

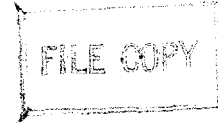
Report No. 4692-DJI

# Economic Situation and Prospects of Djibouti

October 19, 1984

Country Programs Department  
Eastern Africa Region

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CURRENCY EQUIVALENTS

<u>Year</u>	<u>1 US\$ = Djibouti francs</u>	<u>1 French franc = Djibouti francs 1/</u>
1978	177.721	40.01
1979	177.721	42.44
1980	177.721	42.83
1981	177.721	33.53
1982	177.721	27.57

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1/ Annual average of buying rates recorded on Tuesdays.

FISCAL YEAR

January 1 to December 31

WEIGHTS AND MEASURES

(Metric System)

1 kilometer (km)	= 0.62 miles
1 square kilometer (km )	= 0.3861 square miles
1 hectare (ha)	= 2.47 acres
1 metric ton (t)	= 1,000 kilograms
1 kilogram (kg)	= 2,205 lbs.

Preface

This report is based on the findings of a mission which visited Djibouti from May 29 to June 21, 1983. The mission was composed of the following members:

Mr. Christian Mérat (consultant), mission leader;  
Mrs. Pisei Eap, balance of payments and external debt;  
Mr. Wahid Hadjeri, investment program;  
Mr. Jean-Paul Milot (consultant), public finances;  
Mr. René Rakotobé (consultant, UNECA), national accounts.

In addition, the report relies, on the data and proposals contained in the document the Government presented at the Donors' conference on November 1983, and material assembled by several other recent World Bank missions on the urban development project, use of geothermal energy, education and transportation.

The report, in draft form, was discussed with representatives of the Government of the Republic of Djibouti in October 1983.

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DJIBOUTI  
ECONOMIC SITUATION AND PROSPECTS

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Welfare Institutions and Public Enterprises

AREA (THOUSAND SQ. KM)	- SOCIAL INDICATORS DATA SHEET				
	DJIBOUTI		REFERENCE GROUPS (WEIGHTED AVERAGES) /a		
	1960 /b	1970 /b	MOST RECENT /b ESTIMATE	MIDDLE INCOME AFRICA S. OF SAHARA	MIDDLE INCOME N. AFRICA & MID EAST
TOTAL	22.0	22.0	22.0	.	.
AGRICULTURAL	2.5	2.5	2.5	.	.
<b>GMP PER CAPITA (US\$)</b>	..	..	..	1112.9	1149.6
<b>ENERGY CONSUMPTION PER CAPITA</b> (KILOGRAMS OF OIL EQUIVALENT)	7506.0	4690.0	1619.0	529.0	622.1
<b>POPULATION AND VITAL STATISTICS</b>					
POPULATION, MID-YEAR (THOUSANDS)	126.0	160.0	330.0	.	.
URBAN POPULATION (% OF TOTAL)	49.6	62.0	66.0	29.7	48.2
<b>POPULATION PROJECTIONS</b>					
POPULATION IN YEAR 2000 (MILL)			0.6	.	.
STATIONARY POPULATION (MILL)			..	.	.
POPULATION MOMENTUM			..	.	.
<b>POPULATION DENSITY</b>					
PER SQ. KM.	5.7	7.3	14.5	55.8	36.3
PER SQ. KM. AGRIC. LAND	51.4	65.3	130.6	111.5	461.7
<b>POPULATION AGE STRUCTURE (%)</b>					
0-14 YRS	..	..	34.0	45.4	43.6
15-64 YRS	..	..	65.0	51.7	53.1
65 AND ABOVE	..	..	1.0	2.9	3.3
<b>POPULATION GROWTH RATE (%)</b>					
TOTAL	2.0	2.4	6.0 /c	2.8	2.8
URBAN	..	4.7	6.8	5.2	4.5
<b>CRUDE BIRTH RATE (PER THOUS)</b>	..	..	49.2	47.0	40.4
<b>CRUDE DEATH RATE (PER THOUS)</b>	..	..	18.3	15.2	11.5
<b>GROSS REPRODUCTION RATE</b>	..	..	3.2	3.2	2.8
<b>FAMILY PLANNING</b>					
ACCEPTORS, ANNUAL (THOUS)	..	..	..	.	.
USERS (% OF MARRIED WOMEN)	..	..	..	..	22.2
<b>FOOD AND NUTRITION</b>					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	..	..	..	91.6	97.3
<b>PER CAPITA SUPPLY OF</b>					
CALORIES (% OF REQUIREMENTS)	..	..	..	98.2	110.8
PROTEINS (GRAMS PER DAY)	..	..	..	56.7	70.1
OF WHICH ANIMAL AND PULSE	..	..	..	17.0	17.8
<b>CHILD (AGES 1-4) DEATH RATE</b>	23.0	16.0	10.0	18.7	14.6
<b>HEALTH</b>					
LIFE EXPECT. AT BIRTH (YEARS)	..	..	50.0	51.7	57.5
INFANT MORT. RATE (PER THOUS)	69.1	32.6	30.0 /d,e	102.7	101.5
<b>ACCESS TO SAFE WATER (%POP)</b>					
TOTAL	..	..	43.0 /d,f	35.6	59.7
URBAN	..	..	53.0 /d,f	54.1	84.5
RURAL	..	..	20.0 /d,f	27.3	38.4
<b>ACCESS TO EXCRETA DISPOSAL</b> (% OF POPULATION)					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<b>POPULATION PER PHYSICIAN</b>	9690.0	3640.0	1960.0	11948.3	4345.1
<b>POP. PER NURSING PERSON</b>	..	600.0	550.0 /g	2248.9	1831.1
<b>POP. PER HOSPITAL BED</b>					
TOTAL	190.0	170.0	240.0 /g	986.9	632.9
URBAN	..	..	180.0 /g	368.7	545.5
RURAL	..	..	420.0 /g	4012.1	2513.5
<b>ADMISSIONS PER HOSPITAL BED</b>	..	16.5 /h	13.7 /g	..	26.2
<b>HOUSING</b>					
<b>AVERAGE SIZE OF HOUSEHOLD</b>					
TOTAL	..	..	7.0 /e	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<b>AVERAGE NO. OF PERSONS/ROOM</b>					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<b>ACCESS TO ELECT. (% OF DWELLINGS)</b>					
TOTAL	..	..	..	..	46.2
URBAN	..	..	..	..	77.7
RURAL	..	..	..	..	16.1

DJIBOUTI		- SOCIAL INDICATORS DATA SHEET			
DJIBOUTI		REFERENCE GROUPS (WEIGHTED AVERAGES) /a			
		MOST RECENT ESTIMATE /b		(MOST RECENT ESTIMATE) /b	
				MIDDLE INCOME AFRICA S. OF SAHARA	MIDDLE INCOME N. AFRICA & MID EAST
1960 /b	1970 /b				
<b>EDUCATION</b>					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	..	..	32.0	91.0	88.3
MALE	..	..	..	90.5	102.5
FEMALE	..	..	..	73.6	73.6
SECONDARY: TOTAL	..	..	8.0	17.4	43.0
MALE	..	..	..	23.7	52.3
FEMALE	..	..	..	14.8	33.0
VOCATIONAL (% OF SECONDARY)	37.9	44.0	25.3	5.3	10.3
PUPIL-TEACHER RATIO					
PRIMARY	36.0	36.0	44.0	38.6	30.3
SECONDARY	13.0	12.0	19.0	24.3	23.1
ADULT LITERACY RATE (%)					
	..	..	10.0	35.6	43.5
<b>CONSUMPTION</b>					
PASSENGER CARS /b THOUSAND POP	..	48.7	45.8	20.7	17.8
RADIO RECEIVERS / THOUSAND POP	..	43.8	54.8	100.8	138.8
TV RECEIVERS / THOUSAND POP	..	6.3	16.1	18.5	46.1
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	..	..	..	17.2	31.2
CINEMA ANNUAL ATTENDANCE / CAPITA	..	..	2.3 /i	0.3	1.7
<b>LABOR FORCE</b>					
TOTAL LABOR FORCE (THOUS)	..	..	79.2	.	.
FEMALE (PERCENT)	..	..	..	33.8	10.8
AGRICULTURE (PERCENT)	..	..	1.7	57.1	42.4
INDUSTRY (PERCENT)	..	..	20.6	17.4	27.9
PARTICIPATION RATE (PERCENT)					
TOTAL	..	..	24.0	36.3	26.2
MALE	..	..	..	47.6	46.4
FEMALE	..	..	..	25.1	5.8
ECONOMIC DEPENDENCY RATIO					
	..	..	1.5	1.4	1.8
<b>INCOME DISTRIBUTION</b>					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5% OF HOUSEHOLDS	..	..	..	..	..
HIGHEST 20% OF HOUSEHOLDS	..	..	..	..	..
LOWEST 20% OF HOUSEHOLDS	..	..	..	..	..
LOWEST 40% OF HOUSEHOLDS	..	..	..	..	..
<b>POVERTY TARGET GROUPS</b>					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	..	525.3	274.8
RURAL	..	..	..	249.0	177.2
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	..	477.4	402.6
RURAL	..	..	..	186.0	284.9
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)					
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

.. NOT AVAILABLE  
 . NOT APPLICABLE

## N O T E S

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1980 and 1982.

/c This high rate reflects steady immigration from neighboring countries; /d UNICEF data; /e 1978; /f 1976; /g 1977; /h 1972; /i 1975.

**DEFINITIONS OF SOCIAL INDICATORS**

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time about the country and

**AREA** (thousand sq. km.)

**Total** - Total surface area comprising land area and inland waters; 1960, 1970 and 1981 data.  
**Agricultural** - Extent of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to life fallow; 1960, 1970 and 1981 data.

**GDP PER CAPITA (US\$)** - GDP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1980-82 basis); 1960, 1970, and 1982 data.

**ENERGY CONSUMPTION PER CAPITA** - Annual apparent consumption of commercial primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of oil equivalent per capita; 1960, 1970, and 1981 data.

**POPULATION AND VITAL STATISTICS**

**Total Population, Mid-Year (thousands)** - As of July 1; 1960, 1970, and 1982 data.

**Urban Population (percent of total)** - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1982 data.

**Population Projections**

**Population in year 2000** - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

**Stationary population** - Is one in which age- and sex-specific mortality rates have remained constant over a long period, while age-specific fertility rates have simultaneously remained at replacement level (net reproduction rate=1). In such a population, the birth rate is constant and equal to the death rate, the age structure is also constant, and the growth rate is zero. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

**Population Momentum** - Is the tendency for population growth to continue beyond the time that replacement-level fertility has been achieved; that is, even after the net reproduction rate has reached unity. The momentum of a population in the year *t* is measured as a ratio of the ultimate stationary population to the population in the year *t*, given the assumption that fertility remains at replacement level from *t* onward, 1980 data.

**Population Density**

**Per sq. km.** - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1981 data.

**Per sq. km. agricultural land** - Computed as above for agricultural land only; 1960, 1970 and 1981 data.

**Population Age Structure (percent)** - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentage of mid-year population; 1960, 1970, and 1982 data.

