	2019	2020	Variation 2020/2019
Fixed-line telephony						
Number of subscribers	24,929	24,069	25,508	25,568	27,341	**6.9%**
National traffic (1,000 minutes)	27,935	27,607	31,251	129,573	40,224	..
International traffic (1,000 minutes)	..	..	..	..	..	..
Outgoing (1,000 minutes)	10,748	11,398	8,866	8,572	7,558	**-12%**
Incoming (1,000 minutes)	1,873	636	861	851	989	**16%**
Mobile telephony						
Number of subscribers	345,246	373,052	395,037	414,809	434,035	**4.6%**
National traffic (1,000 minutes)	147,580	167,791	167,791	122,807	206,211	**68%**
International traffic (1,000 minutes)	..	..	..	..	..	..
Outgoing (1,000 minutes)	18,195	19,225	12,987	12,794	12,987	**1.5%**
Incoming (1,000 minutes)	25,521	27,404	17,743	17,262	17,743	**2.8%**
Internet						
Number of ADSL subscribers	23,180	22,384	23,722	23,778	25,053	**5.4%**
Number of 3G subscribers	103,574	186,526	197,519	207,404	217,017	**4.6%**
Number of .dj websites hosted	243	275	298	312	308	**-1.3%**
Number of hours of connection (1,000 hours)	39,148	62,590	68,834	75,834	118,021	**56%**
Internet bandwidth available to local users	6.8 Gbps	7.5 Gbps	8.5 Gbps	9.5 Gbps	9.32 Gbps	**-1.9%**
SMS (1,000)	51,672	178,282	177,032	265,723	212,365	**-20%**
Other services						
3G dongle	11,177	9,259	9,269	9,281	9,281	**0%**
CDMA	14,189	11,312	11,347	11,361	11,347	**-0.12%**
Fibre to the home (FTTH) subscribers	121	328	363	429	314	**-27%**
LS internet subscribers	147	140	149	163	215	**24%**

.. Not available.

Source: Djibouti Télécom.

4.54. On 11 July 2021, the Council of Ministers announced its intention to open the capital of Djibouti Télécom, the national monopoly, to a private operator.[8] During a meeting of the Council of Ministers on 9 September 2021, the Government of Djibouti approved a draft law defining the terms and conditions for the legal sale of 40% of the stock of the public fixed-line and mobile telephony operator, Djibouti Télécom, to a "top-flight strategic partner". In August 2021, the government set a deadline of six weeks ending on 16 September for bidders to express their interest in purchasing this 40% share, whilst making potential candidates aware that it was not opposed to introducing competition in the near future.[9]

4.55. A call for expressions of interest was published on 27 July 2021. Three potential buyers submitted bids. A ministerial committee (ministers in charge of the budget, finance, postal services and telecommunications, and the digital economy) was set up to lead the selection process. The discussions currently under way concern, *inter alia*, a possible redundancy plan and its terms. A further discussion point concerns the request by the potential buyers to increase their capital in order eventually to gain a majority share.

4.56. The Vision Djibouti 2035 long-term strategic development document contains plans for a "new information and communication technology (ICT) special zone", financed by submarine cable revenue. These cables are operating well below full capacity, since Djibouti Télécom manages numerous submarine cables, reselling cable capacity to other countries, particularly in the sub-region. As well as the significant and growing revenue generated for the national operator, this capacity could be used to provide real impetus for national development and job creation, whilst also fostering high-quality telecommunications services that will cement the country's position as a regional hub, attracting new foreign investors and sparking new emerging business sectors. This new ICT special zone is to be supported by specific regulations and benefits under a public-private partnership (global operators).

4.57. With this in mind, the strategy for the sector will be based on two main areas of work. The first involves modernizing the telecommunications sector, with market opening to reduce costs and

[8] Information viewed at: https://www.agenceecofin.com/telecom/1307-90069-Djibouti Telecom-l-un-des-derniers-monopoles-telecoms-d-afrique-est-sur-le-point-de-disparaitre.

[9] Information viewed at: https://www.telecomreviewafrica.com/index.php/articles/divers/2489-nouveauA-projet-de-loi-sur-le-transfert-des-actions-de-Djibouti Telecom.

improve service quality. Alongside this opening, Djibouti Télécom will shift focus to its area of expertise, with other market segments opened up to private investors.

4.58. The second area of work will involve harnessing existing telecommunications infrastructure to promote offshoring activities, particularly call centres, offering prospects for young graduates with good language skills. Against this backdrop, the Smartafrica firm has outlined plans for a flagship data centre project in Djibouti.

4.59. In order to realize this ambition, Djibouti intends to prepare and implement a development strategy for the telecommunications sector and to establish a new customized regulatory framework. In addition, in order to regain competitiveness and attract investors in the offshoring sector, it will need to act swiftly through strong incentives. These incentives could initially be financed from a portion of submarine cable revenue.

4.60. Internet, fixed and mobile telephony services are the monopoly of Djibouti Télécom. A licence has been granted to AfriFiber for the deployment of fibre optics and internet service provision. The rates applied by Djibouti are submitted to the government for approval by the Council of Ministers.

4.61. Djibouti does not have a regulatory authority for telecommunications services. Law No. 074/AN/20/8ème L provides for the establishment of a multisectoral regulatory authority with responsibility for electricity and telecommunications. However, this body is not yet operational.

4.4.2 Financial services

4.4.2.1 Banks

4.62. The Djiboutian financial system is dominated by the banking sector (97% of assets). As at the end of December 2021, total banking assets stood at DJF 613.9 billion (USD 3.4 billion), or 99% of GDP.

4.63. Since Djibouti's last Trade Policy Review, there has been a relative expansion in the country's banking system, in particular as a result of the growth in GDP and the dynamism of the services sector. This expansion has been further sustained by the free movement of capital and the absence of exchange controls.

4.64. Since 2011, Djibouti's banking system has been governed by Banking Law No. 119/AN/11/6ème L of 22 January 2011, which fixes the minimum capital requirement for financial institutions at DJF 1 billion as well as extending the scope of the law to include financial auxiliaries (in particular, remittance offices) and Islamic finance institutions.

4.65. The number of commercial banks has increased from two in 2005 to 13 in 2021. The robust competition from newer banks has had a significant impact on the market share of the incumbent banks, Banque pour le Commerce et l'Industrie - Mer Rouge (BCIMR) and Bank of Africa - Mer Rouge (formerly BIS-CA[10]), whose market shares in 2021 had fallen to 20% and 16% respectively.

4.66. The State's participation in banking is limited to share holdings in the BCIMR and the Silk Road International Bank of 33% and 25% respectively. Islamic banks have a significant share of the market (22% of total banking assets in 2021; 86,913 accounts compared to 86,795 accounts with conventional banks). Four new banks were established during the period under review: the Commercial Bank of Ethiopia and the Silk Road International Bank in 2016, the Bank of China in 2019 and the International Business Bank in 2021.

