



COUNTRY PROFILE

DJIBOUTI



Full Name:	The Republic of Djibouti
Area:	23,000 km²
Population	747,000 (July 2006 est.)
Capital:	Djibouti
Main Languages:	French (official), Arabic (official), Somali, Afar
Currency:	Djibouti franc (DJF)
Head of State:	President Ismail Omar Guelleh



The Novatech 2008 - ICT Africa marketplace in Addis Ababa, Ethiopia, is a component of the Pro€Invest programme which is a common initiative of the European Commission (EC) and institutions from the ACP states (Africa, the Caribbean and the Pacific).

This overview of the ICT sector has been prepared by Bernard Krief Consultants on behalf of the organizers. The authors accept sole responsibility for the profile which does not necessarily reflect the views of the organizers.

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1. BUSINESS OVERVIEW

1.1 Key Economic Indicators

Table 1 shows the recent trend for selected key economic indicators using the most up-to-date available information. More general country information is provided in the websites referred to in Section 5.0 at the end of this report.

Table 1: Key Economic Indicators, 2002-06

	2002	2003	2004	2005	2006
Population (mn.)	0.693	0.705	0.716	0.728	0.747
Population Growth (%)	1.5	1.4	1.4	1.4	1.3
GDP (US\$ mn. at current prices)	596	628	666	709	761
GDP per capita (US\$ current prices)	860	890	931	973	1019
GDP growth at constant prices (%)	2.6%	3.2%	3.0%	3.2%	4.2%
Current account balance (US\$ mn.)	27	33	(8)	(29)	(31)
Inflation Rate (%)	0.6%	2.0%	3.1%	3.1%	3.0%
Exchange Rate: annual average Djiboutian franc per US\$	177.72	177.72	177.72	177.72	174.75

Sources: COMTRADE, Economist Intelligence Unit, World Development Indicators, Oanda.com

1.2 Economic Context

In 2006, total Gross Domestic Product (GDP) amounted to US\$761 million at current market prices. Djibouti's economy is dominated by the service sector whose activities are primarily related to its strategic location in the Horn of Africa and to its status as a free trade zone. According to the African Development Bank, services represented 71 percent of GDP between 1999 and 2003. This sector also benefited substantially from the Ethiopian Government's decision in 1999 to order all its imports through the Djibouti port.

Djibouti's economy has been growing in real terms above three percent since 2003 (4.2 per cent in 2006) and is forecast to achieve 4.5 percent in 2007, mainly due to the French military presence and more recently to that of the United States, together with the construction of the new port at Doralé. The current port acts as both a transit port for the region and an international transshipment and refueling facility.

Djibouti is highly dependent upon official development assistance which amounted to 33 percent of public expenditure between 1999 and 2003. In 2004 and 2005, the international donor community contributed an average of \$71 million per year. France was the major donor providing \$31 million each year with other notable bilateral assistance from the US and Japan. Not only was France the main donor, but its officials estimate that it contributes at least \$150 million per year to the Djiboutian economy.

Djibouti is a member of the Common Market for Eastern and Southern Africa (COMESA), which groups over 20 countries into a common market of more than 300 million people. Given this relationship and its strategic location, the Government plans to make Djibouti into the focal economic, commercial and financial centre of the East African sub-region.

1.3 Population and Labour Force

Unsurprisingly, since the last census dates from 1984, population estimates vary widely. The International Monetary Fund (IMF) estimated Djibouti's population at 747,000 in 2006, of which over 80 percent lives in urban areas (including two-thirds of the total in the capital city). The remainder consists mainly of nomadic herders. The overall population density is approximately 32 persons per km². The total labour force was estimated at 282,000 in 2002 but will have increased significantly since then. Unemployment was estimated at around 50 percent in the same year.

1.4 General Institutional and Regulatory Framework

The laws dealing with the protection of property rights are based on the French Civil Code. The legal system is designed to protect the acquisition and disposition of all property rights and offers protection for intellectual property, patents, and so on.

The Government of Djibouti is open to all foreign direct investment and has introduced a new investment code to facilitate this process. There are no foreign exchange restrictions, and no limitations on converting or transferring funds, or on the inflow and outflow of cash. Various tax benefits and incentives are available to private sector investors.

1.5 Operating Costs

Due to the high cost of living, wage levels in Djibouti are among the highest in the region. Whilst unemployment is high, the labour force is not highly skilled, rendering it difficult to find competent workers.

The Caisse National des Retraites handles the social security of government workers with long-term contracts, and the Organisme de Protection Sociale deals with the private sector and government employees with short-term contracts. The Labour Code allows for employees to form labour unions. It also provides guidelines on wages, overtime pay, annual leave, sick leave, work schedules and holidays.