**Population Growth Rate (percent) - total** - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-82.

**Population Growth Rate (percent) - urban** - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-82.

**Crude Birth Rate (per thousand)** - Annual live births per thousand of mid-year population; 1960, 1970, and 1982 data.

**Crude Death Rate (per thousand)** - Annual deaths per thousand of mid-year population; 1960, 1970, and 1982 data.

**Gross Reproduction Rate** - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1982.

**Family Planning - Acceptors, Annual (thousands)** - Annual number of acceptors of birth-control devices under auspices of national family planning program.

**Family Planning - Users (percent of married women)** - Percentage of married women of child-bearing age who are practicing or whose husbands are practicing any form of contraception to all married women. Women of child-bearing age are generally those aged 15-49, although for some countries contraceptive usage is measured for other age groups.

**FOOD AND NUTRITION**

**Index of Food Production per Capita (1969=100)** - Index of per capita annual production of food commodities (including food, feed, and seed) and food and its on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1982 data.

**Per capita supply of calories (percent of requirements)** - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were set on basis of physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1980 data.

**Per capita supply of protein (grams per day)** - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDO provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Supply; 1961-65, 1970 and 1980 data.

**Per Capita protein supply from animal and pulse** - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

**Child (ages 1-4) Death Rate (per thousand)** - Annual deaths per thousand in age group 1-4 years; to children in this age group in some developing countries data derived from life tables; 1960, 1970 and 1981 data.

**HEALTH**

**Life Expectancy at Birth (years)** - Average number of years of life remaining at birth; 1960, 1970 and 1982 data.

**Infant Mortality Rate (per thousand)** - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1981 data.

**Access of Safe Water (percent of population)** - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

**Access to Excreta Disposal (percent of population)** - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

**Population per Physician** - Population divided by number of practicing physicians qualified from a medical school at university level.

**Population per Nursing Person** - Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

**Population per Hospital Bed** - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities.

**Admissions per Hospital Bed** - Total number of admissions to or discharges from hospitals divided by the number of beds.

**HOUSING**

**Average Size of Household (persons per household)** - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

**Average number of persons per room** - total, urban, and rural - average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

**Access to Electricity (percent of dwellings)** - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

**EDUCATION**

**Adjusted Enrollment Ratio**

**Primary school** - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

**Secondary school** - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

**Vocational enrollment (percent of secondary)** - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

**Pupil-teacher ratio** - primary, and secondary - Total students enrolled in primary and secondary level, divided by numbers of teachers in the corresponding levels.

**Adult literacy rate (percent)** - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

**CONSUMPTION**

**Passenger Cars (per thousand population)** - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses, and military vehicles.

**Radio Receivers (per thousand population)** - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

**TV Receivers (per thousand population)** - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

**Newspaper Circulation (per thousand population)** - Shows the average circulation of "daily general interest newspaper," defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

**Cinema Annual Attendance per Capita per Year** - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

**LABOR FORCE**

**Total Labor Force (thousands)** - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1982 data.

**Female (percent)** - Female labor force as percentage of total labor force.

**Agriculture (percent)** - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1981 data.

**Industry (percent)** - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1981 data.

**Participation Rate (percent) - total, male, and female** - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1981 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

**Economic Dependency Ratio** - Ratio of population under 15 and 65 and over to the working age population (those aged 15-64).

**INCOME DISTRIBUTION**

**Percentage of Private Income (both in cash and kind)** - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

**POVERTY TARGET GROUPS**

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

**Estimated Absolute Poverty Income Level (US\$ per capita)** - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

**Estimated Relative Poverty Income Level (US\$ per capita)** - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

**Estimated Population Below Absolute Poverty Income Level (percent)** - urban and rural - Percent of population (urban and rural) who are "absolute poor."



DJIBOUTI: ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT IN 1982

	US\$ Mln.	%	Annual Rate of Growth (Constant prices)	
			1979-82	1981-82
GDP at Market Prices	355.0	100.0	3.0	2.3
Gross Domestic Investment	87.3	24.6	38.0	22.5
Gross Domestic Saving	-35.1	9.9	-	-
Gross National Saving	4.3	1.2	-	-
Exports of Goods and Services	121.1	34.1	-4.6	-9.7
Imports of Goods and Services	243.5	68.6	8.8	5.1

OUTPUT IN 1982

	Value Added	
	US\$ Mln.	%
Agriculture	22.3	6.3
Industry	49.1	13.8
Services	222.5	62.7
Unallocated	61.1	17.2
	<u>355.0</u>	<u>100.0</u>

GOVERNMENT FINANCE

	1982	% of GDP	
	US\$ Mln.	1978-82	1982
Total Receipts	132.2	34.4	37.2
Current Expenditure	111.9	22.6	31.5
Current Surplus	20.3	11.8	5.7
Capital Expenditure	65.3	17.8	18.4
Capital Grants	29.8	7.6	8.4
Global Surplus/Deficit	-15.2	1.7	-4.3

MONEY, CREDIT AND PRICES

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	(In US\$ Mln. outstanding end period.)				
Money Supply	83.4	103.0	111.9	119.5	147.8
Bank Credit to Public Sector	-36.2	-46.7	-66.4	-77.9	-57.8
Bank Credit to Private Sector	26.1	41.5	55.7	68.8	95.4

(Percentages or Index Numbers)

Money Supply

As Percentage of GDP	34.9	36.1	34.0	33.6	41.4
GDP Deflator (1978 = 100)	100.0	114.9	128.1	134.4	132.2

Annual Percentage Changes in:

GDP Deflator	-	14.9	11.5	4.9	-1.6
Bank Credit to Public Sector	-	29.0	42.2	17.3	-25.8
Bank Credit to Private Sector	-	59.2	34.2	23.4	38.6

DJIBOUTI: BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE

BALANCE OF PAYMENTS (US\$ MLN.)

	<u>1978</u>	<u>1980</u>	<u>1981<sup>1/</sup></u>	<u>1982<sup>1/</sup></u>
Exports of goods, NFS.	109	143	138	121
Imports of goods, NFS.	130	214	222	243
Resource Gap	-21	-71	-84	-122
Factor Payments, Net	-18	-17	-15	-28
Unrequitted Transfers, Net	46	73	73	68
Balance on Current Account	7	-15	-26	-82
MLT Borrowing, Net	-1	8	-1	23
Private Investment, Net	-5	10	11	12
Capital Grants	20	28	24	13
Errors and Omissions	-	-3	5	-2
Variations in Reserves	-	-28	-13	36
(- = increase)				

RATE OF EXCHANGE

Fixed parity between Djibouti franc and US\$  
US\$ 1 = DF 177.721

Exports in 1982

	<u>US\$ Mln.</u>	<u>%</u>
Exports of Goods in Transit	33	27
Re-exports of Goods	50	41
Exports of Services	38	32
Total	121	100

EXTERNAL DEBT, DECEMBER 31, 1982

US\$ Mln.

External Public Debt Outstanding and Disbursed 40.1

DEBT SERVICE AS % OF 1982 EXPORTS

- |  |     |
|--|-----|
| 1. Debt service as % of total exports                          | 2.8 |
| 2. Debt service as % of locally produced exports <sup>2/</sup> | 9.0 |

<sup>1/</sup> Provisional estimates.

<sup>2/</sup> Since almost all goods exported from Djibouti are re-exports, total foreign exchange revenue earned by the Djibouti economy comes mainly from exports of services.



## SUMMARY AND CONCLUSIONS

1. Djibouti, a small country with an area of 23,200 km<sup>2</sup> lying at the mouth of the Red Sea, had 330,000 inhabitants in 1982. To carve an equitable place for itself in the international division of labor, it can rely only on comparative advantages which are narrowly circumscribed. In the main, this is a result of its location, the fact that France maintains an armed force of approximately 4,500 men there and the Government's determination to exploit the situation in the best interests of the Djiboutians.

2. The economy consists of a port, an airport and telecommunications facilities, all well in line with international demand; there is also the railway into Ethiopia, but it is in very poor condition. The banking system and modern services sector are quite well developed and effective. In a region recently subject to violent upheavals, Djibouti affords political security and stability, as well as a liberal and tolerant economic regime. Between 75,000 and 80,000 persons immigrated into the country between 1972 and 1982, and today there are approximately 35,000 refugees in camps managed by the United Nations High Commission for Refugees.

3. Since the accession to independence in June 1977, the Government has concentrated on developing agriculture and industry and on accelerated training of Djibouti nationals to take over from the expatriate personnel who in many instances still handle both the technical and management aspects of those two sectors and the country's modern services. Although this effort has already produced appreciable results, it is important to recognize that agriculture and industry face formidable natural obstacles and that the country lacks any abundant natural resources other than its fishing grounds, its geothermal potential and some mining activity.

### Results for 1978-82

4. The development effort since independence has produced tangible results in investment and economic growth. According to mission estimates, public fixed investment grew in real terms at 37% annually between 1978 and 1982, reaching a total of US\$75 million in 1982, or over 21% of GDP. There was also a small boom in private investment, particularly in building and infrastructure, although private investment is still less than 10% of public investment. This expansion together with sustained demand from the French military establishment, gave a real annual 3% growth rate in GDP between 1978 and 1982. Per capita GDP reached a nominal value of US\$954 in 1982, an estimate which falls to US\$400 if adjusted for the purchasing power parity approach and the presence of a large resident expatriate community.

5. Though remarkable for an economy so poor in natural and human resources, these results would not have been possible without external contributions of technical and financial aid. External official assistance grants during the five-year period totalled an estimated US\$443 million. Drawings on external official loans extended under very favorable conditions

totalled US\$37 million. In 1982, there were approximately 700 expatriate aid personnel working in the public sector, 500 of whom were French, as well as 380 teachers. Given private capital flows with the exterior and the prudence with which public finances were managed, financial assistance exceeded the needs of the economy up until 1981. Foreign exchange reserves were over US\$141 million at the end of that fiscal year, while external debt totalled only US\$72 million.

6. This favorable picture should nevertheless create no illusions. The Djibouti economy remains fragile and subject to deep-seated imbalances. The primary and secondary sectors still account for only 20% of GDP. Production of goods for exports is almost nil. The economy exports only services, provided in the main for the French military establishment and its personnel; sales to foreign non-military users of the country's transportation and communications infrastructure and banking services produce only quite minor earnings. It is no surprise, then, that the resource gap in the economy amounted to 34.5% of GDP in 1982 and that gross domestic saving was markedly negative. Not only investment but consumption as well depended on external official assistance to remain at the levels attained.

7. The fragility of the economy was revealed in 1982 and 1983 when the Government sought to maintain growth in investment and consumption despite the fact that French grant funds were affected by the rigorous budgetary program instituted in Paris, a blow compounded by a leveling-off of the Djibouti franc (tied to the US dollar) following its rise in value against the French franc. Besides turning increasingly to external borrowing, it was necessary to draw on foreign exchange reserves to cover external financing requirements. As a consequence, reserves fell to US\$105 million by the end of 1982, then to US\$89 million by late April 1983, a trend likely to continue in the forthcoming months. Of the last mentioned amount, approximately US\$38 million was earmarked as legal coverage of banknotes and coins in circulation, so that actual reserves were no more than US\$50 million, or two and a half months of imports.

8. This reversal signals the need for prudence in pressing ahead with public sector development efforts, which is officially recognized, although the still very rudimentary character of the methods the authorities use to monitor cyclical changes does not permit them to grasp the magnitude of the problems.