4.67. The sector also comprises three Islamic banks, two state-owned specialist financial institutions (the Djibouti Economic Development Fund (FDED) and the Djibouti Partial Credit Guarantee Fund), three microfinance cooperatives (the Caisse Populaire d'épargne et de crédit de Djibouti, the Caisse Populaire d'épargne et de crédit du Nord and the Caisse Populaire d'épargne et de crédit du Sud) and 20 remittance and money exchange offices, six of which were set up during the period under review.

[10] Its largest shareholder is the BMCE group from Morocco.

4.68. Short, medium and long-term loans account for 40%, 28% and 32% of total credit respectively. The private sector is the principal recipient of this credit (over 52% of loans granted, as opposed to 28% for state-owned enterprises and 20% for retail customers). 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 credit institutions. They stand at around 10% for risk-free loans, 11.5% for overdrafts and 7.5% for real estate loans.

4.69. Private sector credit as a share of GDP remains low (18% of GDP in early 2022) owing to a shortage of suitable loan instruments for households or SMEs (only 5% of formal enterprises have access to bank financing). Loans are concentrated for the most part in the transport, logistics, public works and real estate sectors. The ratio of non-performing loans (NPLs) remains high, at 16.3% as at the end of 2019, and 92% of them are with the two largest banks (BCIMR and Bank of Africa). A plan to tackle NPLs is under way, with a writing-off of doubtful debt of more than five years' standing as of 1 January 2021. The BCD hopes that by 2024 the NPL ratio will be reduced to 8%. Between the end of 2020 and March 2022, the NPL ratio fell from 13.8% to 10.8%, evidence of the significant efforts that credit institutions have put into cleaning up their credit portfolios.

4.70. When it comes to loans granted by the specialist financial institutions, the purpose of the Djibouti Economic Development Fund (FDED) is to provide concessional loans to SMEs and small and medium-sized industries (SMIs) that are excluded from bank financing. In addition to financing, the FDED is tasked with training project promoters and rolling out a process to monitor project implementation from beginning to end. The Fund has set up a number of credit programmes, including for investment loans, loans for new graduates, and women's entrepreneurship, and other programmes within priority sectors. The following types of project are eligible for financial backing: those proposed by microfinance clients with estimated costs of DJF 2 to 3 million; those proposed by micro-enterprises for DJF 3 to 10 million; and those proposed by SMEs, involving loans of DJF 10 to 30 million. As at the end of 2020, the FDED had granted credit worth DJF 5,732 million in total.

4.71. With regard to the microcredit sector, the Caisses populaires d'épargne et de crédit (CPEC) in Djibouti and the interior of the country had a total of 43,945 customers in 2020, a 35% increase over 2019. Some 73% of these customers are women. There are DJF 300 million of outstanding loans.

4.72. As to Islamic microfinance, 45 projects received financing totalling DJF 25.59 million in 2019. Since the launch of the programme, DJF 229.21 million of financing has been granted for 693 projects.

4.73. A "Microfinance Strategy 2019-23" has been prepared in order to promote these financial products and develop the sector.

4.74. Notwithstanding these microcredit and alternative finance instruments, the banking penetration rate remains low at 26% (compared to 49.7% in the rest of sub-Saharan Africa) and financial inclusion is still in its infancy. The UNDP and the Djiboutian authorities have prepared a "National Strategy for Financial Inclusion 2021-26" in order to remedy this situation. In this regard, a noteworthy commercial initiative is D-Money, set up by Djibouti Télécom in 2020 as a competitor to Nomadecom, hitherto the only firm present in the digital banking and mobile money sector.

4.75. From a regulatory standpoint, the Central Bank of Djibouti (BCD) is responsible for monitoring the operating conditions of credit institutions, overseeing the quality of their financial situation and ensuring that the rules of professional ethics are observed. BCD 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.

4.76. In order to satisfy the approval procedure, credit institutions 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.

4.77. BCD approval 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.

4.78. As part of its ongoing policy of strengthening the regulatory framework for banking and financial activities within Djiboutian territory, the BCD has undertaken the following key reforms:

- changes in the BCD statutes in order to bolster its independence by defining its remit and mechanisms for administration and supervision;
- the banking law (supervisory framework for the banking system), enabling new banking players to emerge;
- at law on Islamic financing, covering the specificities of credit institutions whose statutes require their operations to be consistent with Islamic law (Sharia), including a prohibition on charging or paying interest.
- a law on financial cooperatives defining the rules for the establishment, structure, operation and supervision of savings and credit cooperatives.

4.79. Together with the enactment of these laws, regulatory work has also involved the preparation of instructions on the implementation of the banking law. A series of eight instructions has been produced, covering, *inter alia*, internal control, minimum capital, solvency ratio, large exposures, capital composition, capital participation, non-performing loans and the approval of the auditors.

4.80. Seven other instructions relating to Islamic banking operations, as well as three circulars, were adopted in late 2021. They cover, *inter alia*:

- procedures and time-frames for periodic reporting;
- approval application procedures;
- the annual internal audit report.

4.81. Also in the area of regulation, the BCD adopted two new instructions on liquidity and approval of credit institutions in 2013, thus completing its set of regulations. Parallel reforms have begun with a view to overhauling the earliest instructions, dating from 2011, such that they are in line with international standards and address certain risks.

4.82. As part of the work to revise its regulatory texts, the BCD has updated its instructions on capital composition and non-performing loans and has prepared three new instructions on corporate governance, related parties, and credit, counterparty, merger and foreign exchange risk management.

4.83. The instruction on capital composition has been revised in order to limit the potential weight of supplementary capital in line with the provisions adopted under Basel III. This has given an opportunity to revise the elements that qualify as supplementary capital as well as core capital deductions and, in particular, amounts outstanding attributable to related parties.

4.84. The instruction on non-performing loans, which entered into force in 2021, was given a radical overhaul, particularly in light of the distortions present in the provisioning rules adopted by the banking market as a whole. This instruction is intended to provide a precise definition of related parties and to set authorized exposure limits, as well as the conditions for deduction of all or part of this exposure from core capital.

4.85. Furthermore, in order to improve supervision of Islamic finance, a National Committee of Sharia has been set up under the control of the governor of the BCD. This Committee is tasked with advising and informing the Central Bank as to the conformity of financial products and the operating procedures of Islamic financial institutions with Sharia law. It provides its opinions to the BCD on, *inter alia*:

- validation of the Sharia governance framework for Islamic financial institutions;
- conformity of Islamic products with Sharia;
- audit reports of Islamic financial institutions by the National Committee of Sharia.

4.86. Lastly, since 2002 and pursuant to Law No. 196/AN/02/4ème L on money laundering, confiscation and cooperation in relation to the proceeds of crime, credit institutions 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 credit institution;
- in-service training for 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 BCD.

