

Djibouti

Fact File

Country name: Republic of Djibouti

Population: 792,198 (2013 est.)

Land Area: 23,200 km²

Official Languages: Arabic, French

Currency: 1 Djibouti Franc (DFr) =
100 Centimes

Capital: Djibouti-ville

Djibouti is the smallest country in East Africa and is exceptionally located in the Horn of Africa bordering the Red Sea and the Gulf of Aden. It is bordered by Eritrea, Ethiopia and Somalia. Djibouti occupies a strategic geographic location at the mouth of the Red Sea and serves as an important trans-shipment location for goods entering and leaving the east African highlands. It thereby constitutes a gateway to 400 million consumers in the Common Market for Eastern and Southern Africa (COMESA).

Political System, Society and History

In 1977, the French Territory of the Afars and the Issas under the first president Hassan Gouled Aptidon, became Djibouti. In 1999, Djibouti's first multi-party presidential elections resulted in the election of Ismail Omar Guelleh, who was re-elected for a second term in 2005. In April 2011, Guelleh won 80% of the votes cast and secured a third term in office. The country has kept its close ties with France that maintains a significant military presence in the country. And Djibouti also established strong ties with the USA and hosts the only US military base in sub-Saharan Africa. Both military presences make Djibouti a safe and secure destination for investment and a transshipment hub. Three fourths of the nearly 0.8 million of Djiboutians live in the capital Djibouti. The remainder of the population are mostly nomadic herders. Faced with a multitude of economic difficulties, the government has fallen into arrears on long-term external debt and has been struggling to meet the stipulations of foreign aid donors. On 22 February 2013, parliamentary elections were held and declared as fair by international observers. The party UMP (Union for a Presidential Majority) won 68% of the votes. For the first time in history, the majority only receives 80% of the seats and opposition parties have entered Djiboutian Parliament, where they hold 20% of the seats.

Djibouti has an exceptional strategic location in the horn of Africa at the cross roads of many important shipping lanes.

Economic Development

The Djiboutian economy is strongly based on the **services sector** contributing more than 80% to GDP, mostly from the port operations. This is due to the country's strategic location in the Horn of Africa on one of the busiest maritime trade routes in the world. Djibouti has been growing steadily over the last years: 4.5% in 2011 and 4.8% in 2012. For 2013, a growth rate of 5% is estimated. GDP amounted to US\$ 1.4bn in 2012 and is expected to reach US\$ 1.5bn in 2013. The Djiboutian franc has a fixed tie to the U.S. dollar and is overvalued. This negatively affects exports and hence the balance of payment. An unemployment rate of nearly 60% in urban areas continues to be a major challenge, with 42% of the population living below the poverty line of US\$ 2 per day. The nation is still heavily dependent on foreign assistance to help support its balance of payments and to finance development projects. The country achieves self-sufficiency with electricity, although entirely through imported crude oil. Djibouti, however, has a large potential for renewable energy, especially solar, geo-thermal and wind. Djibouti's major import partners are Saudi Arabia (16.1%), China (24.4%) and India (10.6%). The major export partners are Somalia (78.4%), Sudan (6.7%) and Egypt (5.3%).

Djibouti's location is the country's main economic asset, qualifying it to be the major transshipment port in East Africa as it is close to the major east-west shipping lanes and can therefore serve as a transshipment port for other African ports. The Port of Djibouti currently

handles 85% of the Ethiopian foreign trade. The Port consists of the traditional terminal that handles bulk and general cargo, the Doraleh Oil Terminal and a handling capacity of 1.2 million TEU (twenty footequivalent unit)¹ per year at the Doraleh Container Terminal. The eight port cranes have the highest efficiency in Africa, with an average of 37 moves per gross crane hour². By building the two new ports, the Damerjog Livestock Port in the district of Arta and the multipurpose port Doraleh, Djibouti is able to establish as regional and East African hub through logistics services and infrastructure projects. The government has developed the Djibouti Port Master Plan Study, which is aimed at fully evaluating the development options and investment needs to modernize the port facilities in order to increase the handling capacity and efficiency. In order to play a larger role as a hub for the countries of the Common Market for Eastern and Southern Africa (COMESA), the government of Djibouti is focusing on the development of roads, ports airports and telecommunications in the north of the country in order to make Djibouti the centre of the regional traffic, and for the connection with foreign countries. In 2012, Djibouti started building a port in Tadjourah, in the north of the country, including a potash terminal capable of handling 4 million tonnes of potash per year, mainly from a mining site in Ethiopia. The port will be well connected with Ethiopia through a highway to a new border crossing near Balho and a railway from Tadjourah through Semara to Mek'ele in northern Ethiopia. A 1,000 km long railway is currently connecting Djibouti with Addis Ababa and serving central and south-eastern Ethiopia. In July 2013, the construction of a 753 km railway line between Addis Ababa and the border town Dewele in Djibouti started. Djibouti also has a well-developed road network connecting it with its neighbouring countries. The attractiveness of Djibouti as a maritime hub could be strengthened by the planned construction of a refinery for south Sudanese crude oil.

The **banking sector** contributes 10% to Djibouti's GDP and therefore plays a vital role in the country's economy. Besides the Central Bank of Djibouti, there are ten financial institutions in Djibouti, most of which are at least partly foreign owned. In addition, the Economic Development Fund (FDED) has been set up to serve the financial needs of the Djiboutian economic players. Also, the sector is very free, giving residents and non-residents the right to open an account without delay and to transfer money abroad.