#### General Outlook for 1984-88

9. The overall objectives to be pursued through the national development process, as well as the strategy for achieving them, were set out in guidelines laid down by the Parliament in 1982. Those objectives are to reinforce the role of Djibouti in international affairs, to increase the income of the population and to improve income distribution. They are not quantified. The strategy for achieving them requires action in three spheres: human resources training, which in Djibouti more than elsewhere must be the foundation for all hope of true development; increased agricultural and industrial production, accompanied

by expanded social services, to ameliorate the poverty now affecting semi-urban areas and the interior of the country; and strengthening of transportation, communications and services to enable the country to respond effectively to international demand. The guidelines legislated also provide that the Government shall retain the present liberal exchange system and the fixed parity between the Djibouti franc and the US dollar, and that in doing so it shall propose and implement a balanced budget.

10. The document the Government prepared for the Donors' Conference proposes a 1984-88 investment program consistent with the national development objectives and the strategy selected, while the various projects making up the program are founded on a series of prior studies. The marginal rate of return quoted in the document indicates that the net effects of the program on the major variables in the economy and the general employment situation would be positive.

11. The program makes no allowance, however, for the immediate need for the type of financial recovery referred to already. For that reason, the mission, on the basis of its overall projections, considers that it would be necessary to:

- (1) Institute without delay a financial recovery program that will halt the drop in reserves. Such a program should be designed to reduce the resource gap in the economy by US\$30-40 million during fiscal 1984 through carefully chosen reductions in expenditure and increases in revenue.
- (2) Reduce the scope of the investment program proposed for 1984-88 by approximately US\$100 million and schedule the remaining US\$400 million in a manner that takes account of the present financial situation.
- (3) Launch a simultaneous and sustained effort to strengthen domestic savings capacity through a series of measures focused on operating expenditures, price policy, recovery of the cost of public services and development of the financial system.
- (4) Maintain external grant assistance at about US\$95 million a year so as to avoid stagnation, if not regression, of the training and anti-poverty efforts. Add to them external borrowings of approximately US\$35 million annually, without any hardening of the average loan terms that have prevailed in the past.

12. In the opinion of the mission, such conditions would preserve the long-term financial equilibrium of the economy; also, the present liberal exchange system could be maintained and both the training of young people and the anti-poverty campaign would be more successful in meeting the needs created by the immigration and the high birth rate of recent years.

13. The mission has identified a group of projects, totaling US\$175 million, among which, after careful examination, it should be possible to select components that can be deferred or expenditure that can be eliminated so as to produce the recommended cut-back of US\$100 million over the period 1984-88. This further examination of the five-year program with a view to reducing it and modifying its year-by-year schedule will require detailed analytical work and close interministerial coordination. In the opinion of the mission, the task should be entrusted to a high level interministerial work group, and Government decisions in the matter should be taken only after the opinion of the group has been considered.

#### Sector Policies and Programs

14. The 1984-88 investment program particularly emphasizes projects in the primary and secondary sectors. It is precisely in these sectors, however, that duplications of expenditure or poorly studied choices, especially in the commercial area may lead to considerable waste of resources. It will be the province of the Government to utilize the coordinatory mechanism referred to in the preceding paragraph to channel both technical and financial external aid toward those uses which will be most profitable and least risk-prone from the standpoint of the Djibouti economy.

15. Regarding the primary sector, defined here as including the development of water resources, agriculture, stockraising and fisheries, the projects proposed by the Government for the five-year period appear justified, with the exception of irrigation plans as they now stand. The per hectare costs of developing irrigated areas are very high, which raises a question as to their real usefulness to the country. Further examination of these plans is indispensable before additional resources are committed either to new projects or those in progress (including the PK20 scheme). Moreover, the Government should recognize that the policy of supplying water, extracted from the ground at great cost, to farmers and livestock breeders free of charge will inevitably lead to an untenable situation, given the limits of the budget. A policy of cost recovery on water supplied for agricultural purposes should be studied and introduced at an early date to prevent the creation of private vested interests that will prove impossible to circumvent. This problem does not exist in urban areas, where water rates seem appropriate, although the Office des Eaux de Djibouti needs to strengthen its management methods rapidly.

16. Geothermal energy offers the best prospects for developing local resources, but the Government should bear in mind the limits of the local market and resist the temptation to multiply costly exploration efforts simply because external aid is available. With that proviso, the estimated costs of producing electricity from the geothermal resources existing in the Hanlé district are low enough to justify priority ranking for the exploration and pilot production operations contemplated. As to production of electricity from imported fuel oil and petroleum products, the Government continues its policy of subsidizing and

equalizing sale prices, although their economic and social utility is merely an apparent one; this is a policy which should be made to reflect price realities as soon as possible.

17. Industrial development is still at the rudimentary stage, since the industrial apparatus consists only of three beverage bottling plants and small-scale but comparatively well-organized mechanical, electrical and electronic maintenance. The domestic market is protected by quite high import duties (30%, approximately) and the liberal environment attracts private investors. However, local entrepreneurs are such a small group that the Government must resort to a joint-venture formula to ensure that projects can be implemented. The 1984-88 investment program proposes a number of what look like promising small- and medium-scale projects in the agroindustrial sector and for the substitution of certain imports. A necessary condition for their success is that their managerial and technical staff be competent. The program also includes a cement plant project which presents such a high degree of commercial risk that it exceeds the capacity of the Djibouti economy alone; implementation should not be contemplated unless a foreign partner can be found to generate a remunerative market for export production. In the tourism sector, investments have been made in very high capacity facilities since independence; as no means have so far been found of managing this capacity profitably, a temporary suspension of further activities would be advisable.

18. Strengthening of the international role of the Djibouti economy rests broadly on the transportation and communications system. Although postal and telecommunications services function satisfactorily and are in an excellent position financially, the same cannot be said of the port, airport and airline. Demand for port and airport services tends to stagnate, mainly because of the protectionist measures taken by neighboring countries. The national airline is still in the early stages of its existence and the question arises whether Djibouti draws any advantages from continuing to support this deficit concern. During the period 1984-88, the priority aim should be to rationalize the operations of these enterprises rather than to involve them in new investments in capacity. The program the Government proposes for the five-year period 1984/1985 should be re-examined from this standpoint.

19. Road and railway problems are of a different kind. The road program for 1984-88 meets certain pressing needs, except in the case of the Djibouti-Tadjourah link, too costly to justify any non-strategic benefits to be expected from it for the moment. As far as the railway is concerned, the political conditions for a real recovery are somewhat better.

20. Training of both young people and adults will determine the future of Djibouti, and the Government states it as a high national priority. However, the program for 1984-88 makes only minimum provision in this sphere, and fails to present solutions to the following problems:

- absorption into the occupational training stream of the young people the system is now losing after completion of the primary cycle;

- recasting of occupational for qualified personnel training to bring it into line with the real needs of the economy for qualified personnel;
- achievement of new, economical means of securing a substantial improvement in the literacy rate, now only 9%;
- recovery of education costs from beneficiaries in a position to pay.

21. Djibouti pursues a liberal policy in the population and health field. As indicated earlier, immigration and the high birth rate place a disproportionate burden on public services. Wage-earners enrolled in the Caisse des Prestations Sociales (CPS) and civil servants (a total of approximately 18,000 individuals and their families) have the benefit of a European-style welfare system that protects them fully against the effects of sickness, accident and old age. The system is financially sound if no account is taken of the pensions paid by the French State (to railway personnel, in the main). The rest of the population has unimpeded access, at no cost, to the medical and hospital services provided by the Ministry of Health, as do foreigners, but it is clear that the population in the interior of the country is too remote to obtain any real benefit from them. The expansion program contemplated for the period 1984-88 appears reasonable.

22. Urban development is about to enter a new stage with implementation of the Djibouti Urban Development Project, which will affect approximately 28,000 inhabitants of the old neighborhoods 3, 5 and 6, now very run down, and about 25,000 inhabitants of the Balbala squatter settlement zone. Well designed, and requiring beneficiaries to participate in its cost, the project warrants priority attention from donors.

23. Some 35,000 "official" refugees are housed in the camps run by the United Nations High Commission for Refugees at Dikhil and Ali Sabieh. Their return to their own country is the subject of ongoing negotiations. However, the refugee problem in Djibouti is not limited to this group with "official" status. The economy must also provide jobs and government services for some 40-45,000 immigrants who have found asylum in Djibouti over the last ten years. Considering the present very severe constraints on the country's resources, to absorb so many immigrants and provide them with decent living conditions is a task beyond the capacity of both the domestic economy and the Government. In fact, it constitutes a very persuasive argument for continuation of the current flow of grant resources to the country.

## I. INTRODUCTION

### A Strategically Important Location

1. In the eyes of the powerful nations, Djibouti occupies a position of strategic importance. Facing Aden from the horn of Africa, this small country lies on the communications routes between the Mediterranean and the Indian Ocean. Its land frontiers are with Ethiopia and Somalia, in a region where local tensions are exacerbated by the rivalry between East and West. It is of interest to the Arab countries, Saudi Arabia in particular, which border the Red Sea, at whose mouth it is located.

2. This location factor was the reason underlying the creation of Djibouti in the nineteenth century. After the opening of the Suez Canal in 1869, the port of Djibouti was constructed by the French as a bunkering station for ships connecting Europe with Asia and Eastern Africa, since the British had previously established themselves at the more favorable site of Aden. The opening in 1917 of the rail line to Addis Ababa also made Djibouti a transit station for both passengers and freight. Much more recently, it acquired an international standard airport, which serves the airlines as a stopover point.

3. Since the end of World War II, Djibouti has experienced certain difficulties in keeping up its role of turntable in the international communications system. There have been technical reasons for that: modern ships and aircraft no longer need it for bunkering purposes, for one thing. But it is the political reasons that have been especially telling: closure of the Suez Canal between 1967 and 1975 and of the railway between May 1977 and June 1978. The renewal of activity which followed reopening of the port and the rail line have never led to a return to the previous volumes of transit traffic. Competing ports, especially Assab in Ethiopia, had developed their capacity in the meantime under the influence of the policies determinedly followed by the nations in the region.

4. Nevertheless, Djibouti continues to be of strategic interest. France maintains a military base there manned by approximately 4,500 individuals and a civil technical assistance program employing about 500 personnel in 1983, approximately 300 of whom are teachers. These individuals and their families produce a sustained demand on local commerce and services. France, in company with several other countries and the international agencies, supports the Djibouti development effort with substantial financial and technical help, much of it provided on a grant basis. This international presence acts as a guard against extension into Djibouti territory of the conflicts which upset its neighboring countries. Some 42,000 registered political refugees today find in Djibouti the peace denied them in their own countries of origin, while a further group of unregistered immigrants, estimated at roughly 40,000, was added to the population of the city between 1972 and 1982.

5. Since independence, proclaimed on June 27, 1977, the Government has made a determined effort to take advantage of the strategic location of the country. It has been successful in guaranteeing political stability and security. It follows a policy of neutrality and friendship toward other countries. It is scrupulous in maintaining a liberal attitude in the economic

and financial spheres. Above all, it has made an unprecedented effort for development, despite the extremely stringent limits imposed by the country's natural and human resources.