1.6 Infrastructure Services

1.6.1 International access

Air

The only international airport for civilians is Djibouti (JIB) which is located some 5km south of the city. Daalo Airlines operates flights between Djibouti and Paris, London, Dubai, Addis Ababa, Nairobi, Jeddah and Somalia (Bosasso, Burao, Hargeisa and Galkacyo). Flights to Mogadishu are presently suspended.

Rail

The Djibouti–Ethiopian Railway operates regular trains between Addis Ababa and Dire Dawa with one train daily connecting with Djibouti. Trains are old and not always reliable.

Road

There are roads from Djibouti to Assab (Eritrea) and going west into Ethiopia via Dikhil. Road conditions are generally poor (the roads are more often dirt tracks than asphalted) and personal security might be at risk when travelling. Travel to neighboring Somalia (which has bus links with Djibouti) is not presently *recommended* due to the highly unstable political situation.

1.6.2 Domestic Transport

Air

Private charter services may be available.

Sea

Ferry services sail daily from L'Escale (Djibouti) to Tadjoura and Obock (on the northeast coast of the Gulf of Tadjoura).

Rail

The only service is provided by the daily train to the border with Ethiopia.

Road

Four-wheel-drive vehicles are recommended. There is a new highway from Djibouti to Tadjoura. Traffic drives on the right. Buses operate from Djibouti to most towns and villages throughout the country. Car hire is available in Djibouti and at the airport.

2. ICT SECTOR

2.1 Overview

The ICT sector in Djibouti is slowly developing, Internet is especially making its entrance into the Djiboutian market. The tele- and Internet-density in Djibouti is thus fairly high, with respectively a global tele-density of 5% and an Internet-density of 20%. Telecommunications are reliable, but expensive. In what concerns mobile telephony, roaming agreements exist with most international mobile phone companies. Coverage is good in and around the capital and parts of the coast, and poor to non-existent elsewhere. Internet services are accessible in the main post office and some hotels. There is at least one internet cafe in Djibouti.

2.2 Telecommunications

The national state-owned operator, **Djibouti Telecom**, the former ‘Société des Telecommunications Internationales de Djibouti (STID)’, is the result of an institutional reform and has the monopoly on the entire Djiboutian telecom business.

- 10,500 fixed lines, i.e. a fixed tele-density of 2.2%
- 28,000 mobile phone subscribers leading up to a 6% mobile tele-density.
- Most of the lines are in Djibouti city, and the access in rural areas remains very limited.

2.3 Internet

The first internet connexion in Djibouti was made possible due to a connexion with France Telecom’s filial called France Radio et Câbles and via the underwater fibre optic cables. The band width has now reached 4 Mb/s.

With approximately 13,000 Web User, Djibouti holds an internet density of 20% in Djibouti – and 28,9% in Djibouti City.

Djibouti Telecom is the only Internet Provider in Djibouti.

- More then 2922 subscribers and several hundreds are awaiting their internet connection.
- The band width is of 4 Mb/s, Djibouti has not taken advantage of the underwater fibre optic cables.
- Few ‘.dj’ sites exist, and the most part are in French.
- Very limited access to computers in households as well as in private companies and public administration.
- No public or community access points, except for the few Internet cafes in Djibouti City.
- The charges in the Internet Cafes are still too elevated for average Djiboutian people.
- No internet connection in rural areas.
- Elevated import-taxes on computer materiel (approximately 8%)

2.4 Regulatory framework and sector regulation

The Ministry of Communications and Culture has begun showing initiative in terms of promoting development of the ICT sector. In 2003, the Ministry amongst other announced a reduction of the telecom prices.

Proposals for the adoption of an ICT policy have been announced. The project suggests creating an ‘Agence Djiboutienne de Regulation des Telecommunications (ADRT)’ under the jurisdiction of the Ministry of Communication and Culture, which is currently in charge of postal services and telecommunications.

The Agency would amongst others be responsible for developing Call Centres and promoting the usage of ICT’s in education and work-situations.

2.5 Opportunities

The Government of Djibouti recognizes the crucial need of foreign investment for the economic development of the country. Potential areas of investment include Djibouti's port, tourism, manufacturing and telecom sectors. And Government measures to facilitate access to credit will hopefully serve to develop the ICT sector.

3. INVESTMENT ENVIRONMENT

3.1 Investment Framework

3.1.1 Government policy

Djibouti's assets include a strategic geographic location, an open trade regime, a stable currency, substantial tax breaks and other incentives. In 1995, the entire country of Djibouti was designated a free-export processing zone.

