

Djibouti



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Basic information about the country:

Formerly the French Territory of the Afars and the Issas, Djibouti gained independence in 1977 when Hassan Gouled Aptidon became president. Aptidon installed an authoritarian one-party state and led the country until 1999 when the first multi-party presidential elections which saw Ismail Omar Guelleh emerge victorious. Guelleh won re-election for a second and final term in 2005. However, the Afars minority waged a civil war that lasted through the 1990s until 2001 when the rebels and the Issa-dominated government signed a peace accord. The country maintains strong ties with France, which preserves a significant military presence, but is an important ally in the US war against terrorism as it hosts the only US military base in sub-Saharan Africa.

The country's economy is based on its strategic geographic location at the mouth of the Red Sea and its status as a free trade zone in the Horn of Africa. The port serves as an important point of transit for goods entering and leaving the east African highlands and an international refueling center.¹ Imports and exports from landlocked neighbor Ethiopia represent 85% of port activity at Djibouti's container terminal.

Over 80% of the country's population lives in the capital city, while the rest are mostly nomadic herders. Djibouti's average annual rainfall of only 6 inches makes it one of the hottest and driest countries in the world. Between June and August, the temperature can reach 113 degrees Fahrenheit. Only 0.4% of the country is arable land, and crop production is limited to fruit and vegetables. Most food is imported.

With few natural resources and little industry, the nation is heavily dependent on foreign assistance to support its balance of payments and to finance development. According to the UNDP, official development assistance totaled \$78.6 million in 2005 or 11.1% of GDP. The government is heavily dependent on external sources of financing. IMF estimates for 2007 are that 16.1% of total revenues came from foreign and a further 21% from contributions from France and the US for their military base facilities. The government is the largest employer in the economy, and wages comprise 32.3% of total government expenditures. Yet Djibouti's unemployment rate is as high as 60% in urban areas and 83% in rural areas.

The high unemployment rate continues to plague the country, while an artificially high real exchange rate (pegged at 177.7 Djibouti Francs: 1 US dollar) adversely affects Djibouti's balance of payments. Recession, civil war, and a high population growth rate (that includes immigrants and refugees) have all caused a dramatic drop in the standard of living. The United Nations Office of Drugs and Crime has noted anecdotal evidence for drugs (cocaine, heroin) and arms smuggling through the country's ports. The US State Department's Trafficking in People Report for Djibouti has also flagged Djibouti as a "source, transit, and destination country" for women and child victims of the sex and human slave trades.²

¹ CIA World Factbook

² Financial Standards Foundation

Table 1: Djibouti Statistics at a Glance

	BBC	CIA World Factbook
Population	848,000 (UN 2008)	506,221 (July, 2008 est.)
Area	23,200 sq km (8,950 sq mi)	23,000 sq km
Border Countries		Eritrea 109 km, Ethiopia 349 km, Somalia 58 km
Major Languages	French, Arabic, Somali, Afar	
Major Religion	Islam	Muslim 94%, Christian 6%
Life Expectancy	54 (men), 56 (women) (UN)	Total : 43.31 male: 41.89 fem: 44.77 (2008 est.)
Main Exports - Commodities	re-exports, hides and skins, coffee (re-exported from Ethiopia)	re-exports, hides and skins, coffee (in transit)
Main Exports - Partners		Somalia 66.4%, Ethiopia 21.5%, Yemen 3.4% (2007)
Currency	1 Djiboutian franc = 100 centimes	
Exchange Rates		177.71 (2007), 174.75 (2006), 177.72 (2005), 177.72 (2004), 177.72 (2003)
GDP		\$973 mm (2008 est.)
GDP (PPP)		\$1.93 bn (2008 est.)
GDP per capita (PPP)		\$3,800 (2008 est.)
Real GDP Growth Rate		6% (2008 est.) 5.3% (2007 est.) 4.8% (2006 est.)
Inflation Rate		5% (2007 est.)
Unemployment Rate		59% in urban areas, 83% in rural areas (2007 est.)

Banking System:

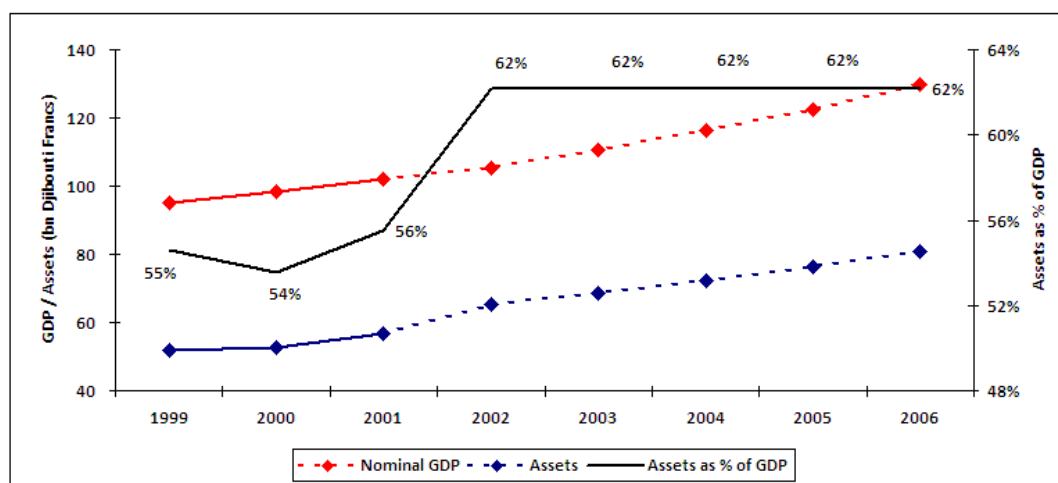
There is a very small banking sector that consists of three commercial banks, two of which are French controlled. The two French banks dominate the market and are responsible for 95 per cent of deposits and 80 per cent of total domestic lending. The third bank, Commercial Bank of Ethiopia provides mainly deposit and international transactions services to

Ethiopian customers engaged in import / export services. Loans are generally for the short term durations.