#### Extremely Limited Natural Resources

6. Lying midway between the Equator and the Tropic of Cancer, Djibouti has a particularly dry, hot climate. Rain falls no more than 5 or 6 times a year and for less than a total of 6 hours. Temperatures, high from October to April, when they average 25 C, become frankly unbearable from May to September, when the average is 35 C. The heat, which limits both human activity and natural vegetation, makes it the normal thing among families who can afford it for wives and children to spend the worst months in Ethiopia, where the climate is more temperate.

7. Given these conditions, water becomes the major physical constraint. There are no perennial rivers. Groundwater is present as a result of tectonic movement; underground water also exists, although very localized and discontinuous. Most groundwater is salt-laden and often difficult and costly to tap. Although an inventory of the country's water resources has just been completed, it still remains to translate the results into terms with which water-resource development specialists can work.

8. The nature of the terrain is also an obstacle to economic activity and trade, both of which would open up certain regions of the interior. Although the country consists of no more than 23,200 km<sup>2</sup>, elevations vary from 153 m below sea level at Lake Assal to 2,020 m above it at Mount Moussa Ali. It would be difficult and costly to open large-volume land communication routes into the north and northwestern regions, which, for the moment, are accessible cheaply only by sea and air. The south and southwest, being less hilly, are better suited to land transport; it is through them that the rail line to Ethiopia and the road into Somalia run.

9. Arable land is scarce and, in any case, too poor to be cultivated without massive inputs of fertilizers. FAO estimates that 6,000 ha could be cultivated under irrigation, although for the moment fewer than 200 ha are irrigated. Throughout the rest of Djibouti territory, the vegetation consists of plants adapted to the heat and lack of water; it is able to sustain only very extensive migratory grazing, provided watering points for the animals can be created. The mountains to the north are well enough watered at higher altitudes to sustain forest, over some hundreds of hectares.

10. Djibouti's physical assets available for development are limited to:

- (1) Some 370 km of coastal fishing grounds rich in crustaceans and mollusks. Virtual self-sufficiency in this one food category is therefore possible, as may also be some export trade with neighboring countries.
- (2) Exceptional geothermal resources which could be harnessed for the production of electricity, but the technical problems of exploiting them remain to be solved.

- (3) Abundant high-quality building materials, including perlite and diatomites, which are used for insulation.
- (4) Its geographic location, which has already been discussed.

#### Human Resources So Far Untapped

11. In 1982, according to Government estimates, Djibouti had a population of approximately 330,000 plus some 42,000 political refugees<sup>1/</sup>. About two-thirds of the population (195,000) was concentrated in the capital, the remaining third being distributed almost equally between localities in the interior and nomad groups. The Djiboutians are predominantly young, with roughly 34% under 15 and only 2% aged 60 or over.

12. Annual natural population growth is estimated at 3%, a figure which, if it remains as high, will bring the population up to 431,000 in 1992. The growth rate in the city of Djibouti itself was higher than the national figure, averaging 5.4% annually between 1972 and 1982, with immigrants accounting for an estimated 2.4% a year.

13. The country's two major ethnic groups are the Afars and the Issas, the former more heavily represented in the interior and the latter in the capital. They have a long pastoral tradition but little experience of agriculture, industry or commerce. A significant Yemeni minority is engaged in the retail and modern services sectors. In addition, there are approximately 11,000 other foreigners, of whom 5,000 are expatriate French civil and military aid personnel.

14. Djiboutian personnel employed in the public and private sectors are still young, inexperienced and insufficient in number. The retail and modern services sectors are for the most part staffed by foreigners. The Djibouti entrepreneurial class is still very small, although its emergence has been evident recently in the building sector, public works, banking and some modern services. In the main, however, the functioning of the economy, and therefore its development, depends largely on foreigners. "Djiboutianization" has nevertheless begun, without the introduction of any regulatory measures, in the public service sector and, to a smaller extent, in commerce, industry and the modern services provided by the private sector. There is an immense amount still to be done, all the same, if the Djiboutians are to be trained to take over from the present expatriate group.

15. Djibouti blue-collar groups have been employed for a long time in services, but the lag in training technicians is considerable. It is important to note, however, that the unskilled labor force is highly motivated and the trade union movement little given to confrontation. Women experience no particular difficulty in joining the work force, although their role in it is much less important than that of males. With proper training, Djibouti's manpower would be its principal asset.

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<sup>1/</sup> A population census was conducted in January 1983, but results are not yet available. The UN High Commission for Refugees had 35,000 refugees in its charge at that time, while the Government estimated that a further 7,000 were not registered with HCR.

16. One matter that should be mentioned is the consumption of khat by the majority of the adult population able to afford it<sup>2/</sup>. This soft drug undermines the effectiveness of the labor force to some degree, although perhaps no more harmful to health than tobacco and alcohol in the developed world.

#### Narrowly Circumscribed Comparative Advantages

17. For the present, and also the medium term, Djibouti possesses only narrowly circumscribed comparative advantages with which to carve an equitable niche for itself in the international division of labor and income. These advantages flow mainly from its favorable geopolitical location and the determination of the Government to exploit that factor in the best interests of the Djiboutians. The economy is based on a port, an airport, a telecommunications systems in good order, a railway in very poor condition and banking and modern service sectors that are quite well developed. In a region disturbed by violent conflicts, Djibouti offers political stability and security and a regulatory environment conducive to free trade. Finally, the Government is intent on instituting agricultural and industrial development and on training the manpower required in those sectors.

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<sup>2/</sup> Khat is imported from Ethiopia. The value of the product as an import is estimated at approximately DF 3 million annually, or DF 9,100 (US\$51) per capita.

## II. ECONOMIC DEVELOPMENTS 1978-1982

### Preliminary Remarks

18. Certain special features of the economy should be pointed to at the outset if the variations in macroeconomic and financial magnitudes over the period 1978-82 are to be interpreted correctly. Those features are as follows:

- (1) Production of goods for export is almost nil. The economy exports only services, in the majority of cases in response to demand from French military and civil personnel on assignment in the country and from users of the port, airport, airline and the postal and telecommunications system.
- (2) Aid in the form of grants from friendly countries finances a considerable part of public expenditure, both in local currency and foreign exchange, and a large proportion of fiscal revenue comes from the taxes payable by foreign residents on their income and consumption.
- (3) Except in infrastructure and housing construction, private investment is very low (US\$6 million approximately in 1982, or less than 8% of gross fixed capital formation).

19. It should also be added, before examining the results for 1978-82, that Djibouti keeps no official statistics on its national and external accounts and that external trade results have not been recorded since 1980 owing to problems in processing the data contained in Customs documentation. The Djibouti 1981 Statistical Yearbook cites - although it does not officially approve - the estimated national accounts for 1976-1980 as drawn up in 1978 by the UN Economic Commission for Africa (ECA) and reviewed, as far as 1978 was concerned, by a mission of French experts in May 1980. Also unofficial are the estimates of external payments over the period 1978-82 drawn up by an IMF mission in 1982. Given the fact that the authors of these estimates worked at different times on primary data which had been improved during the interim, major inconsistencies among the various accounting categories exist and render them largely unusable for purposes of analysis.

20. In these circumstances, the IBRD mission drew up its own estimates for the years 1978-82<sup>3/</sup>, ignoring 1977, the year of independence and not therefore a typical year. The mission was intent on establishing consistency among the national, external, budgetary and monetary accounts in connection with the estimates presented in this present report. This emphasis on consistency is important because it allows the confirmation of certain primary data that would otherwise be unreliable and the derivation, by difference or addition, of certain magnitudes not so far assessed directly. The principal steps in the procedure of estimating national and external accounts were as follows:

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<sup>3/</sup> This work on national accounts was undertaken by Mr. René Rakotobé of ECA. The mission could not have completed its task without his participation.

- (1) The national accounts for 1978-80 were reviewed and those for 1981 and 1982 were estimated on the basis of the most recent primary data; in the absence of Customs statistics on external trade in 1981 and 1982, it was necessary to draw up global estimates founded on available taxation statistics.
- (2) These estimates at current prices were translated into data at 1978 constant prices using either price or volume indexes taken from the most appropriate sources. The marked variation, dating from 1980, in the parity between the Djibouti franc, tied to the U.S. dollar, and the French franc created major problems of deflation which could not all be resolved in an entirely satisfactory manner.
- (3) The estimate of external payments was confirmed by the external accounts of the national accounting system for the five years in question.

### Growth and its Determinants

21. The major macroeconomic magnitudes, and the variations in them between 1978 and 1982, are summarized in Table 1. Over that period, real growth in GDP averaged 3% a year at market prices but only 1.3% at factor cost. In 1982, the growth rate was a mere 1.6%. At current prices, however, growth in GDP has averaged 10.5% annually at market prices and 8% at factor cost, a slight drop being noted in 1982.

Table 1: Major Macroeconomic Magnitudes and Trends Between 1978 and 1982

	1982		Annual Growth Rate	
	Current US\$ million	percent of GDP	1979-82	1981-82
GDP at market prices	355	100,0	3,0	2,3
<u>Plus:</u> Imports	243	68,6	8,8	5,1
<u>Minus:</u> Exports	121	34,1	-4,6	-9,7
<u>Equals:</u> Resource availability	477	134,5	8,5	7,6
Public consumption	136	38,4	7,6	7,7
Private consumption	254	71,5	3,7	3,5
Public investment	75	21,2	37,0	20,0
Private investment	6	1,8	17,3	13,8
<u>Memo items:</u>				
Resource gap	122	34,5	-	-
Domestic Saving	-35	-9,9	-	-
National Saving	4	1,2	-	-
Gross national product	327	92,0	2,9	0,7
GDP at factor cost	284	79,9	1,3	1,0

Source: Tables 2.1 to 2.8. The proportions and rates were calculated from the figures in DF in these tables.

22. Investment and public consumption were the most dynamic growth factors, sustained by a considerable volume of aid in the form of grants from friendly countries (see the later sections of this report which discuss public finances and the balance of payments). However, there was a net slowing down of the economy in 1981-82 caused by the reduction in foreign aid. Private consumption increased at a moderate rate, but there was an overall decline in exports owing to the slackening noted in the 1981-82 period. In all, the development achieved since independence brought a substantial increase in the capacity to produce for the domestic market although exports, never high, fell off in relative importance. External aid in the form of grants played a primary role in this transformation. Between 1978 and 1982, it represented an average of 57% of all consumption and public investment. Nevertheless, that figure fell to 44% in 1982, triggering the slowing down of growth referred to above and the financial tensions discussed further on. The Government chose to mitigate the effects of the slowing down by drawing on its reserves.

23. These grants in aid made it possible to increase the imports necessitated by investment and consumption at an annual rate in the vicinity of 9% at constant prices between 1978 and 1982. Available data reveal a very large increase in imports of building materials, to meet the demand created by public and private investment efforts, and a smaller degree of growth in other categories of goods (see the discussion of the balance of payments above).