Djibouti is also a special destination for **eco-tourism**. The country owns a beautiful landscape with beaches, hiking trails and an amazing underwater-world with coral reefs and a wide range of endemic marine species. Also, whale sharks, the biggest fish in the world can be seen there. Tourism infrastructure is evolving gradually and the country already offers a wide range of sport activities, like hiking, diving, swimming, fishing, water skiing, wind surfing. The National Office of Tourism (NOT) has developed a successful marketing strategy. The government has implemented a strategic development plan including the improvement of infrastructure, training and education for jobs in tourism and in the preservation of the marine environment. The government is also encouraging investment.

Agriculture contributes 3.1% to GDP. The main products are livestock, especially goats, sheep and camels, fruits, vegetables, and animal hides. Livestock also is the predominant economic activity in the rural areas. The main exports are refined sugar, dry beans and sesame seeds. Djibouti imports high quantities of food, which make up almost 90% of its consumption. The main imported food products are palm oil, refined sugar (net importer) and oil of vegetable origin. The country's foreign currency reserves only cover about six months of imports. Expanding the port facilities to increase income is therefore crucial. At the same time, projects of the FAO and other institutions in the field of drought recovery, management and adaptability are underway.

Manufacturing contributes 16% to GDP in Djibouti. The most important industries are construction and agricultural processing. The mineral deposits that exist are very small and the arid soil is unproductive: around 89% are desert, 10% are pasture, and 1% is forest. Apart from substantial salt deposits, there are few other significant natural resources in the

country. Djibouti's main industries include mineral water bottling, leather tanning, construction, pharmaceuticals, abattoirs, salt mining and a single petroleum refinery. Experts expect the quest for mineral resources to grow. For example, the South African AngloGold Ashanti, the third largest gold producer, and the London-based Stratex International began their search for gold.

Economic Outlook

To develop basic infrastructure, Djibouti is receiving assistance from international institutions. The European Union granted EUR 40.5 million for a EUR 46 million desalination plant and EUR 5.5 million for a waste water programme, both from resources of the 10th European Development Fund. And the OPEC Fund for International Development supports SMEs (small and medium enterprises) and young graduates in Djibouti with loans to start and/or expand their own businesses, with a total amount of US\$ 3 million. Furthermore, Djibouti's rich potential also lies in its geothermal energy surrounded at the Lac Assal, which is located about 120km west of Djibouti and is the lowest point on the African continent. Recognizing this potential, not only the World Bank Group, the African Development Bank, the French Development Agency, the Sustainable Energy Fund for Africa, the Fund for Global Environment and the Special Assistance Fund for Energy invest in the Geothermal Power Generation Project. The construction of new ports and expanding the existing ones aims at enhancing Djibouti's role as a hub for trade between its African neighbors and the world markets. Expanding the port of the capital Djibouti is aimed at turning it into the number three of African ports, after Durban and Tangier. Djibouti intends to double its handling capacity by 2014 to TEU 3 million, after an overall US\$ 330 million investment. The country also has a strategic location in terms of access to telecommunication infrastructure. And a great potential also lies in eco-tourism.

The Djibouti Chamber of Commerce and Industry is a main player in developing Djibouti's economy and promoting industry, commerce, tourism and services. The Chamber also remains the major interlocutor of the public authorities when it comes to the private sector.

German-Djiboutian Business Relations

Business relations between Germany and Djibouti hold a large potential for development. Until September 2013, Germany exported to Djibouti goods worth EUR 10 million, Djibouti's exports reached EUR 17,000, mainly agricultural products. The strategic location of Djibouti makes it an attractive and important partner to Germany, which directly and indirectly (through the EU) supports Djibouti with technical assistance.

Bilateral Trade Volume 2006–2012

	German Imports (in EUR million)	German Exports (in EUR million)
2006	0.2	13.4
2008	0.2	13.06
2010	0.4	6.9
2012	0.2	10.4
09/2013	10,0	0,017

Overview of important projects

Project	Value (in Mio. US\$)	Status	Description
2 nd Urban Poverty Reduction Project	5	Funding request	Improving the standard of living in a selected suburb of Djibouti

Geothermal energy project	31	In progress	Geothermal energy project in the region of Lac Assal
Doraleh-Container-Port	400	In progress	Duplicate capacity of 3 million container (TEUs - Twenty Foot Equivalent Units)
Port Tadjourah	80 (phase 1) + 90 (phase 2)	In progress	Building of one of the six planned ports. Phase 2 is envisaged for 2015.
Port Ghoubet	60	In planning	Handling of salt and gypsum
Refinery	600	In planning	Refinery for the south Sudanese crude oil, which should be delivered through a pipeline.
Electricity route	90	In progress	Building of a 230-kVn electricity route (283 km) with Ethiopia, through which Djibouti can be delivered with 75 MW cheaper electricity from hydropower
Ethio-Djibouti-railway project	3300	In progress	Railway line between Sebeta (Ethiopia) and Port Negad (Djibouti) (753 km)

Useful Contacts

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Djibouti Chamber of Commerce and Industry

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¹TEU: Twenty foot equivalent unit is the standard measure of container volumes, usually the volume of a 20 foot or six metre shipping container.
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²Gross crane moves per crane per hour (GCH): the average number of container movements completed by the number of cranes in an hour.
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