4.87. The last available Article IV Consultation report on Djibouti by the IMF[11], dating from 2019, gives the following assessment of Djibouti's financial sector:

> "Notwithstanding progress in cleaning up banks' balance sheets, the financial sector remains fragile, and financial inclusion is low. The central bank should continue to upgrade the banking sector regulatory environment, reinforce risk-based supervision, and improve access to finance. Making the AML/CFT [anti-money laundering and combating the financing of terrorism] framework more effective is also a key priority to preserve correspondent banking relationships."

4.88. Since then, the Government of Djibouti has taken steps in this direction and is preparing to seek Financial Action Task Force (FATF) validation for the country's regulatory and institutional framework (review planned for 2024).

4.4.2.2 Insurance

4.89. There are four insurance companies with a presence in Djibouti, two of which are Islamic. The majority shareholders are Djiboutian nationals in the private sector and the State does not hold any shares. Overall, the insurance market in Djibouti was valued at USD 21.4 million in 2020.

4.90. The basic legislation governing the sector (Law No. 40/AN/99/4ème L of 8 June 1999 and Law 131/2011 on Islamic finance) predates the period under review.

[11] The most recent report dates from February 2022 but the Government of Djibouti requested and was granted an additional period of time to examine its conclusions and consider publication.

4.91. According to these regulatory texts, insurance is compulsory for motor vehicles and imports. Risks incurred in Djibouti may be covered only by Djiboutian insurance companies (travel insurance, COMESA Yellow Card). Dual approval is required in order to offer both life and non-life insurance. Regulations for reinsurance services are currently being drawn up.

4.4.2.3 Securities and commodities trading services

4.92. The Vision Djibouti 2035 long-term development strategy document of 2013 stated that in order to promote the development of a financial market by 2015, the State should take all necessary steps in terms of regulation and financing in order to establish Djibouti as a regional commodities and stock exchange, in conjunction with the countries of the sub-region. Work is reportedly under way to develop a stimulus and outreach policy aimed at making Djibouti a fully-fledged financial centre by 2035.

4.4.3 Transport services

4.4.3.1 Port services

4.93. Djibouti offers safe anchorage, strategically located at the gateway to the Red Sea and close to major sea routes connecting three continents (Africa, Europe and Asia). Since Eritrea's independence, Djibouti has been Ethiopia's preferred outlet to the sea and is now linked to that country by a modernized railway. For all these reasons, Djibouti's port activities have developed considerably since the beginning of the millennium, with a 20-year concession granted to Dubai Port World (DPW) in 2000. Activities developed further during the period under review, which saw the termination of the DPW concession in 2017 and many port investments being made. These investments were largely financed by Chinese enterprises. Table 4.9 below shows the vessel movements recorded annually between 2017 and 2020 by Djibouti's various terminals and ports.

Table 4.9 Movements of vessels by port and terminal, 2017-20

Port	2017	2018	2019	2020
Société de Gestion du Terminal à conteneurs de Doraleh (SGTD)	600	528	423	422
Doraleh Multipurpose Port (DMP)	216	255	281	291
Horizon petroleum terminal	140	96	114	107
Port de Djibouti Société Anonyme (PDSA)	541	659	741	593
Tadjourah mineral terminal	0	5	8	18
Ghoubet (mineral terminal yet to become operational)	0	0	0	0
TOTAL	1,497	1,543	1,567	1,431

Source: Port Statistics Department.

4.94. As can be seen from this table, the number of vessel movements, which was on an upward trend, fell slightly in 2020 with the COVID pandemic.

4.95. Table 4.10 below shows the date of entry into operation, specialization, physical characteristics, investment costs and shareholders of Djibouti's various ports and terminals.

Table 4.10 Main features of Djibouti's ports and terminals

Port/ terminal	Date of entry into operation	Specialization	Physical characteristics	Initial investment cost	Ownership
Société de Gestion du Terminal à conteneurs de Doraleh (SGTD)	2009	Containers	Quay length: 1,050 m Depth: 18 to 20 m Storage capacity: 40,000 TEU Yard space: 285,000 m² Terminal handling capacity: 1.6 million TEU[12]	..	PSDA Holding S.A (67%) and Great Horn Investment Holding S.A.S (GHIH) (33%)
Doraleh Multipurpose Port (DMP)	2017	Containers, bulk, break bulk cargo and ro-ro	1,200 m of quay line, accommodating six berths with a depth of 15.3 m (plans for 4,130 m of quay line and 17 berths). 690 hectares of land for industry Average performance of 90 units discharged per hour (ro-ro) and 31 containers per hour (lo-lo) Direct connection to the Djibouti-Addis Ababa railway	USD 590 million	PDSA Holding S.A (Government of Djibouti 76.5% and China Merchants Shekou Holdings 23.5%)
Horizon Terminal	2005	Petroleum terminal	- Total storage capacity of 371,000 m³ - Two berths of 30,000 and 80,000 DWT - 12 truck loading bays and one LPG bulk truck loading bay - Pumping capacity of 2,000 tonnes/hour/line	..	Horizon Terminals Ltd (subsidiary of Emirates National Oil Company of Dubai) majority shareholder, Government of Djibouti and private investors
Port de Djibouti Société Anonyme (PDSA)	1998	Non-containerized cargo: bulk, break bulk cargo and heavy cargo (bulk carriers and ro-ro) Plans for a marina and business centre	- Ro-ro quay of 232 m. - Bulk carrier quay of 200 m (up to 50,000 tonnes)	..	PDSA Holding S.A (Government of Djibouti 76.5% and China Merchants Shekou Holdings 23.5%) PDSA Holding S.A is also a shareholder in various entities such as the SGTD (67%), DMP (100%) and Port Labour Supplier, a company that manages handling equipment and personnel (100%)
Tadjourah	2017	Mineral terminal (exports of Ethiopian minerals, mainly potash)	-Two berths of 435 m in length and 12 m in depth - An area of 30 hectares, including a state-of-the-art potash handling system and a 190 m ro-ro quay - Handles up to 2,000 tonnes of potash per hour and up to 4 million tonnes per year	USD 90 million	..
Ghoubet	..	Mineral terminal under construction	..	..	..

.. Information not available.

Source: Compiled by the Secretariat using information provided by the authorities.

[12] Twenty-foot equivalent units (20 ft being the standard container length).

4.96. Table 4.11 below describes the origin and destination of traffic in metric tonnes.

Table 4.11 Traffic by port in 2021

(Metric tonnes)

Status		PDSA	DMP	SGTD	HORIZON	TADJOURAH	TOTAL
Incoming traffic	**Djiboutian traffic**	57	386,130	503,983	384,301	2,974	1,277,444
	Ethiopian traffic	1,176,983	2,844,448	2,081,900	3,689,525	385,490	11,462,428
	Trans-shipment	0	12,642	572,623	99,419	0	901,683
Total incoming traffic		**1,177,010**	**3,325,334**	**4,237,045**	**4,199,671**	**395,169**	**14,241,308**
Outgoing Traffic	**Djiboutian traffic**	0	23,934	130,920	0	0	233,127
	Ethiopian traffic	50,622	20,012	589,931	0	0	1,208,915
	Trans-shipment	0	122,142	500,609	0	0	641,134
Total outgoing traffic		**50,622**	**166,088**	**1,221,460**	**0**	**0**	**2,083,176**
All traffic	**Djiboutian traffic**	27	492,178	1,712,812	410,717	9679	2,110,324
	Ethiopian traffic	1,227,606	2,864,460	2,671,831	3,689,525	385,490	12,671,343
	Trans-shipment	0	134,783	572,623	99,419	-	1,542,817
Overall total		**1,227,632**	**3,491,422**	**5,458,505**	**4,199,671**	**395,169**	**16,324,484**

Source: Port Statistics Department.