24. On the sectoral plane (Table 2.6), it was building and public works activities which showed the highest real annual growth rate (13.8%) between 1978 and 1982, followed by agriculture (9.3%). Nevertheless, throughout 1982 the economy was at all times dominated by the services sector, as may be seen from the following figures, which measure the percentage shares of the various sectors in GDP:

	<u>1978</u>	<u>1980</u>	<u>1982</u>
Agriculture, livestock and fisheries	4.6	4.8	6.3
Industry and energy, including building and public works	14.0	15.0	13.8
Retail, hotels, bars and restaurants	28.7	26.1	23.0
Public administration	24.2	23.5	25.8
Miscellaneous services and taxes and duties	<u>28.5</u>	<u>30.6</u>	<u>31.1</u>
	100.0	100.0	100.0

#### Savings and the Effectiveness of Investment

25. With substantial grant aid from abroad final consumption exceeds total GDP in Djibouti by a clear margin. Consequently, gross domestic saving is negative, although national saving is positive. In these circumstances, it is plain that aid in the form of grants determines the amount available for investment and that the direction investment has taken is the result of agreements between the Government and donor countries or institutions. Djibouti will be unable to free itself of this constraint except for short periods, as was the case in 1982, when the Government continued to increase its investment despite the weaker flow of grant funds.

26. In current prices, by comparison with GDP (Table 2.7), investment grew without interruption, rising from 8% in 1978 to 23% in 1982. At the same time, gross domestic saving became increasingly negative and the resource gap in the economy widened greatly, reaching 34.5% of GDP in 1982 as against 8.9% in 1978. Mainly as a reflection of the decline in the flow of grant funds, gross national saving fell from a high of 12.8% in 1980 to 1.2% in 1982.

27. At constant 1978 prices, fixed investment totaled US\$141 million in 1978-81, while GDP grew by US\$30 million between 1978 and 1982. The ratio between these two amounts is 4.7:1. At current prices, the figures are US\$169 million for investment and US\$116 million for growth in GDP, the ratio between them being 1.5:1. The sole clear inference from these figures is that the ratio is particularly sensitive to the price effect; however, no firm conclusion can be drawn regarding the effectiveness of investment.

#### Employment and Income

28. The only general data on employment in Djibouti are to be found in the document prepared by the Government for the Donors' Conference. The potentially active population - that is, the group aged 15 to 59 - is estimated at 64% of the total population in 1982, or approximately 211,000 persons. Nevertheless, a more or less exact census puts the number of wage-earners at approximately 42,000, distributed as follows: 6,284 persons employed in government, of whom 1,817 are civil servants; 13,000 registered with CPS, the social welfare agency, as employed outside government; 1,400 domestic workers; 3,000 workers unregistered but in stable employment; 1,500 unregistered seasonal workers, mainly in the building and public works field; 15,000 employed in the informal sector; and 2,200 employed in stable jobs outside the capital. Although other very different estimates are available, this same document indicates that the total population of Djibouti (330,000) is distributed as follows: two-thirds (200,000) in the capital and one-sixth (65,000) each in localities in the interior and the nomad grazing zone.

29. No statistics are available on changes in the working age population or on employment. However, as may be seen from Table 1.3, the number of employed persons registered with CPS hardly varied between 1978 (15,506) and 1982 (16,139). It may also be noted in passing that 78% of that group are employed in services, 14% in building and public works and only 8% in industry.

30. If the national accounts as estimated for 1982 are reconciled against population estimates, including the 42,000 refugees regarded as residents for purposes of those accounts, per capita GDP of US\$954 and per capita GNP of US\$878 are obtained. It should be borne in mind, however, that these estimates appear high for a country like Djibouti. Adjustments should be made to reflect the income and level of living standards of Djiboutian nationals. These adjustments should take into consideration (i) the purchasing power parity approach implicit in the price adjustment applied to official data; (ii) the presence of a large resident expatriate community considered as residents for national accounts purposes and (iii) the weighted average income of the various economic groups described in the following paragraph. In these conditions, the per capita income can be estimated at around US\$400 in 1982.

31. Income dispersion around the national average is considerable. For instance, the nomad population of approximately 65,000 (some say 100,000) is responsible for value added estimated at DF 3,300 million. Its per capita income is thus US\$286. Another example: the guaranteed minimum hourly wage is currently set at DF 91.32, or US\$972 annually on the basis of a forty-hour week and one month's holiday per year. Again, CPS statistics showed a declared wage bill of DF 10,024 million in 1982 for 16,139 registered wage-earners, giving an annual average wage of US\$3,495 for each member, 38% higher than the 1978 figure. Three further figures can be taken from the document prepared for the Donors' Conference; according to a survey, annual median income was US\$844 in 1982, while the income of a six-member family working a garden 2,000 m<sup>2</sup> in size was US\$328 and that of a family of the same size operating a fishing boat US\$281.

32. The very high level of prices in Djibouti can be ascribed to the fact that imported products occupy a very prominent place in the consumption of urban households and that their cost itself is very high. For one thing, the freight component is very large (orders for small quantities of goods from suppliers located at great distances) and mark-ups are very ample (60% of CIF values, on average). Nevertheless, the cost of living as seen in consumption by European expatriates fell in 1982 (Table 10.1), no doubt as a consequence of the appreciation of the US dollar against other currencies. The cost of living index, the only one available in Djibouti, had increased by 31% between 1978 and 1981.

### Balance of Payments

33. The resource gap in the economy widened very markedly after independence, growing from US\$21 million in 1978 to US\$122 million in 1982, or, as noted earlier, 34.5% of GDP. Exports as defined for purposes of the national accounts began to decline from the high reached in 1980, while imports continued to increase, reaching a total value of US\$243 million in 1982. These changes are reflected in the estimates given in the following table:

Table 2: Resource Balance  
(in millions of US\$)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Exports of goods, FOB	26	23	29	31	33
Exports of NF services	9	12	16	21	20
Purchases by special-status agencies	75	91	99	86	68
of which: (Services)	(21)	(25)	(27)	(23)	(18)
Total Exports	<u>110</u>	<u>126</u>	<u>144</u>	<u>138</u>	<u>121</u>
<u>Less:</u>					
Imports	<u>131</u>	<u>170</u>	<u>214</u>	<u>222</u>	<u>243</u>
<u>Giving:</u>					
Resource gap	21	44	70	84	122

Source: Table 3.1. Estimates for 1981 and 1982 are provisional, since precise external trade results for those years are not yet available.

34. It is important to understand what exactly is included in the export estimates given above so that errors of interpretation may be avoided. Goods exported FOB are actually products in transit through Djibouti which undergo no processing there; they originate in Ethiopia in the case of live animals, hides and skins, and in other countries in the case of manufactured products (see Table 3.5). Exports of non-factor services cover sales by Air Djibouti, the airport, the port and the postal and telecommunications system. Purchases by special-status agencies are mainly purchases made by French military personnel based in the country (regarded as non-residents) from local merchants and providers of services; the products bought undergo practically no processing after their import into Djibouti and their value is estimated indirectly from data furnished by the French authorities. In all, the only exports truly originating in Djibouti - that is, produced in the country - are the non-factor services referred to and the mark-ups (and indirect taxes) obtained on products sold. These real exports are estimated to produce approximately half of total revenue; all others are in fact re-exports.

35. The drop in export earnings after 1980 can be seen clearly in the purchases by the special-status agencies. The depreciation of the French franc against the Djibouti franc and the US dollar in 1981 and 1982 accounted almost entirely for this drop: expenditure by these agencies in French francs remained stable or increased, but its value in Djibouti francs (US dollars) shrank under the effects of depreciation. It should be noted as well that, even in French francs, that expenditure mirrored the constraining effects of the strict financial policy adopted in France.

36. From 1978, imports increased steadily at an annual rate in the vicinity of 17% at current prices. Given the very low capacity for local production of agricultural and industrial goods, the Djibouti economy imports almost everything it needs. Furthermore, numerous services are provided by expatriates. The trends in major import categories are shown in the following table:

Table 3: Major Categories of Imports  
(in millions of US\$)

	<u>1978</u>	<u>1980</u>	<u>1982</u>
Foodstuffs, tobacco and beverages	55	85	...
of which: (Khat)	(9)	(15)	(...)
Petroleum products	5	24	...
Building materials, timber and paper	12	24	...
Mechanical and electrical equipment	26	36	...
of which: (motor vehicles)	(10)	(13)	(...)
Miscellaneous manufactured goods	<u>27</u>	<u>46</u>	<u>...</u>
Total of goods CIF	125	206	233
Non-factor services	<u>6</u>	<u>8</u>	<u>10</u>
Total imports	131	214	243

Source: Tables 3.1B and 3.2. The breakdown by product is not available for 1981 and 1982.

37. All categories of imports contributed to the increase in the total figure. However, between 1978 and 1980, there was a fall in the share of foodstuffs, while that of petroleum products almost doubled as a result of sharp variations in their relative prices. There was also a decline in the share of mechanical and electrical equipment, while that of building materials rose, a twofold change which was again a result of variations in relative prices and perhaps as well of the fact that investment over the period concentrated more on building and public works than on industry; it is regrettable that data on the breakdown of 1982 imports is still not available to verify this hypothesis. Finally, it is worth noting that the value of imports of khat was almost equal to that of road transport vehicles.

38. External financing was needed to cover not only the resource gap in the economy but also debt service obligations, profits payable on foreign investments in Djibouti and unrequited transfers abroad. The total financing requirement thus created rose sharply over the period 1978-82, as may be seen from the following figures (in millions of US\$):

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Resource gap	21	44	70	84	122
Debt servicing	2	2	3	3	3
Profits on investments	25	34	30	30	41
Unrequited transfers	<u>6</u>	<u>8</u>	<u>10</u>	<u>13</u>	<u>18</u>
Total	54	88	113	130	184

39. Nevertheless, the country had no difficulty meeting these obligations until after 1981. Earnings on Djibouti capital and labor employed abroad, public and private medium- and long-term borrowing and, in particular, grant funds from friendly countries together exceeded the total financing required. Djibouti was even able to increase its foreign exchange reserves, which rose from US\$84 million at the end of 1978 to US\$141 million at the end of 1981. This situation was reversed, however, in 1982, when US\$36 million had to be drawn from foreign exchange holdings to cover the total external financing requirement, sharply increased by widening of the resource gap. Briefly, the sources of this financing were as follows: (figures in millions of US\$):

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Financing required	54	88	113	130	184	569
<u>Covered by:</u>						
Grants from friendly countries	65	77	103	104	94	443
Earnings on manpower and capital	7	8	15	16	13	59
Private transfers	6	7	7	6	5	31
MLT borrowing	-4	8	20	12	37	73
of which: (Public)	( 1)	(-)	(10)	( 1)	(25)	(37)
Errors and omissions	<u>..</u>	<u>3</u>	<u>-4</u>	<u>5</u>	<u>-1</u>	<u>..</u>
Total	..	103	141	143	148	..
<u>Changes in Reserves Position</u>	..	15	28	13	-36	..

40. The reversal of the external payments situation in 1982 can be ascribed to several factors: an increase of US\$38 million in the resource gap, an increase of US\$11 million in the profits payable on foreign investments in Djibouti and an increase of US\$5 million in unrequited transfers abroad (essentially repatriation of savings accumulated by expatriates stationed in Djibouti). At the same time, there was a drop of US\$10 million in the grant funds made available by friendly countries. Heavy resort (US\$24 million) to medium- and long-term public borrowing offset the aggregate negative effect of those factors, but only partially. Djibouti was forced to utilize its reserves, which, however, still amounted to US\$105 million at the end of 1982, equivalent to 5.2 months of imports that year.

