

A Practical Guide to Doing
Business in
DJIBOUTI

2023

INVESTOR'S GUIDE TO
DJIBOUTI

An aerial photograph of a tropical beach. The foreground shows a sandy beach with several circular huts with thatched roofs and palm trees. The middle ground is a clear, turquoise ocean with a sandy bottom visible. In the background, there are dark, rocky hills and a range of mountains under a clear blue sky.

PREFACE

This guide was prepared and financed by COMESA Regional Investment Agency with the inputs of Djibouti's National Investment Promotion Agency. It was written to give the busy executive a quick overview of the investment climate, taxation, types of business organisations, accounting practices, and other information pertaining to doing business in Djibouti. Making decisions about foreign operations is complex and requires an intimate knowledge of a country's business climate. This publication reflects information updated until May 2023 .

INVESTOR'S GUIDE TO DJIBOUTI

In the preparation of this guide, every effort has been made to offer current, correct and clearly expressed information. However, the information in the text is intended as general guidelines only. This publication is distributed with the understanding that COMESA RIA is not responsible for the result of any actions taken on the basis of information in this publication, nor for any errors or omissions contained herein.

DJIBOUTI

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■ National Capital (523,000 In 99)
○ main city
○ other main city
• other city or village



ETHIOPIA

○ Eli Dar

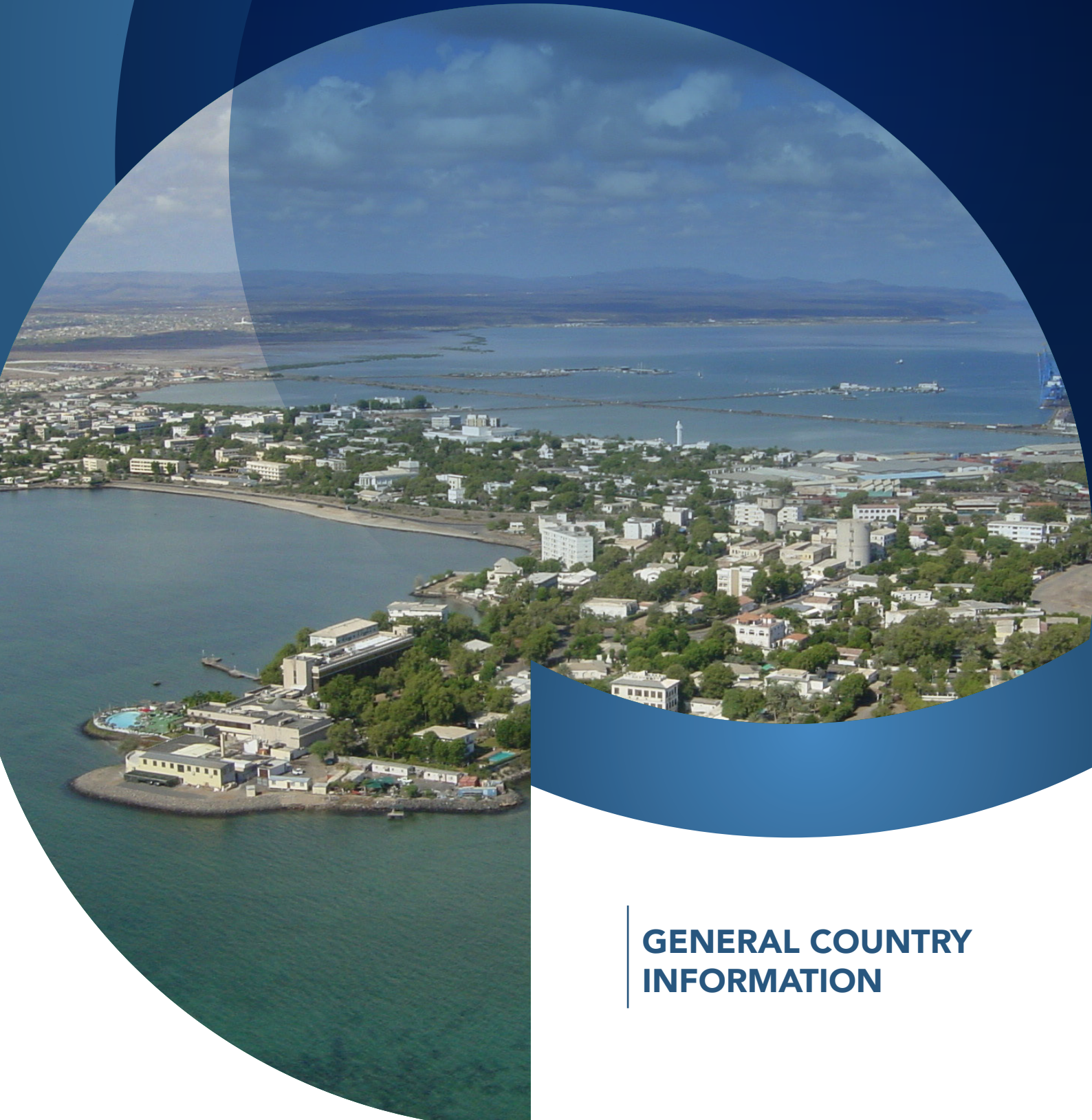




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1



**GENERAL COUNTRY
INFORMATION**

1. General Country Information

Official Name	Republic of Djibouti
Location	Djibouti is located in the Horn of Africa in a privileged geographical position between Africa, Asia and Europe
Climate	<ul style="list-style-type: none"> • Hottest months: June, August (31-48°C) • Coldest month: January (23-29°C) • Driest month: June (1 mm average rainfall) • Wettest month: March (25 mm average rainfall)
Natural Resources	Salt, perlite, fisheries
Political System	Presidential
Population	976,107 (2021)
GDP per Capita	1,692 USD
Official Language	French and Arabic
Other Languages	Somali and Afar
Currency	Djibouti Francs (DJF). Notes: 1,000 DJF, 2,000 DJF, 5,000 DJF, 10,000 DJF Coins: 5 DJF, 10 DJF, 20 DJF, 50 DJF, 100 DJF, 250 DJF, and 500 DJF
Capital	Djibouti
Administrative Divisions	6
Main cities	Djibouti, Ali Sabieh, Arta, Tadjourah, Obock, Dikhil
Time Zone	GMT +3
Calling Code	+253
Total Area	23,800 Km ²
Highest Point	2,010 m
Lowest Point	-175 m
Borders	Djibouti has borders with Ethiopia, Eritrea and Somalia

Office Hours

Public Administrations: Sunday to Thursday - 08h00 to 17h00

Private Sector: Saturday to Thursday - 07:30 am to 12:30 pm and 04:00 pm to 07:00 pm

Financial institutions have a five-day week

During the summer and month of Ramadan, office hours can change

Weights and Measures: Metric system

2



**LEGAL AND
JUDICIAL SYSTEM**

2. Legal and Judicial System

According to the Constitution of 2010, the institutions of the Republic of Djibouti are divided into three independent branches: the legislature, executive and judiciary (Article 7 of the Constitution). Djiboutian justice is under the authority of the Ministry of Justice and Penitentiary Affairs.

The judiciary's power is exercised by the Supreme Court and other courts. This power is independent from the legislative and executive powers (Article 71 of the Constitution). Djibouti's legal and judicial system is largely inspired by the French system. A particularity of the system is the coexistence of Islamic law (Sharia), customary law and civil law inherited from the French Napoleonic Code.

The judicial system includes a single judicial order with a higher tribunal. However, this structure coexists with the justice of customary law and Islamic justice (Sharia). Jurisdiction for all disputes is divided among a Court of First Instance, a Court of Appeal and a Supreme Court.

The Court of First Instance is in charge of common law and has jurisdiction over the whole territory.

The Court of Appeal, the Court of Second Instance, hears appeals against judgments handed down by the Court of First Instance. It is organized into specialized divisions, with room charges, a criminal court and a council of administrative litigation.

The Supreme Court is the Court of Cassation. It is responsible for ensuring compliance with the law.

Decisions are made in French with the exception of decisions rendered by Islamic courts of law (Sharia), which are rendered in Arabic and translated into French.

As the official languages of the Republic of Djibouti are Arabic and French, it is mandatory to translate into French any document submitted to state courts.