4.97. This table shows that only a very small portion of traffic comes from or is destined for Djibouti. The largest share of this (almost 80%) originates from or is destined for Ethiopia. Trans-shipment traffic, characteristic of maritime hubs, is still marginal as it does not even reach the volume of traffic destined for Djibouti itself.

4.98. Table 4.12 below shows the breakdown of traffic by type of cargo for 2020.

Table 4.12 Traffic by type and by port, 2018-20

(Unit: tonne)

	2018	2019	2020
PDSA			
Bulk	1,242,192	1,668,696	1,199,084
Vehicle	2,556	..	..
Livestock	43,612	68,265	28,547
Total	1,288,360	1,736,961	1,227,631
DMP			
Bulk	3,288,036	3,876,525	3,165,671
Vehicle	94,663	107,343	135,457
Total	3,382,699	3,983,868	3,301,128
HORIZON TERMINAL			
Local	370,693	401,499	410,727
Ethiopian	3,714,327	3,913,408	3,689,525
Other	112,738	117,265	99,419
Total	4,197,758	4,432,172	4,199,671
SGTD			
Imported containers	317,162	343,482	314,275
Exported containers	310,541	342,850	324,098
Trans-shipped containers	178,907	178,053	169,490
Other		9,263	4,706
Total	806,610	873,648	812,569

.. Not available.

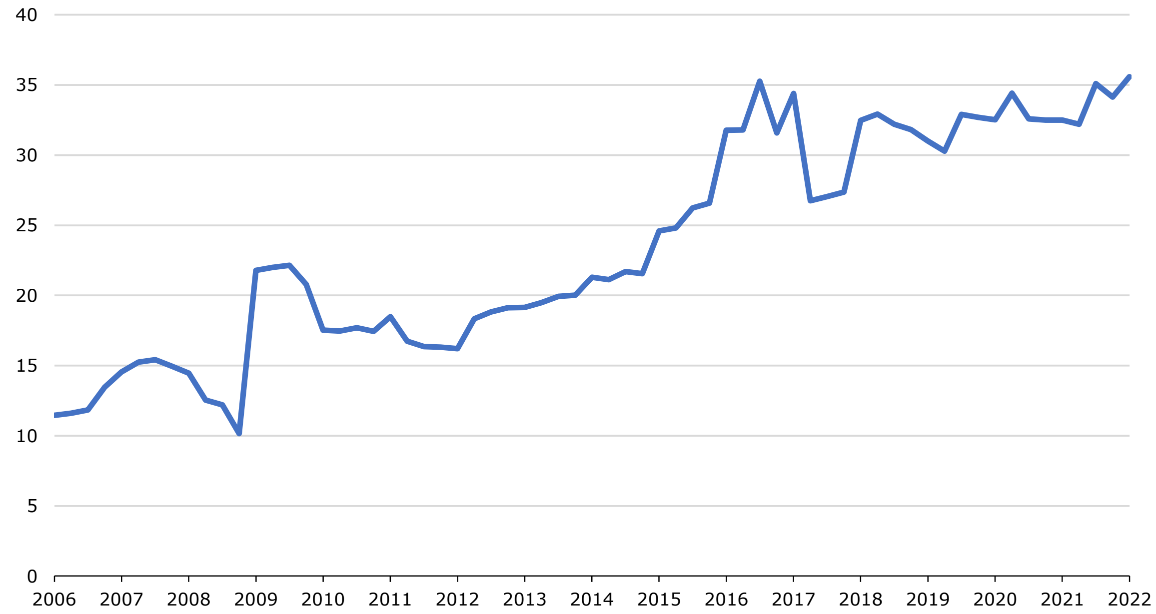
Source: Port Statistics Department.

4.4.3.2 Maritime transport services

4.99. Charts 4.1 and 4.2 below, which are based on UNCTAD's liner shipping connectivity index, show Djibouti's main maritime partners and their level of connectivity with its ports, as well as the evolution of their overall connectivity, which is on an upward trend and does not appear to have been adversely affected by the COVID-19 pandemic, at least in 2020.

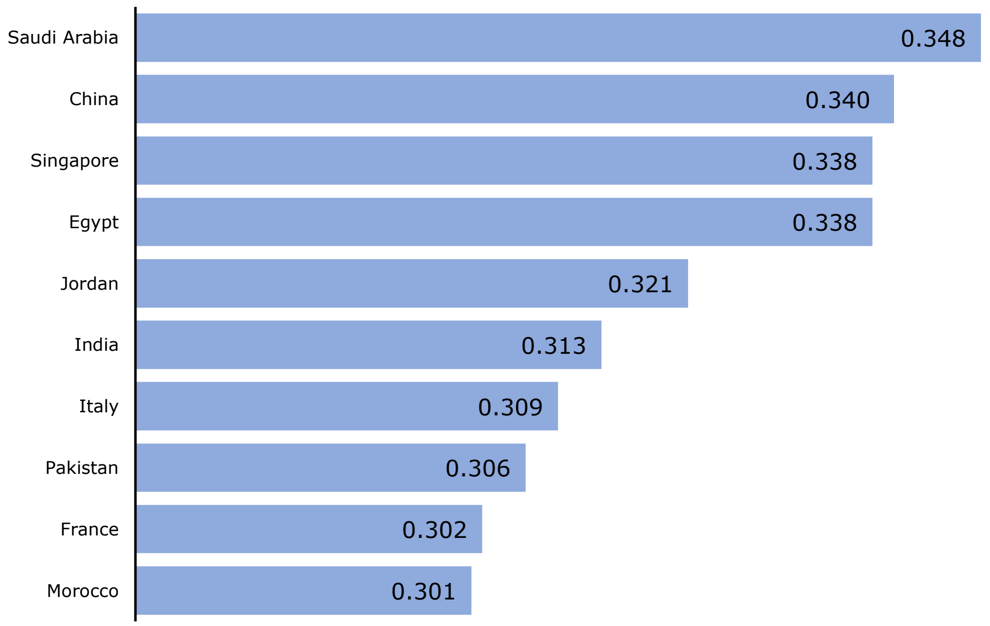
Chart 4.1 Liner shipping connectivity index, 2006-22 (Q1)

(Maximum 2006=100 for China)



Source: UNCTAD Secretariat, calculated using data provided by MDS Transmodal (https://www.mdst.co.uk).