Official External Assistance

41. The external assistance Djibouti receives comes mainly in the form of official grants in aid. Borrowing is very limited. The sums received over the period 1978-82 were as follows:

Table 4: External Assistance  
(in millions of US\$)

<u>Year</u>	<u>Grants in Aid</u>		<u>MLT</u>	<u>Total</u>
	<u>Current</u>	<u>Capital</u>	<u>Borrowings</u>	
1978	46	20	1	67
1979	55	21	-	76
1980	76	28	10	114
1981	80	24	1	105
1982	<u>80</u>	<u>14</u>	<u>25</u>	<u>119</u>
Total	337	107	37	481

Source: Table 3.1. The sums shown as medium and long term (MLT) borrowings are the amounts drawn down during the corresponding period.

42. France provided the major part of this assistance, contributing grants and subsidies which totaled 66% of all such aid over the period 1978-82. It was given in the form of civilian and military technical assistance (44%), budget subsidies (39%) and pension and other miscellaneous payments (17%). Among Arab countries, Saudi Arabia was the biggest donor, granting US\$60 million for various projects in 1978, only half of which has so far been utilized. The European Economic Community, the UN agencies and other countries together contributed nearly 10% of all grant funds.

43. Since drawings against MLT borrowing arrangements were low over the period 1978-82, the external debt outstanding and disbursed as of December 31, 1982 was also low, an estimated US\$40.1 million. On the same date, the total amount committed but not disbursed was US\$58.2 million, bringing total external debt to US\$98.3 million or 29% of GDP in 1982. The major bilateral creditors were Kuwait and France, with 39% and 29% shares respectively in the total external debt outstanding and disbursed. The European Investment Bank, the OPEC Fund and the Arab Economic and Social Development Fund were the main multilateral creditors. The World Bank, which began operations in Djibouti in 1982, held only a small share of the total.

44. Average terms on this debt are very favorable (interest at 2.7%, duration of 21 years including a 6-year deferment on repayments of principal), so that servicing is relatively easy and well spread out. Obligations rose from US\$1.7 million in 1978 to US\$3.4 million in 1982, according to IBRD estimates based on the exhaustive report the Government gave the mission in 1982. Projections (Table 4.2) show that service on the present debt will be at a maximum of just over US\$6 million from 1987 to 1995.

45. In assessing the impact on the economy of external debt service obligations, it should be recalled that a significant proportion of Djibouti's export earnings comes from sales of imported products to special-status groups (military and expatriate aid personnel), without processing and after the simple addition of mark-ups and local taxes to their CIF value. In 1982, the proceeds from local mark-ups and taxes rose to approximately US\$31 million on sales of goods to special-status groups (re-exports) estimated at US\$50 million. It should also be noted that goods exported FOB from Djibouti are also almost entirely re-exports. Consequently, to assess the total foreign exchange the Djibouti economy actually earns on its exports, proceeds from those two categories of re-export goods must be subtracted from total export revenue. For 1982, re-exports of goods to special-status agencies (US\$50 million) and abroad (US\$33 million) were subtracted from total export revenue of US\$121 million, giving US\$38 million as the total value of locally produced exports. Debt service obligations represented 9% of that figure, but only 2.8% of total export revenue. Whichever standard is used, the impact of debt service obligations on the economy was still slight. However, it should be remembered that more than half of locally produced exports (US\$18 million out of US\$33 million) consisted of sales of services to special-status agencies - that is, of sales closely tied to expenditure by French personnel stationed in Djibouti.

### Public Finances

46. A detailed analysis of the finances of the State, the social welfare institutions and the public enterprises is given in Annex 2. The main elements are summarized here.

47. The overall public finance picture, excluding drawings against reserves, is as follows (figures in billions of Djibouti francs):

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Internally generated revenue	9,6	12,1	15,4	16,7	20,6
Current external aid	<u>5,0</u>	<u>4,5</u>	<u>4,5</u>	<u>4,4</u>	<u>2,9</u>
Total	14,6	16,6	19,9	21,1	23,5
Operating expenditure	<u>8,3</u>	<u>9,8</u>	<u>10,9</u>	<u>13,9</u>	<u>19,9</u>
Current surplus (excluding current aid)	6,3 (1,3)	6,8 (2,3)	9,0 (4,5)	7,2 (2,8)	3,6 (0,7)
External capital aid	2,6	3,0	4,3	6,0	5,3
Investment expenditure	<u>7,8</u>	<u>8,7</u>	<u>10,5</u>	<u>10,8</u>	<u>11,6</u>
General surplus (deficit)	1,1	1,1	2,8	2,4	(-2,7)

48. As shown, a deficit appeared in 1982, covered by drawing against reserves. The current budget (aid excluded) remained in surplus, although this began to fall after 1980 when the Djibouti Government assumed part of the expense of the army, met fully until that time by France.

49. Internally generated revenue consists of direct and indirect taxes and of non-tax revenue (interest on Treasury investments and reserves in foreign exchange, for instance). Tax revenues rose by 18.8% a year on average between 1978 and 1982, with indirect taxes rising slightly quicker than direct taxes. There was, however, a clear decline in tax revenue after 1981 ascribable, as far as indirect taxes were concerned, to a drop in proceeds from the domestic excise tax, the main indirect tax, most of it payable on imports. Since the majority of imports were from France, the alteration in the parity between the French franc and the US dollar led to a decline in the value of imports and so to a drop in the revenue obtained from the domestic excise tax.

50. As to the direct tax position, proceeds of the profits tax rose significantly during the period but suddenly leveled out very noticeably after 1981, while proceeds of the salaries and wages tax increased much more steadily, growth being less sharp and the leveling out less sudden. The movement in the profits tax is explained by a stagnation of activity in the hotel, bar and restaurant sector following salary restrictions imposed by France on its military personnel in Djibouti. Since this group pays a large proportion of its taxes to Djibouti, changes in the income picture affect, and will continue to affect, the proceeds of the salaries and wages tax.

51. Operating expenditure consisted in the main of the payroll, which increased by an average of 22.5% a year in the period 1978-82, but with a sharp jump in 1982 (of 76% compared to 1981) owing to the assumption of responsibility for Djibouti military personnel, until then compensated by France. Expenditure on equipment, most of it incurred under the heading of general administration, rose by an average of 25% a year but in a very irregular pattern. Military expenditure absorbed 15% of total expenditure in 1982 and 7.7% of GDP, showing as the second largest heading after general administration. Following it was expenditure on health and education, two items which showed different patterns of change. Although health absorbed nearly 14% of operating expenditure in 1978, that figure fell to no more than 9% in 1982. By contrast, the effort made in national education increased the share of this item in total operating expenditure from 6.6% to 7.1%. The contribution to the expatriate aid personnel payroll made by donors in these two sectors is not included in the figures cited; the Djibouti authorities are not aware what it amounts to.

52. Capital investment expenditure increased rapidly (by 10.5% a year over the period 1978-82), a considerable proportion being financed with foreign aid. The domestic capital investment budget is now jeopardized by the general budgetary difficulties: it will amount to only DF 1.8 billion in 1983, compared to DF 3.6 billion in 1982 (see Annex 2 for the domestic budget).

53. Foreign aid accounted for 44% of total budget revenue in 1978 but only 29% in 1982. The drop, especially telling in 1982, resulted from a falling off in French aid. Aid funds are either channeled directly into the budget as operating subsidies or capital contributions, or, when directly tied to specific projects, are deposited in special accounts. Unfortunately, the accounting nomenclature used is not precise enough to allow an exact list of accounts to be drawn up or, in particular, to permit consolidation of the budget and the special accounts. As a result, the general total of external aid passing through State accounts is not altogether reliable. Until 1981, total revenue exceeded expenditure. Part of the surplus, if a budgetary one, was allocated to reserves, a portion of it to be used the following year to finance operating or capital expenditure. If the surplus occurred in the special accounts, it was placed on deposit with the Treasury. In 1982, public finances showed a deficit, financed for accounting purposes by drawing on reserves. As far as cash flow was concerned, this was reflected in a reduction in the general cash holdings of the banks.

#### Public Enterprises

54. The consolidated financial position of the 12 largest public enterprises was as follows (figures in billions of DF):

	<u>1979</u>	<u>1980</u>	<u>1981</u>
Current revenue	7,0	8,4	10,8
of which: (Subsidies)	-	(0,3)	(0,8)
Current expenditure	<u>5,7</u>	<u>8,1</u>	10,7
Saving	1,3	0,6	0,9
Capital revenue	0,8	1,6	2,1
Capital expenditure	<u>1,9</u>	<u>3,8</u>	<u>2,3</u>
Capacity (need) for financing	0,2	(1,6)	0,7

55. These results show positive savings, even if operating subsidies are not considered. However, the capital account, capital subsidies apart, was in deficit permanently.

56. The public enterprises play a predominant role in the energy and transportation sectors and also in industry and tourism. They accounted for nearly 9% of total gross industrial value added and over 20% of total gross fixed capital formation in 1981. They hold monopolies in the water, energy, transportation and telecommunications sectors.

57. The general policy followed is one of real prices, except for electricity (where higher oil prices have not been reflected in the rate schedules) and new industrial and tourism projects, which sustain deficits because of difficulties with start-up. The telecommunications sector has achieved the best results, absorbing little in the way of operating subsidies and (except in 1980) producing sufficient savings to finance its own capital investments. Serious financial problems confront the transportation sector, particularly the airport and airline.

#### Social Welfare Institutions

58. Civil servants pay into the Caisse Nationale de retraite (CNR), a simple account maintained by the Ministry of Finance for deposit of employee and employer contributions, 5% and 11% of payroll respectively. The system generates surpluses, which are placed in France with the Caisse des Dépôts et Consignations.

59. Private-sector employees, and public-sector employees not established as civil servants, contribute to the Caisse des Prestations Sociales (CPS) and to the Service Médical Inter-entreprise (SMI), two agencies with common management, both of which produce operating surpluses. Contributions represent 17.7% of salary ceilings (employer 15.7%, employee 2%).

60. In addition to those three agencies, a hospital providing health care free of charge and without questions as to patients' nationality, is financed by the Ministry of Health. Total social welfare expenses were an estimated 5.6% of GDP in 1982 (compared to 7.4% in 1978). That figure is declining slightly following the deceleration of budget appropriations for health.

#### Money and Credit

61. Djibouti possesses a financial system which developed in response to needs created by public- and private-sector activities. Today, in 1983, it consists of the Treasury, eight full-service banks, a development fund and a central bank. The Treasury performs the function of banker to the State, social welfare institutions and public enterprises. It is also responsible for the issue of banknotes and coins. The eight registered banks are the only institutions authorized to issue bank money (deposit liabilities), a function they exercise without regulatory constraint except for their internal rules of good management. Two of the eight are autonomous affiliates of foreign banks, and the other six simply branches. The National Development Fund (Caisse Nationale de Développement - CND), created in 1982 with the participation of the State, the Caisse Centrale de Coopération Economique in France and several of the local banks, began activities in the medium- and long-term credit field in 1983. The central bank, actually established in 1977, has still not begun operations; its functions are carried out by the Treasury and the Association Professionnelle des Banques de Djibouti (APBD). To give the complete picture, it should also be mentioned that Djibouti has approximately ten store-front exchange bureaux and several foreign insurance company agencies; their role in the circulation of the currency is a very minor one.