3



ECONOMY

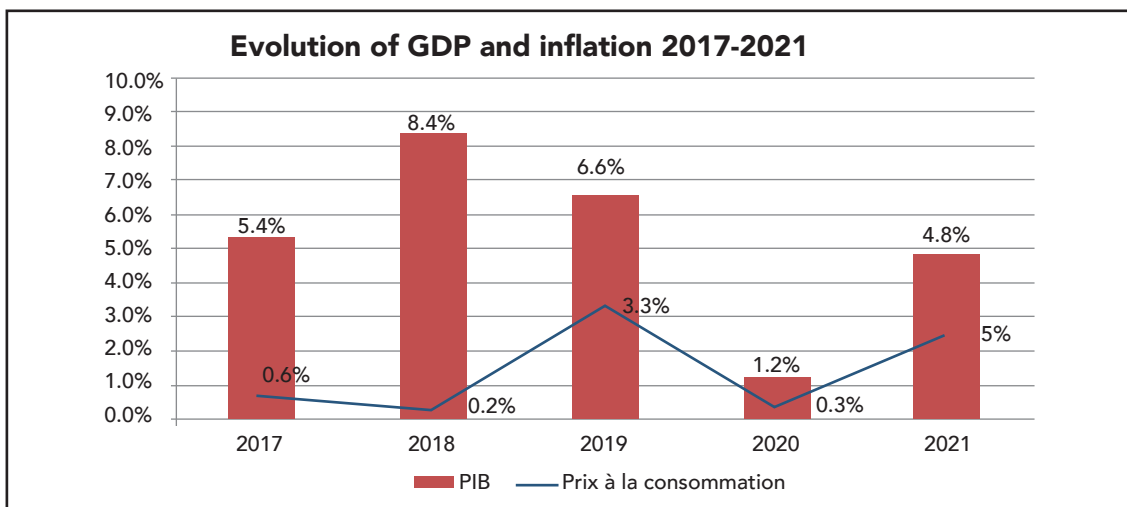
3. Economy

After a challenging 2020, heavily impacted by the COVID-19 pandemic, the recovery of the national economy expected in 2021 was more modest than anticipated. Rising international logistics costs were among the main factors that constrained domestic growth, particularly in the logistics and transportation sectors.

Growth was expected to slow to 3.6% in 2022, before resuming an upward trend averaging 7.2% between 2023 and 2026. This growth would be driven by public and private investment programmes undertaken as part of the implementation of the Second National Development Plan (Djibouti ICI).

In terms of inflation, the Consumer Price Index rose by 2.5% (year-on-year) in 2021, compared to 0.3% in 2020, mainly due to higher food prices, which increased by 3.5% over the period.

Evolution of GDP and inflation



Source: Central Bank of Djibouti

Investment Rate

The total investment rate, public and private, stood at 21.7% of GDP in 2021, against 26.4% in 2020. This was driven mainly by a 5 percentage point decrease in private investment between 2020 and 2021, which dropped from 19.8% to 14.8%. Public investment remained almost stable at 7% over the same period.

Balance of Payments (in million DJF)

	2019	2020	2021	Var. 2020/21
Current Account	100.230	8,973	65.109	181%
Goods	-25.229	-51,318	-22.500	-542%
Exports, fob	710.204	15 130	494.884	45%
Imports, fob	-735.433	-66,448	-517.384	20%
Services and Revenues	77.151	41,579	52.983	14%
Credit	219.122	65,489	173.150	12%
Debit	-141.971	-23,910	-120.166	11%
Current transfers	48.307	18,712	34.624	-32%
Public administration	45.245	21,119	32.763	-34%
Other sectors	3.062	-2,407	1.861	2%
Capital account	7.142	9,831	6.510	-21%
Capital transfers	7.492	9,831	6.833	-22%
Public administration	7.492	3,102	6.833	-22%
Migrant transfers	0	6,487	0	-
Acquisitions & disposals of assets non-financial, non-product	0	0	0	0
Financial operations account	57.510	-4.054	0	-
Direct investments	31.101	28.121	29.635	5,4%
Portfolio investments	-2.048	37.272	-34.714	-193%
Other investments	35.680	-37.094	54.178	-247%
Reserve assets	-7.223	-32.352	17.371	-154%
Errors and omissions	-164.881	-67.834	-255.055	276%

Source: Central Bank of Djibouti

Exports and Re-exports

Exports and re-exports have grown in recent years, particularly in the livestock sector.

There is also no doubt that the Republic of Djibouti has been able attract substantial direct investment, sustained by strong investment promotion policies and the improvement of its business environment. The country has a liberal economy and a stable currency, which is pegged to the US dollar. This has contributed to the development of the financial services sector.

Other Sector Activities

The Djiboutian economy is very dependent on the tertiary sector, which accounts for about 75% of the country's GDP. This sector has benefited from Investments in ports, roads and railway infrastructure as well as in banking services and the tourism sector.

The contribution to GDP of the primary and secondary sectors amounted to 11.4% and 9.9% respectively in 2020 and 2021. In the primary sector, livestock is the main activity in rural areas and there are also activities in agriculture and fisheries, although both sectors remain largely underexploited.

The secondary sector is evolving thanks to the increase of energy availability, which has led to the development of small-scale industries.

Evolution of Sectoral Production (in million DJF)

Components	2017	2018	2019	2020	2021	Var. 2021/20
PRIMARY	5,578	7,238	7,587	7,935	8,332	11,4%
Agriculture	1,359	41,771	46,18	51,119	58,364	7,0%
Forestry	260	5,298	5,604	5,982	6,572	3,2%
Breeding	2,910	3,660	4,365	5,105	5,769	13,0%
Fishing	1,049	1,090	1,177	1,205	1,349	12,0%
SECONDARY	58,422	69,555	78,883	75,386	82,831	9,9%
Industries	13,993	15,833	18,026	21,395	24,373	13,9%
Building and Public Works	21,598	29,736	34,598	27,236	29,960	10,0%
Extraction	1,741	2,397	2,789	2,195	2,415	10,0%
Electricity and Water	21,090	21,590	23,470	24,560	26,083	6,2%
TERTIARY	373,346	383,846	401,163	41,615	429,111	3,8%
Trade	116,710	129,775	129,699	132,736	143,512	8,1%
Transport and Communications	110,597	89,064	106,301	103,085	103,896	0,8%
Banking and Insurance	16,079	17,480	18,531	19,706	21,105	7,1%
Other services - Marchands	38,363	54,285	55,760	56,727	59,683	5,2%
Other services - Non marchands	23,053	23,463	23,807	24,631	25,198	2,3%
Authorities public	68,544	69,780	67,066	76,231	75,716	-0,7%
Added value total	437,346	459,815	487,285	497,072	520,934	4,8%
Indirect taxes	33,203	34,877	34,839	31,328	32,894	5,0%
Constant GDP	470,549	494,693	522,124	528,400	553,829	4,8%

Source : Djibouti Authorities



4



LICENSING AND PERMITS

4. Licensing and Permits

Regulated Activity

Djibouti has a liberal business environment and is open to investment from any local or foreign investor. However, there are some regulated activities, which require an agreement to be in place before an investor can set up a company.

Access to Regulated Professions			
Professions	Applicable Laws and Regulations	Date	Ministries / Institutions awarding Approval
Lawyers	Act No. 236/AN/87	25-Jan-87	Ministry of Justice, Prison and Muslim
Notaries	Act No. 170/AN/02/ 4th L	07-Jul-02	
Bailiff	Act No. 36/AN/09/6th L	21-Feb-09	
Accountants	Order No. 80-1184/PR Act No. 63/AN/83/1st L	09-Aug-80 25-Aug-83	Ministry of Justice and Penal Affairs, in charge of Human Rights
Architects	Act No. 53/AN/83	04-Jun-83	Ministry of Housing, Urbanism Environment and Planning
Real Estate Agents	Act No. 146/AN/80	16-Sep-80	Ministry of Housing, Urbanism Environment and Planning
Doctors	Act No. 56/AN/79	25-Jan-79	Ministry of Health
Pharmacists	Act No. 45/AN/91/2nd L		
Exploitation of Salt	Mining Code		Ministry of Energy and Natural Resources
Freight	Act No. 83/AN/00/4th L	09-Jul-00	Ministry of Equipment and Transport
Fishing	Act No. 187/AN/02/4th L	2-Sep-02	Ministry of Agriculture, Livestock and Marine Affairs, in charge of Hydraulic Resources
Insurance	Act No. 40/AN/99/4th L	08-Jun-09	Minister of Finance and National Economy
Ship Suppliers	Decree No. 2001-0125/PR/MET		Ministry of Transport and Equipment
Transit	Decree No. 2001-0128/PR/MET		
Ship Handling	Decree No. 2001-0128/PR/MET		
Banks	Act No. 92/AN/05/5 L	16-Jan-02	Central Bank of Djibouti
Security and Guarding Private Activity	Act No. 202/AN/07/5th L	22-Dec-07	Ministry of Interior and Decentralization

Setting up a Company

The Djiboutian legal environment is favourable to businesses. Investors can create a company in Djibouti regardless of their nationality or place of residence.

Foreign investors do not need a local partner partner to start a business, with the exception of transit and insurance activities. The activity of ship handling is also only reserved for Djiboutians.

All procedures are done within three days at the National Investment Promotion Agency (NIPA) one-stop-shop where investors can access representatives of all institutions involved in the business environment. Once all required documents are handed to the client reception and registration fees are paid, official documents are issued within a maximum of three days.

The most current types of companies are:

- Limited Liability Company (LLC)
- Liability Company (LC)
- Limited Liability Single Member (shareholder) Company (EURL)

Physical person: required documents

- Reservation of commercial name (form to be filled)
- Copy of national identity card, residence card or passport (owner/manager)
- Signature of a declaration of honour
- Three photographs
- Power of authority, if necessary
- Prior authorization (agreement), if necessary
- Lease contract for registration; if applicable, a signed letter of commitment

What are you going to get?