Chart 4.2 Bilateral connectivity index, top 10 partners in 2020



Source: UNCTAD Secretariat, calculated using data provided by MDS Transmodal (https://www.mdst.co.uk).

4.100. In 2020, Djibouti had a national flagged fleet of 18 vessels amounting to a total tonnage of 8.7 million DWT, consisting of oil tankers, non-containerized general cargo vessels and "other types of ships" (this residual category does not include container ships or bulk carriers). Table 4.13 below shows changes in the tonnage of the Djiboutian fleet since 2005.

Table 4.13 Carrying capacity by type of ship

(Thousands DWT)

	2005	2010	2015	2020
Total fleet	5.0	0.7	13.1	8.3
Oil tankers	..	..	5.0	0.0
Bulk carriers	..	..	0.0	0.0
General cargo	4.0	..	0.0	2.5
Container ships	..	..	0.0	0.0
Other types of ships	1.0	..	8.1	5.8

.. Not available.

Source: UNCTAD Maritime profiles.

4.101. There is no nationality requirement for obtaining the Djiboutian flag: the only requirement is that ships meet the safety standards approved by the international classification societies that are members of the International Association of Classification Societies (IACS). At least 15% of the crew of any vessel flying the Djiboutian flag must be Djiboutian nationals if a local labour force is available. National coastal shipping is reserved for Djiboutian flag vessels.

4.4.3.3 Road transport services

4.102. For both geographical and political reasons, Djibouti is the natural and preferred maritime gateway for Ethiopia's imports and exports. Until the re-opening[13] of the Djibouti-Addis Ababa railway line, this traffic was carried solely by an almost continuous stream of trucks. Since the opening and start of operation of the railway line in 2016-18, road traffic has declined slightly but has remained at high levels as reflected in Table 4.14.

Table 4.14 Road traffic in the Djibouti-Ethiopia international corridor, 2016-20

	Movement of trucks
2016	438,015
2017	422,673
2018	384,463
2019	397,442
2020	387,588

Source: Directorate of Mines and Road Safety.

4.103. However, Table 4.15 below, which describes new registrations of road transport vehicles in Djibouti during the period under review, appears to show that Djibouti's truck fleet is small, which would indicate that most of the trucks travelling on the Djibouti-Addis Ababa route are Ethiopian.

Table 4.15 Registered road transport vehicles, 2016-20

Type of vehicle	2016	2017	2018	2019	2020
Bus/Minibus	176	202	252	77	0
Truck	587	328	317	181	176
Van	44	23	41	0	0
Total	..	..	..	..	..

.. Not available.

Source: Directorate of Mines and Road Safety.

4.4.3.4 Rail transport services

4.104. During the period under review, a new railway line between Djibouti and Addis Ababa was built with financial and technical assistance from China. The project was 70% financed by a USD 3.4 billion loan from China EXIM Bank, of which USD 491.8 million was assumed by Djibouti. China Civil Engineering Construction Corporation was responsible for the works as project manager.

[13] A single-track metre-gauge line had been constructed between 1897 and 1917, but fell out of use in the early 2000s.

4.105. Work on the new line started in 2013 and lasted for four years. It included the construction of an electrified double-track standard-gauge line of 756 km in length, serving around 20 stations; 670.7 km of the line are in Ethiopia, whilst 82 km are in the Republic of Djibouti. Djibouti's section was completed in August 2015. The line was opened in October 2016, but did not come into service until 1 January 2018. It is operated by two different state-owned companies, Ethiopian Railways Corporation for the Ethiopian part, and the Société Djiboutienne de Chemin de Fer for the Djiboutian part, through a Djibouti-Ethiopia joint venture called Ethio-Djibouti Railways. In practice, Ethiopia is responsible for most of the traffic. This company is responsible for managing and regulating traffic.

4.4.3.5 Air transport services

4.106. Djibouti has two airlines: Air Djibouti, also known as Red Sea Airlines, and Daallo Aviation.

4.107. Air Djibouti, founded in 1963, went bankrupt in 2002. The state-owned company was relaunched in 2015. Between 2015 and 2017 it was managed by the British company Cardiff Aviation, but since 2017 has been under the direct management of the State. It currently has only one aircraft, a Fokker F27-500-F, with which it operates cargo and passenger flights to countries in the region such as Yemen, South Sudan, Ethiopia, Egypt, Kenya, Somalia and the United Arab Emirates.

4.108. The second company, Daallo Airlines, is a Somali and Djiboutian private airline, based in the city of Djibouti. Since 2007, Daallo Airlines has been controlled by the Dubai World Company Istithmar World Aviation (IWA) holding company. It has about ten aircraft that also serve regional destinations. Law No. 125/AN/8ème L of 2 March 2021 requires a 51% majority of Djiboutian capital for Djiboutian airlines.

4.109. Djibouti Ambouli Airport is the country's only international airport. It is used for military activities related to various foreign military naval bases established in Djibouti, as well as for civilian activities. It is managed by the state-owned company, Aéroport de Djibouti. Ground handling services are provided by Air Djibouti (boarding/disembarking passengers, cargo services and VIPs) and by Rubis and Enoc (refuelling).

4.110. The Vision Djibouti 2035 long-term development strategy document envisages the construction of a second international airport (the future Bicidley airport), for which a construction study was launched in 2020.

4.111. Passenger and cargo traffic during the period under review is shown in Table 4.16

Table 4.16 Passenger and cargo air traffic, 2016-20 (Units: passengers, number; cargo)

(Tonnes)