62. Before discussing recent developments in money and credit in Djibouti, it is useful to recapitulate the financial disciplinary rules the Government has decided should govern the economy. In practice, they constitute economic policy objectives, and are as follows:

- (1) The Djibouti franc is tied to the US dollar, with which it is convertible without restriction for both residents and non-residents, the fixed rate being DF 177.721 to US\$1.
- (2) Tying of the Djibouti franc to the US dollar on a fixed parity implies that when national currency is issued proper coverage must be constituted in convertible foreign exchange, which holders of Djibouti francs are free to obtain at any time. Such coverage may not legally fall below 100% as far as bank notes and coin are concerned<sup>4/</sup>. As far as deposit liabilities are concerned, their total is left to the discretion of the registered banks, which act with the greatest prudence in the matter<sup>5/</sup>.
- (3) Maintenance of appropriate coverage implies in its turn respect on the part of the Government and the other economic agents for the equilibrium of the financial system, account of course being taken of the assistance provided by friendly countries and foreign private investors. Article 68 of the law embodying economic and social guidelines for the period of 1983-1989 specifies that the Government "shall continue to be responsible for the presentation and implementation of budgets in which income and expenditures are balanced."
- (4) The freedom of capital flows is matched by freedom of trade in goods and services with other countries. The only exceptions here are minor ones economically speaking: relations with Israel and South Africa are prohibited.

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<sup>4/</sup> In practice, the Treasury maintains a US dollar account with the French American Banking Corporation of New York, which is debited or credited whenever it issues bank notes or coin or withdraws them from circulation. The Treasury always keeps coverage of this account at over 100%, enabling it to hold a surplus of Djibouti francs in Djibouti from which to meet daily fluctuations in demand.

<sup>5/</sup> This degree of prudence is explained by the fact that the banks' parent organizations would be liable to honor the public demand if their affiliates or branches in Djibouti became too pressed. The Treasury also receives deposits from the social welfare institutions and public enterprises; its convertible currency reserves not affected by legal coverage requirements exceed the total of such deposits by a broad margin (Table 7.3).

63. Recent developments in money and credit reflect adherence to the rules recapitulated above, as well as an expansion of economic activity. Although available monetary statistics (Tables 7.1 to 7.4) are still imperfect enough to indicate a need for considerable caution in interpreting them, it is clear that the money supply and private credit expanded considerably over the period 1979-82. The pertinent consolidated data here are as follows (figures in billions of DF at the end of the year indicated):

	<u>1978</u>	<u>1981</u>	<u>1982</u>
Money supply	14,8	21,2	26,1
Net foreign assets	15,0	25,1	18,7
Claims on the Government	-6,4	-13,8	-10,3
Claims on the private sector	4,6	12,2	16,9

64. The money supply increased by 43% over the three years 1979-81, and claims on the private sector increased 2.6 times over the same period. Claims on the Government and net foreign assets acted as a brake on money creation. This latter trend cannot be explained by any deflationary intentions on the part of the Government. On the contrary, it indicates that external aid in the form of grants enabled the Government to increase its expenditure considerably in proportional terms and thus to exercise a stimulating affect on the private sector, but at the same time to accumulate surpluses that appear in monetary statistics as negative claims in Djibouti francs and in net foreign assets.

65. These developments, particularly favorable to financial equilibrium, were reversed in 1982. The Government continued to increase its expenditure and to draw the private sector after it, but given the decline in foreign aid flows it was obliged to draw on the reserves accumulated previously. This is reflected on the monetary plane by a reduction in negative claims (deposits) on the Government and a drop in net foreign assets. The latter item, in combination with a further increase in claims on the private sector, led to a significant expansion (23%) in the money supply in the course of 1982.

#### Economic Situation in 1983

66. Since the few indicators of the present situation in Djibouti are extremely limited in range, it is difficult to identify current economic and financial trends. Nevertheless, the three following observations may be made on the economy in 1983:

- (1) Expressed in Djibouti francs, demand from the special-status agencies and the volume of French aid will probably continue to shrink, as in 1982, under the twofold effect of budgetary austerity in France and depreciation of the French franc against the Djibouti franc and the US dollar.
- (2) A balanced budget has been voted in Djibouti for fiscal 1983. However, revenue includes drawings of DF 7.1 billion on reserves (surpluses accumulated from earlier years); without them, the resource gap would be even wider than in 1982.
- (3) Monetary statistics available for the 1983 first quarter suggest that the economy has begun to contract and that growing internal and external deficits are making themselves felt. In the course

of the four months, the money supply and net foreign assets have diminished, while claims on both the Government and on the private sector have continued to play an expansionary role (see Tables 7.3 and 7.4).

67. These trends are disquieting. The country's foreign exchange reserves provide only scant protection against any gaps that appear between public revenue and expenditure and any loss of confidence by the private sector in the Djibouti franc under a policy of unrestricted movement of trade with fixed parity.

68. It is apparent, then, how vulnerable the Djibouti economy is to any reduction in external aid, especially from France. The situation is a warning to the Government to be prudent.

### III. OVERALL POLICIES AND OVERALL PROSPECTS

69. Djibouti does not have any central planning. There is a Directorate of Planning attached to the Office of the President of the Republic, but this directorate does not play any part whatsoever in the conduct and coordination of the country's development policies and programs. For instance, when the documents the Government is to submit to the Donors' Conference in November 1983 had to be prepared, the President assigned this task to a working group formed for the purpose and consisting of four senior Djibouti officials and two French aid experts, under the authority of the Minister of Foreign Affairs and Cooperation. The Directorate of Planning was not represented in this working group.

70. The absence of central planning, even of a flexible nature, has made the coordination of development operations more difficult. It must also be borne in mind that Djibouti's managerial elite and civil service have as yet had little time in which to build up experience in directing the country's development operations and in the procedures to be followed for bringing these operations to a successful conclusion. The statistical services and the capacity for economic analysis of policies and projects are still in a very early stage of development, notwithstanding the considerable support provided by foreign aid. Finally, there are the requirements of the bilateral and multilateral assistance agencies which are superimposed on the practices inherited from the still very recent colonial administration without really merging with them, with the result that for the local authorities coordination can on occasions assume the dimensions of a virtually insoluble problem. Under these circumstances, the Government and the Chief of State have unquestionably shown wisdom in opting for a decentralized system for administering the nation's development, even though this does at times lead to apparent losses of time and efficiency.

#### Development Goals and Strategy

71. The lack of central planning has not prevented the young republic from pursuing development goals and a development strategy which, while implicit up until 1982, do not appear any the less realistic. Law No. 251/AN/82 on the economic and social orientation of the Republic of Djibouti, together with the document prepared for the Donors' Conference, form the first expression of these goals and this strategy for the coming five-year period, 1984-88. The working group that prepared the document believes that it will serve for the day-to-day guidance of Djibouti's public and private economic agents and entities, just as a full-scale development plan would. The law was passed by Parliament in 1982 and the document was approved by the Government in 1983 (it will be referred to as the government document in the rest of this report).

72. The country's overall goals are to strengthen its international role, from the strategic viewpoint among others, to increase the income of its people and to improve the distribution of this income. In view of Djibouti's still limited statistical and economic analysis capability these goals have not been quantified, but they clearly helped determine the choice of the projects contained in the government document.

73. The overall strategy for attaining these goals comprises a number of components that can be divided into three groups:

- (1) The training of human resources for the many tasks involved in development. This component includes basic education for children, specialized education and the training of adults. It will be vital to the success of the other components of the strategy;
- (2) Significant factors for the income goals are the increasing of agricultural and industrial production, expansion of the social services and reduction of the poverty that is widespread in the periurban area and in the interior of the country. In this way the people of Djibouti will ultimately be able to free themselves from the virtually total dependence on international demand under which most of them still live if they want to improve their lot;
- (3) To expand the international role of the economy, the Government proposes to strengthen the system of transportation, communications and services through which foreign demand is met. It also intends to maintain the free movement of funds with the rest of the world, together with the fixed parity between the Djibouti franc and the U.S. dollar, which implies that the domestic and external financial equilibria will be strictly maintained. As already noted, the free movement of funds and the fixed parity are goals in themselves for Djibouti, even though in 1981-83 there was a temporary relaxation of the financial discipline that should accompany them.

74. The sector policies and investment programs proposed in the government document, in accordance with these overall goals and strategy, are examined in Part IV of this report. The rest of this part is devoted to an attempt to quantify the overall economic and financial prospects that are left largely implicit in the government document. This attempt is followed by a discussion of the macroeconomic policies to be implemented in order to remain within a development blueprint that is consistent and balanced over the long term.

#### An Attempt to Quantify the Prospects for 1984-88

75. A note in Annex 1 sets out the detailed forecasts that can be made for 1984-88 and explains the methodology used. This is an exercise whose actual value is greatly reduced by the extremely wide margin of uncertainty around the figures for 1981-82 and the estimates for 1983, together with the brief period (three years, 1978-80) covered by the statistical series available. The forecast is limited to the chief aggregates of the national and external accounts. It has not been possible to do the same for the budget and monetary accounts, because of the difficulties that persist regarding their consistency with the other accounts. Put briefly, the forecasting method used was a three-stage one:

- (1) An estimate for 1983 was made to serve, with the 1981 and 1982 data, as a basis for the forecast;
- (2) An estimate for 1984-88 was then made on this basis and using partial provisional data given in the government document. This forecast then forms what can be termed the government scenario;

- (3) On the basis of the quite evident conclusions that can be drawn from this scenario, certain corrections were then made to produce the Bank mission's scenario.

76. The estimate for 1983 is based on continuation of the trends apparent in the economy since 1981. The chief policies have not in effect been changed, other than a reduction in the budget appropriations for investment (US\$10.2 million in 1983 against US\$20.4 million in 1982), in addition to the proceeds of external aid. Investment is continuing to increase, whereas external grant-type assistance is leveling off. In the absence of a policy decision designed to increase national savings, the resource gap is still quite sizable (34.5% of GDP in 1982, then 32% in 1983). A further drawing on the country's reserves of the same order of magnitude as in 1982 (about 10% of GDP) appears inevitable in 1983. This would bring the free reserves, after coverage of the currency, down to less than US\$30 million by the end of 1983, i.e. to less than six weeks' imports at the level forecast for 1983. It would be most imprudent to let the reserves drop below this level for long, because free movement of funds and the fixed DF/US\$ parity would then be threatened. The need for financial recovery is therefore evident and urgent, even at the cost of a temporary leveling off of consumption and investment.

77. The Government scenario proposes to continue to go for relatively rapid growth of investment and consumption. In view of the severe constraints that will have to be overcome in the field of productive investment for import substitution and exports, these proposals regarding investment and consumption will lead to a widening of the resource gap. Despite intensified recourse to medium and long-term foreign loans and relatively optimistic hypotheses regarding private foreign capital movements and external grants, the government scenario leaves an uncovered external financing requirement that exceeds by a considerable margin the possibilities for additional drawings on reserves and external assistance, whether grant type or not.

78. This is why the mission considers that a different scenario must be adopted. This scenario comprises two components:

- (1) In view of the urgent need for financial recovery, a program must be implemented at the earliest opportunity to halt the decline in the reserves;
- (2) For the period 1984-88 an investment program scaled down by about US\$100 million is proposed together with a heightened effort to halt the erosion of the savings capacity and maintain the level of the reserves. However, the mission also considers that external grant-type aid would have to be kept at a level close to US\$95 million per year, in order to prevent stagnation, or even contraction, of production and consumption that would compromise the Government's campaign against poverty.