The Government has made considerable efforts to create an environment conducive to private investment, both domestic and foreign. Foreign direct investment is actively encouraged, and Government has pledged to seek the help of the international private sector to develop the country's infrastructure. The most important direct foreign investment in Djibouti is the project of the Port of Doralé, which is estimated at a worth of \$400 million upon completion.

Djibouti has no major laws that would discourage incoming foreign investment. In principle, there is no screening of investment or other discriminatory mechanisms.

3.1.2 Investment agencies

Created in 2001, the Agence Nationale pour la Promotion des Investissements (ANPI) - in English, the National Investment Promotion Agency (NIPA) - promotes investment, facilitates investment operations and works to modernise the country's regulatory framework. ANPI has been mandated the task of encouraging and facilitating foreign investment by assisting with all administrative procedures. Its ultimate goal is to serve as a one-stop centre for investors who currently have to deal with several ministries located at various sites. ANPI has identified tourism and manufacturing as priority sectors for investment.

3.1.3 Investment guarantees

Djibouti is a member of the Multilateral Investment Guarantee Agency (MIGA) which protects investors against non-commercial risks. Djibouti is also eligible for Overseas Private Investment Corporation (OPIC) programmes which offer up to \$400 million in combined financial and political risk insurance to eligible investors. In addition, the Djibouti Investment Code (Code des Investissements) stipulates that "no partial or total, temporary or permanent expropriation will take place without equitable compensation for the damages suffered".

3.2 Investment Incentives

Djibouti offers significant incentives to private sector individuals and corporate investors. Investments greater than \$280,000 that create a number of permanent jobs are entitled to exemption from license and registration fees, property taxes, taxes on industrial and commercial profits, and taxes on the profits of corporate entities. Imported raw materials used in manufacturing are exempted from the internal consumption tax. These exemptions apply for up to a maximum of ten years after production commences. The Investment Code also guarantees investors the right to freely import all goods, equipment, products, or material necessary for their investments.

Performance requirements are not a pre-condition for establishing, maintaining, or expanding foreign direct investments. Incentives do, however, increase with the size of the investment and the number of jobs created.

3.3 Access to Finance

The Banque Nationale de Djibouti (BND) is the central bank of Djibouti.

3.3.1 Commercial banks

The main commercial banks are Banque Al Baraka; Banque de Djibouti et du Moyen-Orient; Banque Indosuez (Le Mer Rouge); Banque pour le Commerce et l'Industrie - Mer Rouge (BCIMR); and the Commercial Bank of Ethiopia.

The two large French commercial banks, Banque Indosuez (BIS) and Banque pour le Commerce et l'Industrie (BCIMR), dominate the banking system. They account for most deposits but their exposure to the economy is limited to mostly short-term (trade) financing and lending. Credit is allocated on market terms and foreign companies do not face discrimination in obtaining it. However, generally only well-established businesses obtain bank credit, as the cost of credit is high.

The principal local development bank is the Banque de Développement de Djibouti.

3.3.2 International Financial Institutions

Djibouti, as a signatory to the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Djibouti. Other potential development finance sources include the Abu Dhabi Fund for Arab Economic Development, the African Development Bank (AfDB), the Kuwait Fund for Arab Economic Development and the New Partnership for Africa's Development (NEPAD).

3.3.3 Transfer of Capital and Profits

Transfer of capital and profits can be done on declaration. Djibouti has no foreign-exchange restrictions. There are no limitations on converting or transferring funds, or on the inflow and outflow of cash. The Djibouti franc, which has been pegged to the U.S. dollar since 1973, is stable.

3.4 Residential and Work Visas

Nationals of EU and most other countries going to Djibouti require a passport valid for at least six months beyond date of departure and a visa (except for transit passengers not disembarking and continuing their journey by the same aircraft or ship). There are four types of visa (valid from one day to three months): Entry (visa de séjour); Tourist (visa de tourisme); Business (visa d'affaires); Transit (visa de transit). An extension may be granted in Djibouti on request to the Headquarters of the Police Nationale.

ANPI is able to facilitate the acquisition of residential and work visas for approved foreign investors.

3.5 Technical and Promotional Assistance

The comparatively small marketing budget for encouraging ICT sector development is complemented by some private sector marketing initiatives.

4. LIST OF KEY CONTACTS

Ministry of Communication and culture

1, rue de moscow
BP 32 Djibouti
Tel : (253) 35 56 72
E-Mail : mccpt@intnet.dj
Website: <http://www.mccpt.dj/>

Agence Nationale pour la Promotion des Investissements (ANPI) -

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Chambre internationale de commerce et d'industrie de Djibouti

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Useful Websites:

- **The British Broadcasting Corporation (BBC):** full profiles provide an instant guide to history, politics and economic background of countries and territories, and background on key institutions.
http://news.bbc.co.uk/2/hi/country_profiles/default.stm