- Certificate of the company's commercial name
- Receipt of the Register of Commerce of the company
- Business licence and tax registration
- Company number
- Notification of the company registration at the National Social Security Fund

Legal Person

- Reservation of commercial name (form to be filled)
- Copy of national identity card, residence card or passport (owner/manager).
- Signature of a declaration of honour
- Three photographs
- Power of authority, if necessary
- Prior authorization (agreement), if necessary
- Lease contract for registration, if applicable or a signed letter of commitment
- Certified copy of the Article of Association (Notarial Act or Private Deed)

What are you going to get?

- Certificate of the company's commercial name
- Receipt of the Register of Commerce of the company
- Business licence and the tax registration number
- Notification of the company registration at the National Social Security Fund

Fees:

- LC: FDJ 18,000
- LLC: FDJ 18,000
- EURL: FDJ 18,000
- Reservation of Commercial Name: FDJ 5000

To create a branch

- Copy of national identity card/residence card or passport (owner/manager)
- Signature of a declaration of honour
- Power of Authority, if necessary
- Prior authorization (Agreement), if necessary
- Lease contract for registration, if applicable, or signed letter of commitment
- Certified copy of the articles of association of the foreign company (translated into French or Arabic)
- Register of trade and companies of the foreign company (translated into French or Arabic)
- Decision of the foreign company to create a branch

What are you going to get?

- Certificate of the company commercial name
- Receipt of the Register of Commerce of the company
- Business licence and the tax registration number
- Notification of the company registration at the National Social Security Fund

Work Permits

- Any foreign worker wishing to pursue a profession in Djibouti must first secure a work permit. This procedure is done through the NIPA's one-stop-shop and the following documents are required:
- Four photographs
- Completed application form
- Copy of passport
- Employment contract (National Printer)

Fees can range between 5,000 to 200 000FDJ depending on the applicant's profession.

Residence Permits

- Any foreigner who intends to work in Djibouti may obtain a foreign identity card. This procedure is done through the NIPA one-stop-shop and the following documents are required:
- Four photographs
- Copy of work permit valid for at least 6 months
- Copy of passport

Fees:

- Africa : FDJ 25 000
- Asia: FDJ 30 000
- Europe : FDJ 35 000
- America: FDJ 40 000
- Building Permits
- Anyone wishing to undertake a real estate project, whether in relation to a new construction or the rehabilitation of an existing building, must submit an application to the Regulatory Authority and the Department of Housing and Urban Development .



5



**POPULATION /
DEMOGRAPHICS**

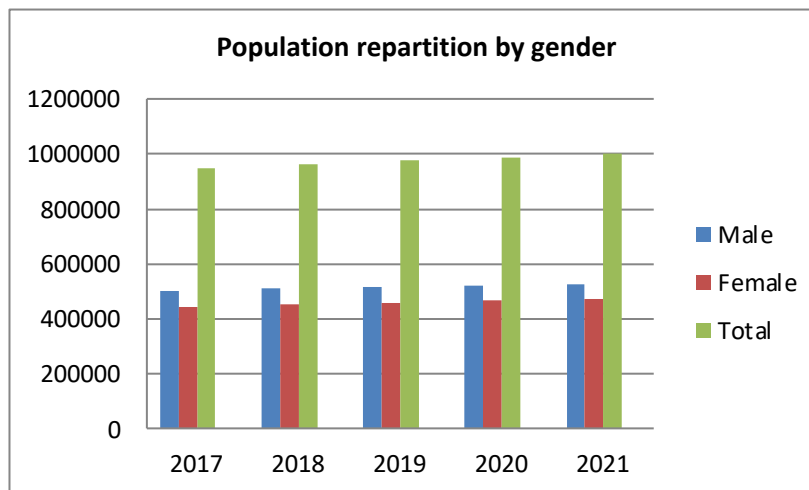
5. Population / Demographics

The population was estimated at 1,106 million inhabitants in 2021, with more than two thirds living in Djibouti City, the country's capital. The population is growing rapidly at a rate of about 1.4 % per year.

Somali and Afar are the national languages. The majority of the population – about 99% - is Muslim. About 50% of people are below the age of 20.

Total Population Breakdown

Population					
Region	Total	Ordinary	Sedentary Rural	Nomadic	Particular
Djibouti	545,699	406,185	-	-	139,514
Ali-Sabieh	99,823	25,981	13,751	42,516	17,576
Dikhil	102,118	22,212	25,843	47,704	6,359
Tadjourah	99,541	13,957	26,959	55,569	3,057
Obock	43,461	11,404	11,228	18,794	2,035
Arta	48,655	12,678	13,025	20,407	2,545
Total	939,298	492,417	90,805	184,990	171,087



Source: INSTAD

Geography

The Republic of Djibouti covers an area of 23,200 square kilometers and is located in the Horn of Africa where it shares borders with Eritrea in the north, Ethiopia in the west and Somalia in the south-east. The country has 370 kilometers of coastline on the Red Sea and the Strait of Aden. It is a strategic entry point to the Red Sea, and is located at the crossroads of major trade routes linking Europe, Asia and Africa.

Djibouti is made up of six administrative areas called districts. The new government policy on decentralization has led to the establishment of regional councils in each district. Council members are chosen from among the residents of the districts and are granted significant power in public management.

6



EDUCATION

6. Education

Djibouti has about 231 primary schools, mainly public, and about 83 schools and colleges, both public and private. According to UNESCO, the gross enrolment rate in 2020 was 73.85% in primary schools and 36% in secondary schools. Technical and vocational education is also provided in secondary schools, mainly in the Industrial and Commercial High School of Djibouti.

There are several international French and English schools in the capital:

- Dolto Nursery and Primary School (kindergarten, CP, CE1, CE2)
- Joseph Kessel High School (primary from the CM1, college and high school), managed by the Agency for French Teaching Abroad
- Catholic College Nativity on the Serpent's Plateau, run by the Franciscan Missionaries of Our Lady
- The International School of Africa (ISA)
- The International School of Djibouti Maarif

There are also several other French and Arabic private schools providing primary and secondary education.

In higher education, the main university is the University of Djibouti which comprises three faculties, two university institutes and a research centre. Since its creation in 2006, the University of Djibouti has taught languages and medicine. There are also several other institutions offering international training.

General Features of Public Education

Public Primary Education	2017-2018	2018-2019	2019-2020	2020-2021
Number of Schools	141	148	152	152
Number of Classrooms	1,130	1,210	1,231	1,226
Number of DPs	1,422	1,452	1,470	1,507
Number of Teachers	1,738	1,785	1,808	1,906

Source: MENFOP/DP Statistical Directory

Private primary education	2017-2018	2018-2019	2019-2020	2020-2021
Number of schools	38	38	152	44
Number of classes of students	341	343	1,231	376
Number of teachers	406	404	1,470	446
Number of students	8,503	8,719	1,808	9,151
including Djibouti-ville	6,943	7,190	7,828	7,853
% girls	49	50	49	50

Source: MENFOP/DP Statistical Directory

Public Education	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Middle Education					
Number of establishments	46	50	54	40	43
Number of classes of students	498	538	548	570	603
Number of teachers	1,129	1,112	1,120	1,170	1,223
Number of students	35,949	36,829	37,183	39,694	41,088
% girls	45	45	46	45	44
General Secondary Education					
Number of establishments	10	11	15	15	19
Number of classes of students	323	352	361	267	290
Number of teachers	797	809	781	850	878
Technical and Vocational Education					
Number of establishment	8	8	8	8	8
Number of teachers	290	311	327	354	418

Source: MENFOP/DP Statistical Directory

Middle and private secondary education	2017-2018	2018-2019	2019-2020	2020-2021
Number of schools	52	51	52	52
Number of classes of students	325	308	303	267
Number of teachers	594	540	592	703
Number of students	6,660	6,830	7,510	6,757

Source: MENFOP/DP Statistical Directory



7



**INFRASTRUCTURE
AND UTILITIES**

7. Infrastructure and Utilities

Road Network

The road network of Djibouti is about 3 100 kilometers, including 500 kilometers of paved roads, 400 kilometers of earth roads and 2 200 kilometers of slopes. The condition of urban roads is generally satisfactory as is that of the roads linking the capital to the regions.

The Republic of Djibouti is well connected to its neighbours — Ethiopia, Somalia and Eritrea. The main international road corridor, Djibouti-Ethiopia (NR1), is wide and fully tarred, but it is being affected by increasing traffic (from 230,000 to 300,000 trucks and up to 1,200 trucks a day). There are plans to expand this corridor by adding a second lane.

The RN9, bypassing the Gulf of Tadjourah to link to Djibouti Tadjourah, is paved and in good condition. To the north-west, the road between the Ethiopian border and Tadjourah (RN11) is being paved along the shortest route linking the capital to the border of Somalia (RN2). The RN18, which will run from the border town between Djibouti and Ethiopia to the south of the country via Ali Sabieh, is under construction.