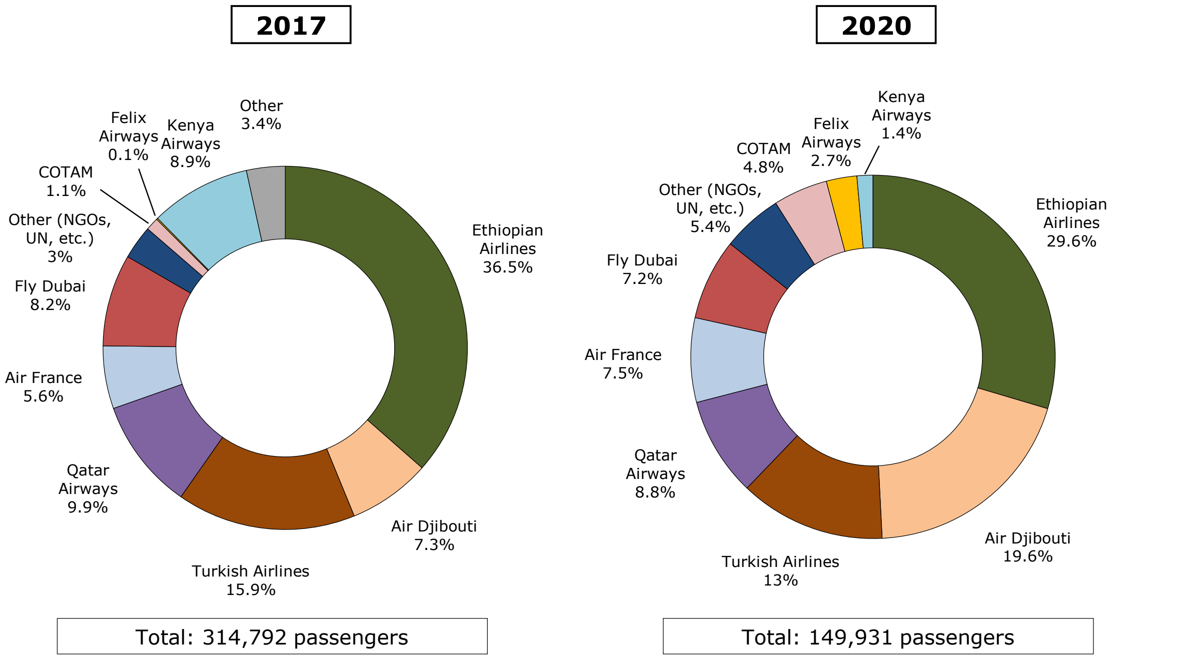
	2016	2017	2018	2019	2020
Passengers disembarked	126,791	132,573	140,826	172,719	74,894
Passengers boarded	143,756	137,862	143,762	167,474	74,544
Passengers in transit	46,271	44,357	17,011	86,661	493
Cargo imported	8,167	5,057	4,605	6,886	4,481
Cargo exported	1,817	1,295	2,819	1,530	741

Source: Statistical Yearbook 2021, National Institute of Statistics of Djibouti (INSTAD).

4.112. This table shows that the COVID-19 pandemic reduced air traffic by two thirds in 2020, which, although significant, is relatively little compared to international standards for the same year. The fact that a fraction of air traffic was maintained is most likely due to the activities of foreign military naval bases. Djibouti is a member of the pan-African Yamoussoukro Decision on air transport, which liberalizes intra-African air traffic.

4.113. Charts 4.3 and 4.4 below show the distribution of passenger and cargo traffic between the various airlines serving Djibouti airport, in 2017 and 2020.

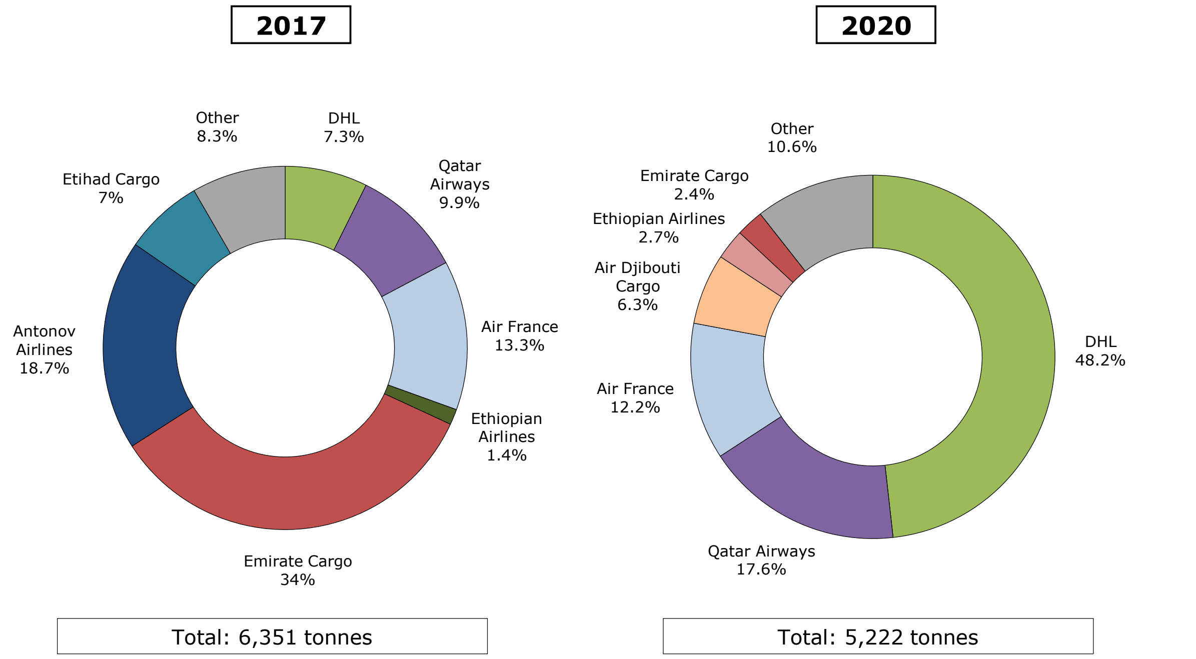
Chart 4.3 Passenger traffic by airline, 2017 and 2020



COTAM: French Military Air Transport Command.

Source: WTO Secretariat calculations based on air transport data, Statistical Yearbook 2021, INSTAD.

Chart 4.4 Cargo traffic (excluding post) by airline, 2017 and 2020



Source: WTO Secretariat calculations based on air transport data, Statistical Yearbook 2021, INSTAD.

4.5 Tourism services

4.114. In 2021, Djibouti's hotels offered around 2,185 beds, almost exclusively in the city of Djibouti. During the review period, hotel accommodation increased by about 30% and was modernized, particularly at the high end of the market. The hotel occupancy rate remains relatively low overall: 57.8% in 2019 (the best year recorded) and 37% in 2017 (the worst year of the non-COVID period). Table 4.17 below provides an overview of changes in the number of beds and nights and occupancy rates during the period under review.

Table 4.17 Hotel visits, 2016-20

	2016	2017	2018	2019	2020	2021
Number of rooms	1,199	1,226	1,232	1,385	1,348	1,382
Number of beds	1,853	1,929	1,943	2,198	2,108	2,185
Number of nights available for beds	4370635	447,490	449,680	505,525	492,020	504,430
Number of nights sold	178,747	166,065	160,152	179,671	182,555	182,509
Occupancy rate of beds	**40.84%**	**37.11%**	**35.61%**	**35.54%**	**37.10%**	**36.18%**
Number of hotel guests	126,179	132,829	141,941	167,474	74,894	114,102

Source: Djibouti National Tourist Board (ONDT).

4.115. Table 4.18 describes the types of hotel accommodation available and shows capacity and occupancy rates by hotel category.

Table 4.18 Size and performance of hotel accommodation, 2021

	Number of hotels	Number of beds	Capacity	Nights sold	Occupancy rate
5 stars	1	440	116,800	85,403	73.12%
4 stars	2	393	93,075	37,433	40.22%
3 stars	9	595	135,050	30,994	22.95%
2 stars	4	180	32,850	6,801	20.70%
1 star	17	568	123,370	20,962	16.99%
Unclassified	1	9	3,285	916	27.88%

Source: Djibouti National Tourist Board.