The 3 commercial banks in Djibouti are:

- Banque pour le Commerce et l'Industrie-Mer Rouge (of which Banque Nationale de Paris owns 51%). This is the largest bank in Djibouti with a market share of about 45%. The government of Djibouti owns 33% and a Yemeni bank the remaining 16%.
- Banque Indosuez-Mer Rouge (owned by Groupe Indosuez of France). The bank is a wholly subsidiary of Credit Agricole Indosuez³
- The Commercial Bank of Ethiopia

Table 2: Bank Assets and GDP in Djibouti



	Actual			Estimated				
	1999	2000	2001	2002	2003	2004	2005	2006
mm Djibouti Francs								
Nominal GDP	95,273	98,267	101,870	105,210	110,539	116,264	122,431	129,766
Deposits	42,732	43,401	47,199	55,249	58,047	61,054	64,292	68,144
Demand	20,986	18,704	19,275	25,327	26,610	27,988	29,473	31,238
Djibouti Francs	13,253	13,273	13,688	16,304	17,130	18,017	18,973	20,109
Foreign Currency	7,733	5,431	5,587	9,023	9,480	9,971	10,500	11,129
Time	21,746	24,697	27,924	29,922	31,437	33,066	34,820	36,906
Djibouti Francs	3,578	4,801	7,161	8,820	9,267	9,747	10,264	10,879
Foreign Currency	18,168	19,896	20,763	21,102	22,171	23,319	24,556	26,027
Assets	52,021	52,608	56,569	65,437	68,751	72,312	76,148	80,710
Net Foreign	33,725	29,945	38,412	47,269	49,797	53,300	57,059	61,362
Domestic	18,296	22,663	18,157	18,168	18,954	19,012	19,089	19,348
Claims on government (net)	1,757	2,402	2,959	4,537	5,306	4,964	4,519	3,942
Claims on non-government sector	30,251	32,953	28,656	27,003	27,020	27,420	27,942	28,778
Public enterprises	2,309	1,540	1,758	1,374	1,375	1,395	1,422	1,464
Private sector	27,942	31,413	26,898	25,629	25,646	26,025	26,521	27,314
Capital Accounts	(11,267)	(10,263)	(10,432)	(10,483)	(10,483)	(10,483)	(10,483)	(10,483)
Other items (net)	(2,445)	(2,429)	(3,026)	(2,889)	(2,889)	(2,889)	(2,889)	(2,889)
Assets as % of GDP	55%	54%	56%	62%	62%	62%	62%	62%

Source: IMF Article IV (2003)

³ Credit Agricole Annual Report 2007

Table 3: Djibouti Interest Rates

	1999		2000		2001		2002	
Interest Rates	Low	High	Low	High	Low	High	Low	High
Lending	7.0%	14.0%	12.1%	14.1%	10.8%	11.7%	8.5%	11.4%
Deposit	2.5%	5.1%	3.8%	5.0%	2.5%	3.2%	1.0%	1.5%

Source: IMF Article IV (2003)

Insurance companies and other financial institutions:

There are just three insurance companies in Djibouti:

GXA Assurances: formerly a part of Assurances Générales de France, the company was created in 2001 after a 1999/2000 change in insurance regulations to promote the establishment of companies under Djiboutian law. It offers vehicle, household, personal liability, health, and credit insurance to individuals and corporations. It has 25 million Djibouti Francs (FDJ) in capital.⁴

- AMERGA (Les Assureurs de la Mer Rouge at du Gold Arabe): also created after the change in regulations, the company was formed in 1999 with FDJ 100 million in capital. AmergA offers fire, auto and maritime insurance services among others.⁵
- Ethiopian Insurance Corporation: provides life and general insurance and has about 200 million Ethiopian Birr (USD 20 million) in capital.

Djibouti has a pay-as-you-go pension system that was created by the French administration before Djibouti's independence, and is comprised of the following three pension funds:

- the Caisse Nationale de Retraite for civil servants,
- the Organisme de Protection Sociale for private sector employees and public enterprises, and
- the Caisse Militaire de Retraite for military personnel.

Central bank and its role in the economy:

Rather than function as a Central Bank, the Banque Centrale de Djibouti (BCD) has followed a Currency Board FX regime for over 30 years. The Djibouti Franc is fully backed by foreign exchange reserves and the country controls inflation by pegging the currency to the US dollar. Djibouti has no foreign exchange restrictions or restrictions on the transfer of funds or cash.

The BCD has in the past had weak supervisory power over financial institutions and efforts are being made to strengthen its position in this regard.

Government Bond Market:

⁴ Company website

⁵ Company website

There is no market for government bonds in Djibouti

Stock Market

No stock exchange exists

Other Types of Finance/Financial Market:

Microfinance is a developing sector in Djibouti. The first projects were funded by the charity CARITAS and the French Development Agency. By end-February 2004, the largest microfinance institution - the Social Development Fund – distributed only 0.3% of loans outstanding and had mainly women clients.

According to the African Development Bank, the International Fund for Agricultural Development, along with the United Nations Office for Project Services, approved a \$3.95 million loan project in 2002 to provide loans and non-financial assistance to savings and credit associations. Data on MFIs and their clients in Djibouti are not readily available.

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