Railways

A railway line of about 800 kilometers (of which 100 kilometers is on the Djiboutian side) connects Djibouti to Addis Ababa, the capital of Ethiopia. This line has been renovated and modernized and was reopened in 2017. The transport capacity has been significantly increased to 3 500 tons per load compared to 400 tons previously, while the trains can now reach speeds of up to 120km/h, reducing the travel time between Djibouti and Addis Ababa to five hours.

The new route will facilitate the transport of goods and help to decrease the cost of transport. It also forms part of a long-term continental project.

Air links

The International Airport of Djibouti is the country's main airport and its only international facility. This joint civilian and military facility is also used by foreign forces stationed in the country. The construction of a new civilian airport in a public-private partnership is being considered to relieve congestion at the existing airport.

Evolution of Airline Traffic

	2017	2018	2019	2020	2021	Variation 2021/2020
Number of Passengers	314,792	301,599	426,854	149,931	196,496	31%
Freight (in tons)	6,351	7,424	8,416	5,222	4,362	-16%

Source: INSTAD

The International Airport of Djibouti is served by many airlines, including:

- Air Djibouti
- Turkish Airlines
- Air France
- Ethiopian Airlines
- Kenya Airways
- Daallo Airlines
- Jubba Airways
- Fly Dubai
- Qatar Airways
- Felix Airways
- Al Masria Universal Airlines

Frequent connections are available to Europe, the Gulf and other countries in the region.

Port Infrastructure

Port activities account for a major share of the country's economy and play a regional role, both through its transshipment activities and as Ethiopia's main access to the sea.

	2017	2018	2019	2020	2021	Variation 2021/20
Goods	11.722.059	12.001.109	11.888.985	10.061.810	10.820.776	7,5%
Djibouti	1.725.921	2.087.604	1.708.825	2.205.017	1.379.781	-37,4%
Transit	8.287.079	8.374.924	8.754.608	7.149.387	9.062.978	26,8%
Transshipment	1.709.059	1.538.581	1.425.552	707.406	378.017	-46,5%
Hydrocarbons	4.213.636	4.197.757	4.432.172	4.199.672	4.372.283	4,1%
Total	15.935.695	16.198.866	16.324.485	14.271.161	15.193.059	6,4%

The country has two major ports in the capital: the historic Djibouti Port SA in the heart of the city, and Doraleh port, about 10 kilometers west of the capital, including in itself two separate terminals, one for containers and one for oil.

The Djibouti Port SA became a limited company in 2013, with majority state participation. It serves passenger traffic and non-containerized freight traffic. Inaugurated in 2017, the Doraleh Multipurpose Port has been jointly financed by Djibouti Port and China Merchants Holdings International in order to meet increasing demand for freight.

The container terminal located in Doraleh came into service in 2005 and is one of the largest and best equipped in Africa. With a capacity of 1.2 million TEUs, it has a quay length of one kilometer and six super post-Panamax cranes. Most containers pass through this port.

About 28% of the traffic is for trans-shipment to other ports in the region and the rest is for imports (about 95% from Ethiopia and 5% from Djibouti).

The Doraleh Petroleum Terminal is managed by a separate company (HDTL). It mainly enables the storage and transport of oil from the Arabian Peninsula to Djibouti and Ethiopia.

The increase in transport and logistics activities has led the country to make an investment estimated at USD 5.8 billion in ports and infrastructure development. In 2014, the construction of two ports began:

- The Multipurpose Port in Doraleh, which has been under construction since early 2015;
- The Port of Tadjourah, further north, which is primarily intended for Ethiopian imports and exports (potash, sugar, etc.). It was inaugurated in 2017.

In addition, two other ports will be developed in the foreseeable future:

- The Mineral Port of Ghoubet, inaugurated in 2017, which is dedicated to the export of salt from Lake Assal
- The Port of Damerjog, which will be dedicated to the export of livestock.

Electricity

The generation, distribution and marketing of electricity are carried out by the public company, Electricité de Djibouti (EDD). EDD offers three tariffs: the domestic price for individuals, the commercial tariff and the industrial tariff:

- Domestic tariff: DJF 58 (USD 0.33)
- Commercial tariff: DJF 73 (USD 0.41)
- Industrial and Tourist activities tariffs: DJF 37 (USD 0.21)

	20107	20118	20129	20120	2021	Variation 2021/2020
Number of Subscribers	58,708	67,177	65,568	69,315	73,204	6%
Production in MWH	566,859	580,856	605,150	627,111	654,062	4%
Of which imported energy	508,198	526,034		501,759	528,464	5%
Consumption in MWH	461,141	469,358	502,244	517,035	540,675	5%
Commercial rate of return (%)	81	81	83	82	83	1%
Average sale price of KWH (FDJ)	56	54	54	51	51	0%

Source : Electricité de Djibouti

The completion of the interconnection of the 60 MW electricity grid with Ethiopia in 2011 was critical to reducing power shortages in Djibouti. It should also gradually help to reduce the price. The two countries signed a protocol agreement in 2013 for the doubling of the line.

Water and Sanitation

In 2021, water production reached 24 million m³, an increase of 3.8% compared to the 23 million m³ produced in 2020. Water consumption increased to 16 million m³ in 2021, compared to 15 million m³ in 2020, an increase of 6.9% year on year.

At the same time, the number of subscribers has increased by 7.1% after a decline of 4.6% in 2020.

	20107	20118	2019	2020	2021	Var.21/20
Number of subscribers	41,201	45,825	51,216	48,846	52,324	7%
Production (thousands of m³)	18,966	19,770	21,118	23,108	23,985	4%
Djibouti city	16,267	16,722	17,464	19,454	20,087	23%
Other Regions	2,698	3,048	3,654	3,654	3,898	7%
Consumption (thousands of m³)	13,155	13,703	15,597	14,999	16,038	7%
Djibouti City	11,509	12,181	13,568	12,866	13,649	6%
Other Regions	1,647	1,522	2,028	2,133	2,389	12%
Network losses (in %)	30	22	26	35	37	6%

Source: ONEAD

Various projects are under way to address water shortages. A project to install a large seawater desalination unit near the capital is being financed by the European Union and will eventually allow a doubling of the current production. The rehabilitation of a wastewater treatment plant in Douda will also be funded by the European Union to limit discharges into the sea. Other initiatives exist in collaboration with Ethiopia.

Domestic Fees

Price for Domestic and State Subscribers by m³ (consumption of every two months)	Water Tariff DJF/m³	Water and Sanitation Tariff DJF/m³
Unit 1 from 0 to 30 m ³	74	81
Unit 2 from 31 to 80 m ³	140	153
Unit3 from 81 to 120 m ³	221	242
Unit 4 from 121 to 200 m ³	243	310
Unit 5 from 201 to 1 000 m ³	299	380
Unit 6 over 1 001 m ³	374	476

Commercial Fees

Price for Commercial Subscribers by M ³	Tariff of Water only DJF/m ³	Tariff of Water and Sanitation DJF /m ³
Unit 1 from 0 to 30 m ³	88	96
Unit 2 from 31 to 80 m ³	155	169
Unit 3 from 81 to 120 m ³	229	249
Unit 5 from 201 to 1,000 m ³	299	380
Unit 6 over 1,001 m ³	374	476

Telecommunications

The telecommunications sector has a single operator, Djibouti Telecom, which is owned by the state. Fixed telephony services and mobile internet access (ADSL and 3G) are managed by this operator.

Djibouti is an important regional telecommunications hub given its location on the main route used by international submarine cables between Europe and Asia (via the Red Sea).

International cables passing through Djibouti include:

- The Transcontinental Europe India Gateway (EIG)
- The Eastern Africa Submarine Cable System (EASSy)
- The Seacom Transcontinental
- The Aden-Djibouti Regional
- The SEA-ME-WE3 (Southeast West Asian-Middle East-Europe 3)
- The Somalia-Djibouti Interconnection
- The Djibouti-Ethiopia Interconnection

Telephony

Because of the limited size of the country, the mobile telephone network coverage is good. About half of the population has a telephone subscription.

Telephone Charges (per minute)

- International fixed line call: USD 0.508
- National fixed line call: USD 0.028
- Mobile International Calling: USD 0.508
- Mobile Regional Call: USD 0.028
- National mobile calls: USD 0.056



8



**BANKING AND
FINANCIAL SERVICES**

البنك العربي
العمومي

8. Banking and Financial Services

Banking Sector

The Central Bank of Djibouti is the regulator of the financial sector and the institution that approves any new financial establishment. Through an exchange rate policy centred on maintaining parity with the dollar, the Djibouti banking system enjoys significant financial stability, which makes it an attractive and safe regional base for operators in the region. The development of the banking sector, the absence of exchange controls, and the stability of the Djibouti franc have also contributed to attracting significant foreign deposits to the country.

The number of banks has increased in the past 10 years. There are currently 14 banks, including Islamic banks, as well as a National Fund for Development that provides loans to local investors for small projects. All banks provide long-term loans to both individuals and investors depending on the viability of the projects.