4.116. These tables show that high-end hotels were less affected by the COVID-19 crisis than other hotels. The COVID-19 pandemic caused hotel occupancy, mainly by foreigners, to fall by only 60%, which is relatively little by international standards and consistent with the continuation of a certain amount of international air traffic. This proves that hotel occupancy is linked more to the business activities of the Djibouti logistics hub and the activity of foreign military bases. Indeed, the development of tourism activities *per se* remains largely embryonic.

4.117. Nevertheless, the country has real potential in this area, particularly thanks to its beautiful marine wildlife (the rise in diving tourism outside the Red Sea, and especially in areas other than Sharm El Sheikh and Hurghada, indicates strong demand from tourists), globally unique geological landscapes and rich cultural and archaeological heritage.

4.118. The Vision Djibouti 2035 long-term development strategy of 2013 aims to make Djibouti a leading regional tourist destination revolving around three hubs: a capital hub (business and leisure tourism), a seaside hub (seaside and diving complexes located on priority development sites) and an eco-friendly hub (discovery tourism with a focus on archaeological and prehistoric sites).

4.119. In 2019, Djibouti adopted a strategic framework law for the development and promotion of tourism in Djibouti and a tourism master plan. This policy makes it possible to define priority actions for a cultural and environmental tourism model, as well as measures and instruments to ensure the implementation of these actions. In this context, steps have been taken to increase air connectivity. This had actually improved during the review period despite the COVID pandemic. To date, seven international airlines serve Djibouti: Air Djibouti, Air France, Turkish Airlines, Ethiopian Airlines, Qatar Airways, Flydubai, and Kenya Airways. In addition, in January 2018, Djibouti introduced the e-visa system and thus reduced visa costs from USD 80 to USD 10, i.e. a decrease of 87.5%.

4.120. The target is to reach a figure of 500,000 tourists a year by 2030. Geographically, this approach focuses on three tourist areas with specific regulations: Tadjourah, Day and Assal for thalassotherapy tourism; Dikhil and Lake Abbe for eco-tourism; and Obock as a reception point for cruise lines. There are already cruise ships calling at Djibouti and a marina is in the pipeline.

4.121. Djibouti offers a stable and fully open legal framework for foreign investment in tourism activities, having bound the total absence of restrictions for the first three modes of supply (cross-border, consumption abroad and commercial presence) for hotels, restaurants, recreational and cultural services, and sporting services in its GATS commitments.

5 APPENDIX TABLES

Table A1. 1 Imports by HS section and main products, 2016-20

(USD million and %)

	2016	2017	2018	2019	2020
Total imports (millions USD)	**798**	**867**	**981**	**822**	**750**
	(% of imports)				
1. Live animals; animal products	3.5	3.6	3.0	3.6	3.8
2. Vegetable products	11.8	11.8	12.3	14.0	16.3
1211. Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh, chilled, frozen or dried, whether or not cut, crushed or powdered	5.7	5.1	5.4	6.3	7.6
0708. Leguminous vegetables, shelled or unshelled, fresh or chilled	3.5	3.5	3.5	3.9	4.2
1101. Wheat or meslin flour	1.6	1.4	1.8	1.7	2.4
1006. Rice	0.5	1.2	1.1	1.5	1.3
3. Animal or vegetable fats and oils	1.0	1.7	1.0	1.4	1.2
4. Prepared foodstuffs; beverages, spirits; tobacco	6.5	8.4	7.2	9.1	10.0
17. Sugars and sugar confectionery	1.0	1.7	1.4	1.7	2.1
1902. Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared	1.1	1.3	1.2	1.4	0.8
22. Beverages, spirits and vinegar	0.4	0.7	0.6	1.0	0.8
24. Tobacco and manufactured tobacco substitutes	0.0	0.3	0.3	0.6	0.5
5. Mineral products	14.7	13.1	14.9	16.5	13.8
2710. Petroleum oils and oils obtained from bituminous minerals, other than crude	7.2	7.7	9.2	10.6	7.8
Gas oils	4.7	5.1	..	..	..
Fuel oils	0.5	0.3	..	..	..
Kerosene	0.8	0.9	..	..	..
Aviation spirit	0.0	0.5	..	..	..
Lubricating oils	0.3	0.3	..	..	..
2523. Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	2.4	0.8	0.6	1.2	0.9
6. Products of the chemical or allied industries	4.3	4.9	5.0	7.0	11.3
30. Pharmaceutical products	1.7	2.3	2.4	2.3	5.5
3208 - 3210. Paints	0.3	0.3	0.3	0.4	0.3
3401 - 3402. Soap; washing preparations and cleaning preparations	0.6	0.7	0.5	1.7	0.7
7. Plastics and rubber	6.7	4.6	4.8	5.7	5.3
4011 - 4012. Tyres	2.9	1.7	1.3	2.5	1.7
8. Raw hides and skins, leather, furskins; travel goods, handbags	0.2	0.2	0.1	0.1	0.1
9. Wood and articles of wood	1.0	1.0	1.0	1.1	0.9
10. Pulp of wood or of other fibrous cellulosic material; paper or paperboard	1.1	1.0	1.1	1.0	1.2
11. Textiles and textile articles	4.1	3.0	3.0	3.2	3.4
12. Footwear, umbrellas; artificial flowers	0.7	0.6	0.7	0.7	0.7
13. Articles of stone, plaster, cement; ceramic products; glass and glassware	0.9	0.9	1.1	1.2	1.0
14. Natural or cultured pearls, precious or semi-precious stones, precious metals	0.0	0.1	0.0	0.0	0.0
15. Base metals and articles of base metal	8.2	7.3	12.1	7.1	4.2
16. Machinery and mechanical appliances; electrical equipment; image and sound recorders	19.3	22.2	16.5	15.2	13.5
8415. Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated	1.0	0.5	0.8	0.5	0.7
8418. Refrigerators, freezers and other refrigerating or freezing equipment	0.4	0.5	0.8	0.4	0.5
8502. Electric generating sets	0.5	0.5	1.0	0.4	0.5
8471. Automatic data processing machines and units thereof	0.7	0.6	0.4	0.7	0.4
8528. Monitors and projectors; reception apparatus for television	0.1	0.4	0.2	0.3	0.2
17. Vehicles, aircraft, vessels and associated transport equipment	11.7	13.0	11.2	8.2	9.6
8703. Motor cars principally designed for the transport of persons	5.1	4.8	4.9	3.0	4.2
8704. Motor vehicles for the transport of goods	3.0	4.9	2.5	2.4	3.0

	2016	2017	2018	2019	2020
8706 - 8708. Parts of motor vehicle	1.4	1.1	1.0	1.0	1.0
8702. Motor vehicles for the transport of ten or more persons, including the driver	1.4	1.3	1.8	0.9	0.4
8716. Trailers and semi-trailers	0.6	0.2	0.1	0.2	0.3
8705. Special purpose motor vehicles	0.2	0.4	0.1	0.5	0.1
8711. Motorcycles	0.1	0.1	0.1	0.1	0.1
18. Optical, photographic, precision, medical instruments; clocks and watches; musical instruments	1.7	0.8	1.3	1.9	1.6
19. Arms and ammunition	0.2	0.0	0.1	0.1	0.0
20. Miscellaneous manufactured articles	2.2	1.9	3.4	2.4	1.9
21. Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.4	0.0
Other	0.1	0.1	0.0	0.1	0.1

.. Not available.