List of the banks operating in Djibouti:

- Banque pour le Commerce et l'Industrie (BCI)
- Bank of Africa
- International Investment Bank
- Salaam African Bank
- Saba Bank
- East African Bank
- CAC Bank
- Banque de Dépôt et de Crédit de Djibouti (BDCD)
- Exim Bank
- Banque Commercial de Djibouti (BCD)
- Commercial Bank of Ethiopia
- Silk Road Bank
- International Business Bank
- Misr Bank

Insurance

In Djibouti, as in most developing economies, the insurance sector continues to grow as a result of the country's improved socio-economic growth. Personal insurance, on the other hand, remains marginal and is generally limited to the borrower's insurance required by banks to grant loans. However, the development of the tertiary sector, particularly financial services, offers significant growth opportunities for investors in this sector.

Motor and cargo insurance have been made mandatory by the authorities. For example, the COMESA yellow card system is integrated into the regional network of motor insurance companies, which is driving demand for non-life insurance policies.

For many years, the insurance market was dominated by two large insurance companies (AMERGA and GXA). However, since 2019 a new form of insurance, known as Islamic insurance, has emerged, which is increasing the country's growth and opening up international markets.



9



TAXATION

9. Taxation

Business owners, whether involved in industrial, commercial or liberal activities, are subject to the payment of a number of taxes, as listed below.

The Activity and Importer Licence

The Activity Licence is required for everyone, whether they are nationals or foreigners, with a business, an industry or a profession that is not included in the exceptions indicated in the General Tax Code (Art 91 GTC). The licence fee comprises a fixed right and a proportional right, which are calculated according to General Tax Code (GTC) formulas.

Any individual or entity engaged in an import activity also has to have an importer's licence.

Value Added Tax and Home Consumer Tax

Any individual or entity must pay the Value Added Tax (Art. 173/174 GTC), set at 10% of services or products. This includes companies in the Free Zone, companies benefiting from the Investment Code (with a turnover equal or higher than DJF 50,000,000), or community services or public entity engaged in a taxable activity.

The Home Consumer Tax is paid on products imported and consumed in Djibouti. The rates are dependent on the nature of the product.

The companies which benefit from the Investment Code exemption do not have to pay the Home Consumer Tax.

The Licence

All entities or individuals who have obtained prior administrative authorization to trade and sell alcoholic beverages, are subject to a special contribution called the "licence" (Art. 130 GTC). This includes officers' messes, clubs, community associations and other enterprises that sell those beverages exclusively to their members.

The cost of the licence is calculated based on the nature of the operations performed and the location of the activity.

Income and Salary Tax (IST)

Any individual who receives a salary for performing a professional activity under the authority and direction of another, public or private entity or person, is expected to receive a salary and pay income tax. The income and salary tax is taken off by the employer before the salary is paid (Art 3 GTC).

The IST is calculated on the basis of a salary scale with a progressive rate established by the GTC.

Income Tax

The tax is paid on the profits made by individuals or entities running a commercial, industrial, handicraft or liberal profession, except for exempted activities (Art 19 GTC). The tax is equivalent to 25% of the annual net profit.

Companies that benefit from the Investment Code are exempted from this tax and so are incomes from property and other assets.

Minimum Flat Tax (MFT)

The MFT is due by individuals and entities running a handicraft, commercial, industrial business or another liberal profession. It is a tax on the turnover realized on the national territory which is not deductible from the taxable profit. The MFT equals to 1% of the turnover and the company's benefiting from the Investment Code are subject to this tax as well (Art 57 GTC).

Withholding Tax

A percentage of the earnings paid to individuals and entities not residing in Djibouti is withheld at source before payment. Taxable earnings are the sums paid against services rendered and those charged on author rights and industrial products, commercial property or similar activities. The tax is equal to 10% of the gross amount of earnings paid.

Tax on Services

Service providers and hotel services (not affected by VAT) are only subjected to the payment of tax on services (Art. 213 GTC). The tax is to be paid monthly.

The tax is equal to 10% of the value of the service provided. The tax base is equal to the total of all the sums and advantages received and, where applicable, are also estimated on the value of the goods which are part of the delivery of the service.

Forms used for the declaration of these various taxes are:

- Declaration of the IST
- Declaration of Taxes on Profits
- Declaration of Advantages in Kind
- Declaration on the Withholding Tax
- Declaration of the Licence

Tax Inc

Personal Details

Your first name and initial

Nationality

Address (Street and number), see instructions.

City, town, street and ZIP code, see instructions.

Status

Check only one box.

Checking a box for confirmation (See instructions)

Single

Married

Income

1 It is a part of your gross income

2 The

Exemptions

8980

10



**HUMAN
RESOURCE**

10. Human Resource

Djibouti has a qualified and young labour force and a flexible Labour Code, which came into force in 2006 to regulate the labour market by protecting employees' rights.

The National Employment Agency in charge of Training and Professional Integration (ANEFIP) has a jobseekers database and facilitates the search for qualified workers for companies. There are also several recruitment agencies.

Wages

A minimum wage was introduced in December 2011 and is currently set at USD 200 per month. The following are indicative wages for some standard positions, based on private sector estimates.

	Unit
Senior Director	USD 1,200-2,000
Senior Executive	USD 800-1,500
Engineer	USD 1,000-1,600
Young Graduate	USD 600-1,200
Administrative Assistant	USD 400-800
Qualified Technician	USD 400-800
Seller	USD 300-500
Driver	USD 200-400
Security Guard	USD 200-300
Unskilled Worker	USD 200-250

Social Contributions

Employees and employers pay a contribution to the National Social Security Fund (CNSS) regardless of the type of contract and the nationality of the employee (see table below). Employee and employer contributions amount to 21.7% of gross compensations and 14.2% for employers in the Free Zone. Contributions are capped at DJF 300,000.

These contributions cover four schemes that pay benefits to workers and their dependents including:

- Family benefits
- Work accidents and occupational diseases
- Care (illness)
- Pensions

Social Contributions

	Employer	Employee
Old age	4%	6%
Sickness and Work Accidents	6.2%	0%
Family Benefits	5.5%	0%

Source: CNSS

Employment and Contracts

Employment contracts are concluded freely between employers and employees. The legal working age is set at 16 years old.

The legal working week is set at 48 hours per week. Employees are entitled to 24 hours of rest per week, usually on Fridays, but that time may also be taken during the week. Employees benefit from a leave of 30 days per year.

The employer may request a maximum of five additional hours per week for employees with permanent contracts and working full time. The maximum number of additional hours for part-time workers is capped at 10% of the time worked in a week or month.

Types of Contracts

The Work Contract of Limited Duration

Any contract for a fixed period not exceeding, in case of repetitive renewals, a total duration of 12 months (renewable once), is considered as a limited contract.

The Employment Contract of Indefinite Duration

The indefinite-term employment contract may be written or verbal. The indefinite employment contract may be concluded for a full-time or part-time employment. In indefinite contracts, the trial period may not exceed fifteen days for employees, workers and labourers paid by hour; one month for employees, workers and labourers paid by month, and three months for supervisors, executives and equivalents. This period may be renewed only once and in writing.

Ending Contracts and Discharges

The fixed-term employment contract shall expire automatically at the end of the term.

The work contract of limited duration may be terminated before the term expires in the following cases:

- Major mistake
- Force majeure
- Economic, technical or financial difficulties
- Court order
- Written agreement of the parties

The reason for the dismissal may be economic or technical, for example in the case of an elimination or substantial transformation of the workstation occupied by the employee because of technological changes, economic hardship or closure of the company.

Expatriate Workers

Any foreigner may take up employment in Djibouti and there are no quotas for the numbers of foreign employees a company can recruit. However, a business can recruit foreign employees if the required expertise is not available in the domestic labour market. The employment contract of a foreigner has to be done in writing and a work permit has to be issued by the Minister of Labour.

11



MARKET

11. Market

Domestic Market

Djibouti provides access to a national market of approximately one million inhabitants. While this market is relatively small in number, the availability of relatively high wages offers higher purchasing power. The domestic market also has additional advantages such as a strong foreign presence that represents a specific clientele with high purchasing power.

Djibouti is also a member of the Common Market for Eastern and Southern Africa (COMESA) with more than 600 million consumers in 21 countries.

Foreign Trade

Although small, Djibouti's economy is very open and its trade is important, especially in relation to import and export activities. The high volume of transit cargo in Djibouti is mainly linked to the economic activity of Ethiopia, as Djibouti is its main point of access to the sea.

The country is a net importer of consumer goods, resulting in a trade deficit with its trading partners and it has a high dependence on external sources for food and energy needs. Its imports mainly come from the United Arab Emirates, France, Ethiopia, Saudi Arabia, China, the United States of America, India and Turkey.

Market Access

The country has significant potential market access thanks to the composition and the purchasing power of its population. In addition, Djibouti's location, its port and its security infrastructure make it a prime location to access markets in East Africa. The COMESA Free Trade Area further strengthens this advantage.

Regional Trade Agreements and Markets

Djibouti is a member of the WTO since 1995 and a signatory of the Most Favoured Nation (MFN) of the General Agreement on Trade and Services (GATS). In terms of trade integration, Djibouti is a member of the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority for Development (IGAD), the Community of Sahel-Saharan States (CEN-SAD) and the Organization of Islamic Cooperation (OIC).

Since 2007, Djibouti is a signatory of the Agreement on the creation of COMESA Common Investment Area and benefits from an agreement between COMESA and the United States on the development of trade and investment relations. Djibouti also adheres to the Unified Agreement for the Investment of Arab Capital in the Arab States (LAS) and the Agreement on Promotion, Protection and Guarantee of Investments amongst the Member States of the Organization of the Islamic Conference.

Djibouti mainly benefits from the COMESA Free Trade Area where goods enjoy free circulation since the year 2000. COMESA Member countries are: Burundi, Comoros, Djibouti, DR Congo, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. A COMESA customs union and common external tariff are also planned in the near future with the goal of eliminating non-tariff barriers.

Djibouti is also eligible to the preferential trade area of the Greater Arab Free Trade Area (GAFTA).

12



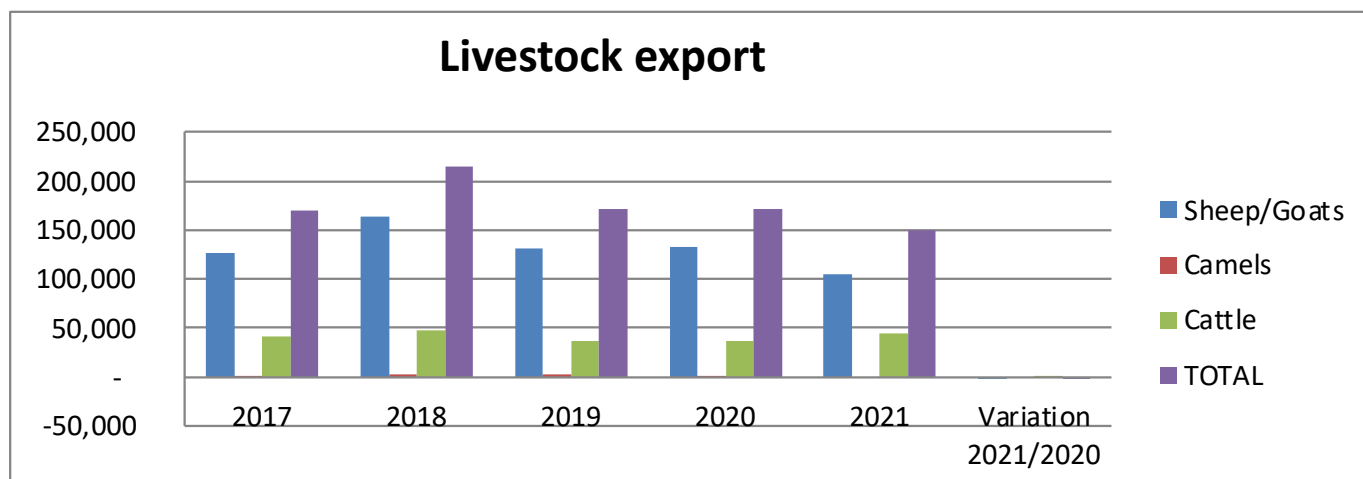
**AREAS OF
OPPORTUNITY/
SECTORS**

12. Areas of Opportunity/Sectors

Livestock

Livestock remains the predominant activity of Djibouti's rural areas. About 90% of the breeding is nomadic and the rest is sedentary. Breeding also represents a strong element of economic integration because it goes beyond the phase of mere consumption.

Thanks to its strategic position, Djibouti plays a major role in the regional trade of cattle.



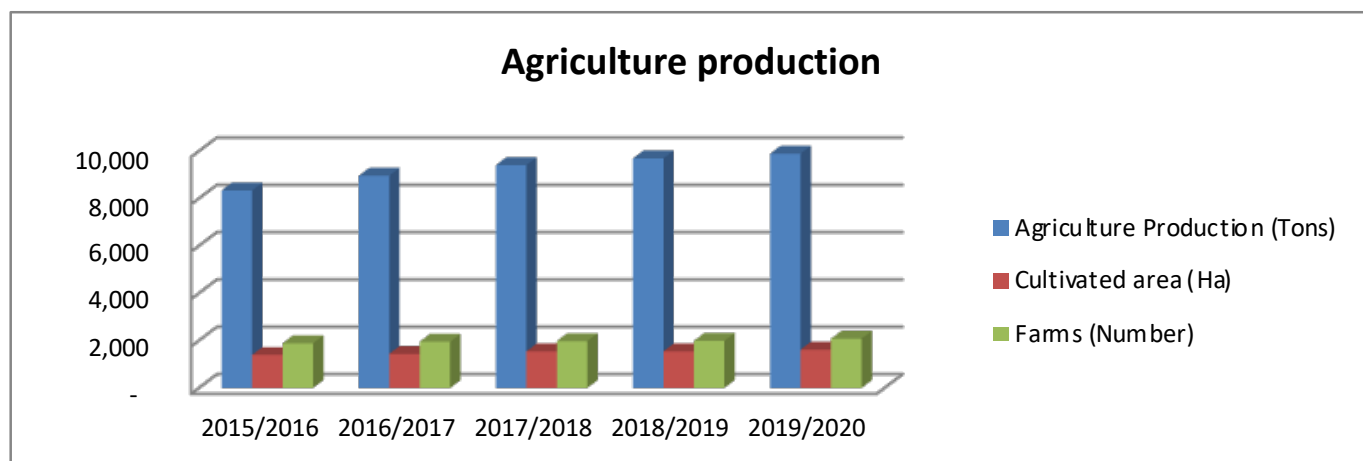
Source: INSAD

The potential of the breeding sector is high, but it needs modern technology and foreign investment to modernize its facilities, including the installation of modern refrigerated slaughter houses for export activities.

The establishment of the quarantine center of Damerjog allows the country to comply with World Organization for Animal Health (OIE) standards to ensure the health safety of livestock and related products. In addition, Djibouti plans to strengthen its role as a livestock transit country to the Middle East and North Africa.

As a short-term measure to address poverty, the government is seeking investment in the short breeding cycle, particularly in relation to small ruminants which offer the best potential for development and which are consistent with the lifestyle of rural populations.

Agriculture generates only 4% of GDP, but it is the main source of income for rural communities. The production trends shows a steady growth for the last 5 years.



Fishing

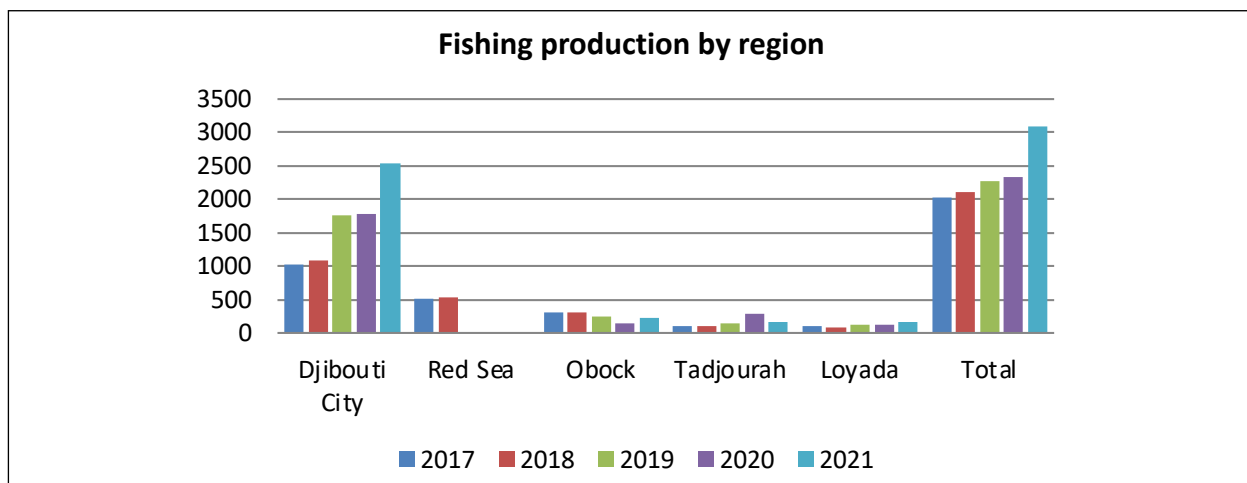
With its 372 kilometers of coastline, Djibouti has significant fisheries resources. The fishing sector is thus an effective lever for the production of wealth and income-generating jobs. However, its potential is under-exploited and the sector still contributes very little to GDP.

In 2021, fishing generated added value of FDJ 1 349 million out of the FDJ 8 993 million produced by the primary sector, i.e. a contribution of 15%.

In terms of the quantity of fish caught, there has been a strong increase of 33% in production compared with the 2.3% growth observed last year. Production was 3 089 tons in 2021, compared with 2 323 tons caught in 2020.

The city of Djibouti accounts for almost 82% of the quantity of fish caught, with 2 529 tons landed worth an estimated FDJ 1 106 million. The town of Obock is the main catchment area, with 8% of the total volume caught, followed by Loyada and Tadjourah, which contributed 5% respectively.