Source: WTO Secretariat calculations based on The Foreign Trade Yearbook, various issues (INSTAD), and data provided by the authorities.

Table A1. 2 Imports by trading partner, 2016-20

	2016	2017	2018	2019	2020
World (USD million)	**798**	**867**	**981**	**822**	**750**
			(% of imports)		
America	1.3	1.6	1.4	3.0	1.8
United States	0.7	0.4	0.5	2.7	1.6
Other America	0.6	1.2	0.9	0.3	0.3
Brazil	0.4	1.0	0.9	0.1	0.1
Panama	0.0	0.0	0.0	0.0	0.1
Europe	18.3	20.8	15.6	14.9	13.9
EU (27)	13.6	15.5	10.2	10.6	8.1
France	7.4	7.1	5.2	5.1	3.1
Netherlands	0.9	3.3	0.8	0.8	1.3
Italy	1.9	1.0	1.0	1.4	1.3
Belgium	1.3	1.8	1.3	1.0	0.8
Spain	0.5	0.3	0.3	0.6	0.7
Germany	0.7	0.4	0.4	0.9	0.4
EFTA	0.2	0.0	0.0	0.1	0.0
Other Europe	4.5	5.3	5.4	4.2	5.9
Türkiye	4.2	3.3	5.1	3.9	5.6
United Kingdom	0.2	1.8	0.2	0.2	0.2
Commonwealth of Independent States (CIS)[a]	0.0	0.1	0.1	0.1	0.0
Africa	13.5	14.2	14.2	13.8	18.3
Ethiopia	11.2	11.7	11.4	11.7	14.7
Egypt	1.4	1.4	1.4	1.4	1.5
Morocco	0.0	0.1	0.1	0.0	0.7
Kenya	0.2	0.2	0.3	0.2	0.7
South Africa	0.4	0.4	0.4	0.1	0.5
Middle East	27.4	22.2	21.4	22.3	16.3
United Arab Emirates	17.0	12.2	11.3	13.7	10.5
Saudi Arabia, Kingdom of	8.9	9.1	9.0	7.6	4.6
Oman	0.3	0.2	0.2	0.5	0.7
Qatar	0.3	0.3	0.1	0.2	0.3
Yemen	0.5	0.2	0.1	0.1	0.1
Asia	27.2	27.3	25.4	18.7	13.7
China	21.7	20.4	19.6	13.8	9.2
Japan	0.2	1.5	0.5	0.5	0.5
Other Asia	5.3	5.4	5.2	4.5	4.0
India	2.5	3.1	3.1	2.9	2.5
Singapore	0.5	0.4	0.3	0.4	0.3
Korea, Republic of	0.2	0.3	0.2	0.2	0.2
Chinese Taipei	0.0	0.1	0.0	0.0	0.2
Indonesia	0.2	0.2	0.2	0.0	0.2
Malaysia	0.8	0.6	0.4	0.2	0.2
Pakistan	0.5	0.3	0.4	0.2	0.1
Other	0.0	14.1	21.8	27.2	35.8
Memorandum					
EU (28)	13.8	17.3	10.4	10.7	8.2

a Commonwealth of Independent States, including certain member states and former member states.

Source: WTO Secretariat calculations based on The Foreign Trade Yearbook, various issues (INSTAD), and data provided by the authorities.

Table A2. 1 Criteria and benefits under the Investment Code, 2021

Regime	Activities	Benefits
A	(i) exploitation, preparation or processing of products of plant or animal origin, irrespective of their source; (ii) offshore fishing, and the preparation, freezing, processing or storage of fish products; (iii) Mining, treatment or processing of mining or metal products, irrespective of whether they are mined in Djibouti or not; (iv) prospection, exploitation, storage of any source of energy, and refining of hydrocarbons; (v) creation, operation of establishments responsible for developing tourism and handicrafts; (vi) creation, exploitation of electricity, electronics, chemicals and ship industries; (vii) land, maritime or air transport; (viii) port and airport activities; (ix) building, repair and maintenance of maritime transport or fisheries vessels; (x) manufacture, packaging on the spot of consumer products or goods; (xi) banking or loan activities likely to promote new investment, as well as warrantage activities (credit, warehousing); (xii) advisory services, engineering, data processing, database retrieval.	Exemption from the business licence contribution during the year in which the facilities start up or the activity is launched and for the following five years, but payment of the business licence fee, except on imports required for the investment that are exempt. Exemption from the internal consumption tax (ICT) and import taxes and surcharges on materials and equipment needed to carry out investment programmes and appearing on the quantitative and qualitative list attached to the approval request decree filed with the ANPI, with the exception of petroleum products, spare parts and motor cars. Materials and equipment exempted may not be transferred, sold, loaned or utilized for purposes other than those covered by the approval decree for a period of 10 years.
B	(i) construction of buildings exclusively for industrial, commercial or tourism use; (ii) construction of social housing; (iii) construction, creation and operation of teaching and training facilities.	Exemption from the internal consumption tax (ICT) and import taxes and surcharges on materials and equipment needed to carry out the investment programme and appearing on the quantitative and qualitative list attached to the approval decree, with the exception of petroleum products, spare parts and motor cars. Raw materials, with the exception of petroleum products, imported and actually used during the first 10 years of manufacturing, are exempt from the ICT. Exemption from land tax on buildings (for building construction) for a period of 10 years as of the year following the completion of the work. Exemption from industrial and commercial profits and tax on the profits of legal persons within the limit of a maximum of 10 years as of the start-up date. Exemption from the graduated duty on registration of acts attesting to the establishment of companies with capital investment of DJF 30 million or more. The same exemption may apply to capital increases of DJF 10 million or more within at least five years after approval or after a previous increase exempted for the same reason. Possibility of partial exemption from duties on taking out or terminating mortgages. Registration and land registry duties may be halved when they apply to the purchase of green-field sites or land with buildings intended for demolition within a period of three months in order to carry out the investment approved. Authorization for temporary occupation and provisional concessions in the private domain related to the investment may be given at reduced cost. Possibility of exemption from the building permit tax. Materials and equipment exempted may not be transferred, sold, loaned or utilized for purposes other than those covered by the approval decree for a period of 10 years.

Source: Law No. 58/AN/94/3ème L of 18 October 1994 issuing the Investment Code and Article 28.15.31 of Law No. 108/AN/00/4ème L of 29 October 2000 amending the General Tax Code.

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