Thanks to the Open Artfish software, it has been possible to identify and determine the 37 most fished species in Djiboutian waters. In 2021, the small tinny was at the top of the list, with a 15.67% share, followed by the Talang jumper (8.89%) and the Lentigine jack (6.94%). The king mackerel represents 6.23% of the species caught.



The Salt Lake

At 150 metres below sea level, Lake Assal, which produces natural sea salt, is located about 100 kilometres west of Djibouti City, in a huge depression of 115 square kilometres. Lake Assal is made up of 54 square kilometres of bittern (saturated in salt: 25% of NaCl) and of lots of gem salt.

The salt is located in the middle of the new economic pole of Assal Lake. More than 6 million tons of salt are brought there every year. This resource will be inexhaustible if the production matches the annual renewable efforts. This large reserve of salt was estimated at more than one billion tons and the deposit continually reconstitutes itself. The thickness of the crust varies between 20 metres and 80 metres and the volume of the bittern in the pore, the caverns and the cracks or fissures present inside and under the salt crust represent 1.9 billion m³.

The bittern comes from sea water which feeds into the lake through a network of faults. This in turn comes from Goubet El Karab, which itself is connected to the the Gulf of Tadjourah. Three distinct quality of salt are extracted:

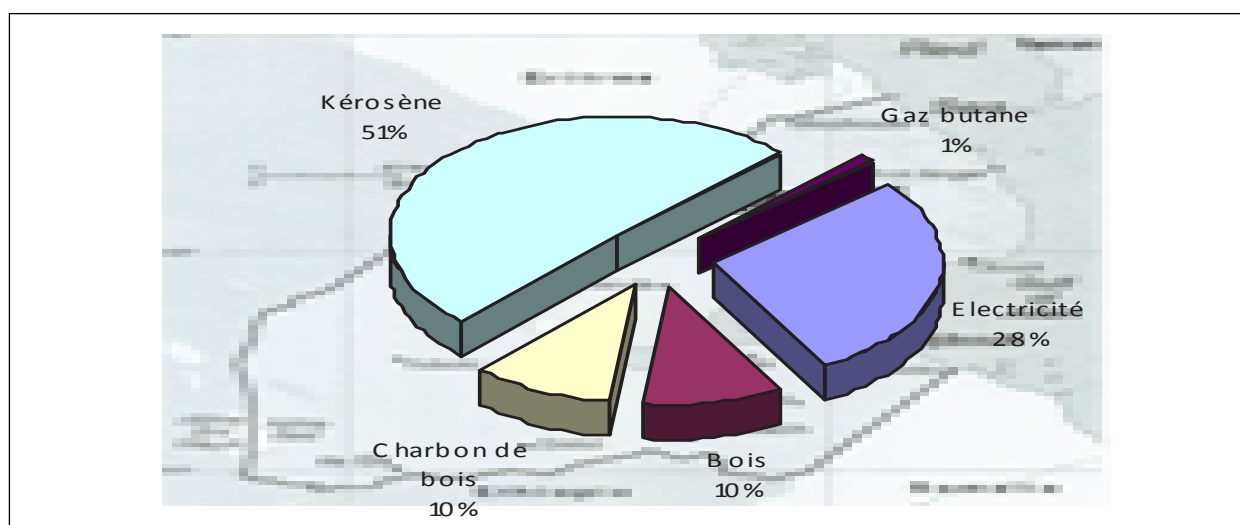
- Iodized salt, 50 kg to NaCl = 99.7% and H₂O < 3%
- Ground and humid salt (fine and humid salt), also iodized
- Fine, dried and riddled salt, iodized
- Packaging (bags and packets)

The government is seeking new investors in the industry to undertake and realize projects with equity capital or financing from institutional backers.

Energy Opportunities

Energy is one of the country's strategic sectors. Rising energy demand is driven by recent government efforts to stimulate economic growth, combined with the geographic expansion resulting from the rapid rate of urbanization in the capital and other regions. Djibouti encourages the private sector to invest in this sector.

Energy Consumption of Households (%) by Energy Sources



A major study has been done on ways to reduce electricity costs and looking at the politics of energy access. It makes several recommendations, including the need for sector reform and the establishment within the Ministry of Energy a Department of Rural Electricity Management.

Wind Energy

The country has considerable wind potential, especially on sites in and around Ghoubbet Al Kharab, Assal, Gali Maab Wein and Bada, according to a study funded by the Presidency of Djibouti. With a total potential of wind power estimated at 5 000 hours per year, only 2 000 hours per year are required to make the project profitable. The speed of wind is estimated at 12m per second.

Ghoubbet in particular, endowed with powerful and frequent wind, presents an opportunity for large-scale energy distribution. The variety of energy sources available makes Djibouti an attractive location for investments in this sector in line with the country's objective of becoming a regional energy distribution centre over the long term.

Solar Energy

With the support of the Centre for Studies and Research of Djibouti, several studies and pilot projects have been launched into the potential of solar photovoltaic energy, among other areas of generation. The Djiboutian Agency for Social Development (ADDs) is the only body in this industry and it has recently started to equip schools, drill wells and build homes with solar photovoltaic panels.

The potential is immense because, according to some experts, each year, every square kilometer is exposed to a quantity of solar energy equivalent to 1.5 million barrels of oil. Djibouti has high sunshine exposure (2,300 k/h per m² per year) and solar radiation is one of the highest in the world (4 000 hours per year).

Geothermal Energy

The geothermal electricity generating programme is one of the main priorities of the government of Djibouti as the country's geothermal potential is acknowledged as being one of the largest in the world. With a potential of more than 1 000 MW, the first salt lake geothermal development plan is under way.

Telecommunications Services

The telecommunications sector comprises a wide range of products and services tailored to three areas: fixed telephony, mobile phones and the Internet. The country's geographical position and its regional integration policy mean it is well positioned as a transit point for telecommunications. It has already become an international telecommunications hub with the presence of underwater cable interconnections between Europe and Asia.

At the continental level, Djibouti Telecom is one of the 30 operators of the Eastern Africa Submarine Cable System (EASSY), a submarine cable project linking the town of Mtunzini in South Africa to Port Sudan in Sudan with straps to Mozambique, Madagascar, Tanzania, Kenya, Somalia and Djibouti. Valued at USD 235 million, this project will connect more than 250 million customers. On land, the fibre optic cable that links Djibouti to Ethiopia is being installed, connecting Ethiopia to the submarine cable system.

These cable systems are compatible with existing ground stations to ensure the safety of traffic flows to Europe and Asia. The platform of international satellite transmission also enables operators to connect countries of the region. Thanks to the Europe India Gateway (EIG) submarine cable, Djibouti Telecom is able to carry traffic to Great Britain and India.

Other systems include:

- SEA-ME-WE2
- SEA-ME-WE3
- The Aden—Djibouti Cable
- The Addis Ababa—Djibouti Cable

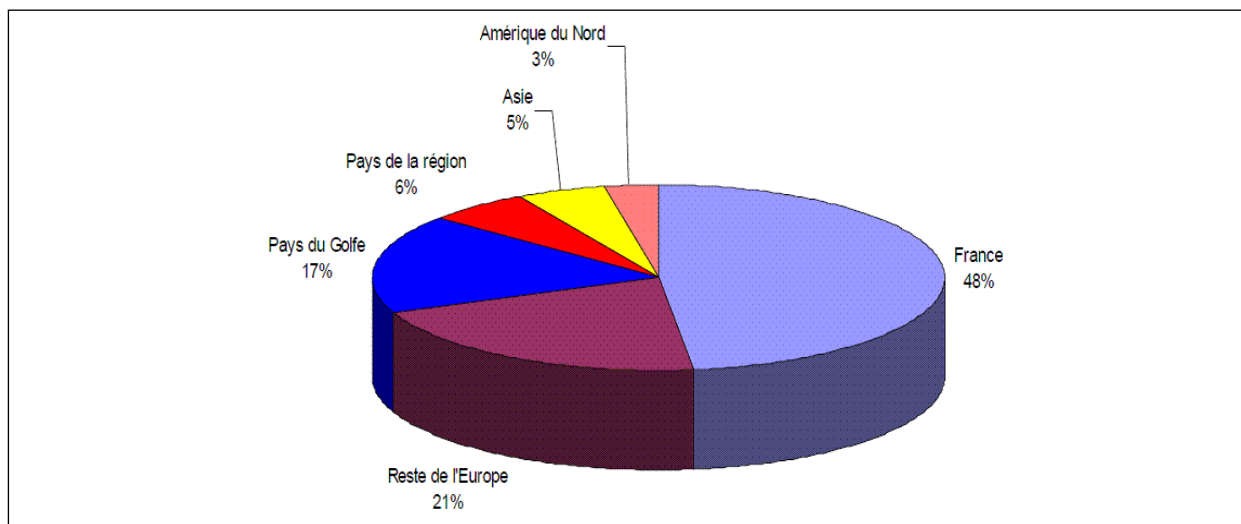
Through these connections, Djibouti Telecom will:

- Provide capacity without restriction to London, Mumbai and Marseille
- Sell capacity without restriction to operators in the region
- Receive free capacity with the future extension cables
- Have the right to participate at any time in other international operations
- Benefit from traffic from foreign operators into countries in the region
- Collect traffic from the region for international operators
- Organize meetings in Djibouti using the equipment dedicated to voice traffic from the countries of the region, and deliver IP support

Tourism

The nature of Djibouti’s landscape has led some to describe the country as being a part of the moon on the earth’s crust. Others have described it as an apocalyptic landscape, and as a geological paradise endowed with splendid underwater sites. Far from being inhospitable, Djibouti’s unique geological sites have always attracted scientists and adventurers in search of unusual and exotic locations. From October to April, the climate is more pleasant and can be described as Mediterranean, while from May to September, it is hot, with an average temperature of 35°C.

Djibouti has great tourism potential, with unique sites and sandy beaches. The average stay of tourists is about 10 days, with main tourist activities including diving, sport fishing, trekking, walking, exploration of the nomadic world, ornithological observation, and of course, beaches and sun.



Source : ONTD

Tourists from countries of the region account for 60% of all arrivals. Only 5% of tourists come from Asia and are mainly from Japan. North America is a source of new arrivals.

A large variety of attractions cater to visitor interests. In addition to the country’s 370-kilometer coastline, these include the Strait of Ras Siyan, considered to be a wonder of the world in terms of diving; the mountains of Arta; the Day Forest Natural Park and mountains that are ideal for hiking; some of the driest deserts in the world such as Grand and Petit Barra Barra; and Lake Assal with its incomparable salt deposits.

Despite the vast opportunities for discovery, there are many potential tourist sites that remain unexploited. Investment opportunities in this sector include:

- Diving and sea exploration. Situated at the intersection of the Red Sea and the Indian Ocean, the country is one of the most fascinating places in the world for scuba diving.
- Building hotels, bungalow, and tourist villas. There is ample opportunity in key tourist areas such as Maskali Island, Moucha Island, Day Forest National Park, Lake Abbe, Goubet, Lake Assal, and Randa.
- Developing parks, marinas, and entertainment centres for international tourists as well as for the local population.

Banking Services

Reference texts of the sector are: Law n°91/AN/05 related to the Central Bank of Djibouti and Law n°92/ AN/05 governing the opening, activities, and functioning of credit institutions.

Commercial banks need permission to establish and engage in activities in this sector. They may own up to 30% of the shares of an international bank subject to the national standards and norms established by the central banking institutions, or minimum endowment in capital for branch and agency establishments.

All economic actors, whether residing in Djibouti or not, are entitled to open an account.

Market Potential

Contributing about 10% of GDP, Djibouti's banking sector plays a vital role in the national economy. One of the advantages of locating in Djibouti is that there are no exchange controls, which means funds can be transferred anywhere in the world.

Another advantage is the stability of the Djiboutian Franc, the national currency, and the existence of a reliable and sound banking system. Banks based in the country have attracted substantial foreign deposits. The strong performance of the national economy means the acceleration of money supply has increased in recent years. This development is mainly due to the growth of total credit granted to the public and the private sector.

Furthermore, the population engaged with the banking system has significantly increased from 5% to 12 % in just a few years. The sector is set to boost economic growth through the facilitation of loans to the private sector and the proliferation of services.

Evolution of Money supply, 2017-2021					En millions FDJ	
Components	20107	20118	20129	20120	2021	Var. 2021/20
Fiduciary money	35.542	36.626	37.667	43.389	44.078	1,6%
Demand deposits	116.270	132.860	139.044	147.585	156.566	6,1%
Aggregate M1	151.812	169.486	176.711	190.974	200.644	5,1%
Passbook deposits	12.919	14.762	17.185	16.900	17.396	3%
Aggregate M2	164.731	184.248	193.896	207.874	218.040	4,9%
Term deposits	33.975	34.060	39.414	37.065	39.772	7,3%
Foreign currency deposits	171.858	131.571	147.290	209.471	220.608	5,3%
M3 or money supply	370.564	349.879	380.600	454.410	478.420	5,3%

Source: BCD

Insurance Sector

Legal Framework

Since 2004, as per the Law No. 71/AN/04/5th, the regulation of the insurance sector in Djibouti has been upgraded to match the standard of international insurance markets, both in terms of organization and functioning. The state reserves the right to investigate and verify the compliance of insurance company accounts as well as to assess their creditworthiness. The regulations provide for at least 50% of capital for domestic investors, prohibit the relocation of risks and allow the domiciliation of insurance on imports.

Djibouti has adhered to the COMESA Yellow Card Scheme since 2003. The scheme links a regional network of automobile liability insurance companies that provide the guarantees required by the regulations in force in participating countries to address the issue of compensating victims of road accidents caused by vehicles in transit.

Market Potential

In emerging economies, economic development generally comes with an increase in demand for coverage or warranties related to non-life insurance operations (for example, damage to property), while in developed countries, such demand is related to personal insurance (retirement, health, and providence schemes).

In Djibouti, car insurance is compulsory and dominates the market, while life insurance remains marginal and is limited to loan insurance that banks require before granting credits. The insurance market is operated by two insurance companies, namely AMERGA and GXA.

This market should allow for the development of personal insurance such as life or health insurance and produce long-term savings, which could help to finance economic development. On the macroeconomic level, insurance companies and institutional investors can contribute to the financing of socio-economic development.

The insurance system in Djibouti works without intermediaries, which avoids the acquisition costs and problems related to the relationship between insurer and intermediary (including the management of premiums and the liability to the insured). Management costs are therefore reduced to operating costs and acquisition costs are low.

Housing

Recognizing the importance of the housing sector in developing countries and of improving the living conditions of the population, the Government has prepared a plan of action to boost this sector to be driven by the Ministry of Housing, Urban Planning and Environment and the Djibouti Real Estate Company.

The government is working with international partners such as the Arab Fund for Economic and Social Development. This has enabled the government, through the real estate company in Djibouti, Société Immobilière de Djibouti (SID), to complete the first phase of a new city development comprising 842 dwellings and embark on the second phase development of 642 houses.

However, demand for housing continues to rise due growing urbanization, as well as economic and population growth and internal migration.

Of an estimated population of 900,000 inhabitants, over 500,000 mainly reside in the capital and the suburbs such as Riparian Balbala. With an average annual growth of around 4.5%, the housing needs are estimated at more than 5,000 new units per year.

To address this demand, the government has set the following targets:

- To manage urbanization and to promote balanced urban development through training people in urban planning and city development.
- To improve the lives of people in poor neighbourhoods and improve their access to basic services by implementing a phased programme of social housing in collaboration with financial partners engaged with economic and social developments in Djibouti.
- Introducing phased housing development programmes with the assistance of institutions concerned with development of social housing in the capital and inland, particularly for low income populations.

The Republic of Djibouti encourages qualified companies with local and foreign experience in the field of construction of housing estates and providing services. The equipment, materials and equipment that need to be imported to Djibouti for this purpose will be exempt from customs duties.

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R E P U B L I C O F D J I B O U T I

NIPA

I N V E S T M E N T C O D E



N A T I O N A L I N V E S T M E N T

**THE LEGAL
FRAMEWORK FOR
INVESTMENT**

13. The Legal Framework for Investment

Investment Incentives

Any local or foreign investor can apply for tax incentives provided by the Investment Code. One of the most salient features of this Code is that it guarantees equality between domestic and foreign investors. It also offers substantial incentives, such as duty free access to materials and equipment needed for many company activities, exemption from income tax, registration fees, property tax, etc.

Investment Protection

The guarantees provided are listed in the 1994 Investment Code.

Expropriation

Section 39 of the Investment Code, reflecting Article 12 of the Constitution, protects investors against expropriation. It states in particular that no partial or total expropriation, temporary or permanent, can take place without fair compensation for damages and that the reasons for expropriation and the amount of damages shall be established through an investigation.

Capital Transfer

In terms of capital transfers, although the guarantees are not made explicit in the Investment Code, the provisions apply of Sections 2 and 3 of the IMF's Article VIII concerning the avoidance of restrictions on current payments and of discriminatory currency practices.

The Republic of Djibouti has signed bilateral investment agreements with Germany, France, Ethiopia, Egypt, Malaysia, Switzerland, India, China, Turkey and Italy.

Intellectual Property

Djibouti is a member of WIPO, and has signed the Berne Convention (1886), which sets in signatory countries minimum standards for the national protection of copyrights and ensures the application of the national law related to copyrights from other signatory countries.

The Beijing and Marrakech Treaties have not yet been ratified.

The Djiboutian Office for Intellectual and Commercial Property (ODPIC) is the national body responsible for the protection of intellectual property. Created in 2009, it is in charge of the protection of copyrights and licences, as well as art works and drawings.

Licences have a term of protection of 20 years from the date of filing and are renewable every five years. Copyrights are, in turn, protected for the life of the author and 50 years after the person's death.

Competition Law

The competition law is governed by Chapter 2 of the Commercial Code of 2012. It guarantees freedom of trade by prohibiting abuses of dominant market positions, cartels and other anti-competitive practices. It requires market transparency and contains consumer protection measures.

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