79. The immediate financial recovery program should aim at reducing the economy's resource deficit by between US\$30 and US\$40 million in 1984, and starting if possible in the closing months of 1983. This could perhaps be achieved by expenditure cutbacks, chiefly on the part of the State, the public enterprises and the social agencies, plus increased receipts derived primarily from taxpayers and the users of public services. Opportunities are not lacking, provided an effort is made to search them out. Without any in-depth advance

study, the mission can suggest the following: on the expenditure side, certain investments could be deferred, together with reduction of the national military effort, of the cost of medication and of consumer subsidies and, if necessary, action in the wage sphere; on the receipts side, the domestic excise tax could be increased one or two points, together with social contributions, and the prices of energy and water could be raised. Given the size of the target figure, a combination of diversified measures seems called for, if only to rally public opinion behind the authorities in the matter.

80. As regards the period 1984-88 and the long-term actions, the problems posed by the country's capacity to absorb investments (and the assistance that comes with them), together with the detailed possibilities for cutting down the investment program proposed in the government document, are examined in their sectoral context in Part IV of this report. Here, it is only necessary to underscore that this reduction (or deferment) of expenditure should only relate to:

- social development projects (stadium, for instance) whose impact on the income of the most disadvantaged is nil or minor; and
- productive projects whose return is slight or negative, even if they are already under construction or financing has been secured for them (Tadjourah road and PK20 irrigation project, for instance), and ones which are exposed to high commercial and technical risks (cement works). This reduction exercise and the application of selection criteria must be brought to bear on the full amount (US\$490 million) of capital expenditure slated for 1984-88 and not just the new projects (US\$310 million), if an optimum improvement in the average effectiveness of these expenditures over the period is desired.

81. The overall policies that might permit strengthening of the economy's savings capacity and enhance the efficiency of its functioning are discussed in the sections below. These policies relate to public finances, the financial system, prices, competition and the mobilization of external savings.

#### Strengthening of the Public Savings Capacity

82. The State's savings capacity is covered by legislation that formalizes a practice firmly anchored in political and administrative thinking since colonial days. Under the 1982 orientation law (Art. 68), the Government is required to submit to Parliament and execute under its scrutiny a budget in which revenues and expenditures are balanced. This principle has, however, been breached by the practice of carrying unused capital expenditure appropriations forward without any limitation of time or amount, and by the opening of numerous special non-budget accounts. These practices developed in response to quite understandable pressures (to ensure the financial continuity essential to proper project execution and for recording movements relating to foreign aid), but they obscure the concept of a balanced budget. In fact it is very difficult, if not impossible, to ascertain the overall balance of State operations. A State accounting plan is under study by the Treasury. The necessity of putting this plan into application as soon as it is ready cannot be over-emphasized. It is vital that the Members of Parliament and the Government be fully aware, without

any imprecision whatsoever, of the net overall effect expected from the State's operations, since they cannot otherwise make informed decisions on the budget choices that are their responsibility.

83. The policy on operating expenditures has been rigorous up till now. In particular, civil servants are replaced on a one-for-one basis in the existing departments and their salaries have only been raised twice since independence, the last time being on July 1, 1980. The growth of these expenditures is nevertheless tending to speed up under the pressure of the following factors, listed in the order of their relative importance in 1978-83:

- (1) The assumption by Djibouti of expenditure on national defense;
- (2) The increase in general administration expenditures (US\$25 million between 1978 and 1983) and in economic and social services (US\$11 million between 1978 and 1983), this increase being itself connected with the recurrent needs of the projects completed during that period;
- (3) The amount of miscellaneous contributions and subsidies, which is still as much as US\$8 million in the 1983 budget;
- (4) The interest due on the public debt, which has increased but is still a small (US\$2.5 million) item in the 1983 budget.

84. These factors will continue to exercise their upward pressure on the operating budget over 1984-88, but their relative weights should change. Military expenditures, which currently represent 7% of GDP, should be expected to grow at a rate at most equal to that of GDP (if France does not scale down its assistance yet further). The relative weight of the miscellaneous contributions and subsidies ought also to stabilize, the Government having started to trim the subsidies on energy and food prices. On the other hand, the recurrent requirements of completed projects will continue to grow. The government document (Volume II, pp. 24 and 25) sets these needs at US\$73 million for 1984-88, hence an average of nearly US\$15 million/year. If the investment program were to be reduced by US\$100 million for the reasons enumerated above, i.e. by 20%, it is reasonable to presume that these recurrent requirements would also be reduced by a comparable proportion, so that they would then amount to no more than about US\$12 million<sup>6/</sup>.

85. The Government will have to redirect the "natural" trends of the operating expenditures to meet the needs already mentioned in regard to short-term financial rehabilitation and long-term strengthening of savings capacity. The main lines to be taken by government action in this respect are

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<sup>6/</sup> It is interesting to note in passing that the government document rightly points out that execution of the investment program will produce an estimated US\$77 million in additional revenues over 1984-88. The additional revenues will therefore exceed the current requirements over the period and the investment program will have a net positive impact on the State budget. However, this impact becomes negative once the construction phase is completed, as the State will then no longer derive revenue from construction activity and imports of capital goods for these projects. This negative impact will not become significant until after 1988.

clear. Obviously, the funding of the recurrent requirements of the capital program cannot be cut, as that would compromise the obtaining of the benefits expected from the program. The following steps, on the other hand, are necessary:

- (1) Reduction by about half of the burden of military expenditures on Djibouti's economy, either by cutting the expenditures themselves or by obtaining grant-type assistance from the countries that benefit from Djibouti's strategic position;
- (2) Cutting back to the maximum extent possible of general administration expenditures, through a drastic cost-saving plan covering buildings, supplies and administrative personnel;
- (3) Efforts to reduce the unit costs of the social services, which are still closer to French levels than to those observed in other developing countries;
- (4) Elimination of consumer price subsidies, since these subsidies are not an efficient means of achieving the social goals sought as they also benefit groups who have no need of them.

86. On the revenue side, the Government has practiced an active fiscal policy since independence. Receipts rose by an average of 18.8% a year over 1978-82, thanks to certain increases in rates and particularly to a broadening of the tax base as a result especially of foreign expenditures (military and economic assistance) up to 1981. However, these revenues contracted in 1982-83, mainly owing to the budget tightening applied in France and the depreciation of the French franc vis-à-vis the Djibouti franc. To meet the need for short-term financial recovery, the Government could consider some moderate rate increases along the lines suggested above. Over the longer term it would not be desirable to take such steps further, as in an economy such as Djibouti's tax rates can quickly become disincentives and prompt an uncontrollable disappearance of taxable assets. A detailed study of the fiscal system -- such as the Government intends to make -- is called for with a view to determining the components of a progressive reform. While it made no in-depth examination, the mission noted that the current system is based very largely on taxes on imports and the incomes of expatriates, which means that the yield generated is greatly dependent on external factors that are beyond the control of the Djibouti authorities.

87. The Government ought also to study a policy aimed at recovering the costs incurred by certain economic and social services. The chief items to be considered are: the supply of water for crop irrigation and stock watering; the services provided by the public education and vocational training services and grants for study abroad; medical and hospital services. All beneficiaries would not, of course, be expected to pay the full cost of these presently free services; rather, the object would be to determine the contribution that it would be appropriate and fair to require from the better off.

88. There are some by no means negligible possibilities for increasing the savings capacity of the social agencies and public enterprises. Regarding the former, the prices of medications which are currently either reimbursed or provided free could be reduced; these tend to be pushed up to abnormally high levels by the current system. It would be possible to raise social contributions a few points. The cash surpluses of the national pension fund (CNR) could be better invested in Djibouti itself rather than with the (Caisse de Dépôts et Consignations) (CDC) in France. As regards the public enterprises, the rates for energy and water could be raised quickly with a view to cost pricing. Over the longer term, management improvements should be applied to augment the profitability of enterprises, especially new ones such as Eau de Tadjourah, the Société d'Exploitation Hotelière-Sheraton and Air Djibouti, which are presently posting operating losses.

#### Mobilization of Private Savings

89. It is no surprise to find that the financial system in Djibouti has developed chiefly to handle international operations (imports and re-exports; fund transfers; foreign investments), since that was what the residents wanted. The banks are poorly equipped to meet domestic financing requirements, other than for trade. Their lending is all short-term, because of the volatility of their resources and the lack of any internal refinancing mechanism. The Treasury does not offer the public any sort of financial savings instrument. The Government is actively endeavoring to expand the capacity of the financial system.

90. The Caisse Nationale de Développement (CND) was established in 1982 and started operations in 1983. The local banks are participating in it, as are the French Caisse Centrale de Coopération Economique and the Djibouti State. CND has been assigned the quite considerable responsibility of meeting the economy's medium and long-term credit needs, which it is expected to do solely out of its own resources and from such external lines of credit as it can obtain. If economically and prudently run, i.e. without ostentatious administrative costs or taking ill-considered risks, CND could make a significant contribution to the development of the economy. For specific needs such as the purchase of housing and of household capital goods, the possibility could be explored of setting up specialized branches of local banks which would operate with costs cut to the bone and sharing the risks. If they are successful, these branches could become capable of borrowing in their own behalf in Djibouti or elsewhere.

91. A central bank was established in 1977, as noted in Part II, but is not yet operational. The responsibilities that would be assigned to this bank are handled by the Treasury (currency issue and centralized monetary statistics) and the Association Professionnelle des Banques de Djibouti (APBD), which takes care of supervision of issue of bank money, compensation, centralization of risks, fixing of bank conditions and rulings on matters of ethics. Only two banks have subsidiaries in Djibouti (BCI-MR and Indosuez), the others just have branches. The possibility of refinancing by means of rediscounting seems to be very small in Djibouti, and it is necessary to know more about the country's monetary and financial situation. Although the APBD still suffices for the present, it would be desirable for the Central Bank to be set in motion.

92. The APBD fixes the conditions to govern banking transactions with the tacit approval of the Treasury. Among other things, it sets the currency buying and selling prices to be applied by the banks (see Table 7.5). Nevertheless, there is competition between the banks, which concentrates on the non-predetermined conditions and therefore obscures the real level of the margins practiced and the banks' positions. It would also be desirable, and in the interest of the Djiboutian banks, to introduce rather more transparency in local interbank competition. The Central Bank could also pursue with greater vigor a rate policy more in line with Djibouti's interests.

93. Under the above reserve the financial system is noteworthy for its prudence and frugality (the supervisory functions entail very little cost; buildings are not ostentatious; personnel seem to be deployed to the best advantage). These features should remain essentials for the future development of the system, in the setting of free movement of funds, fixed parity between the Djibouti franc and the dollar, and banking secrecy. They will also favor expansion of the role of Djiboutian banks in the region.

#### Policy on Prices and Competition

94. Prices are very high in Djibouti, which probably keeps saving and investment down. There is a whole sequence of reasons behind this situation. The country has to import all the goods it needs but because the local market is small these imports are made in small quantities. This means that the purchasing in the countries of origin cannot be done at the best prices and transport costs are high. In Djibouti itself, the CIF cost of the items is increased by quite substantial markups (averaging 60%) and indirect taxes (averaging 20%) before they reach the end user, consumer or investor. In addition, a sizable proportion of services are performed by expatriates at high cost, given the trying living conditions. The cost of living is therefore very high as is that of investment.

95. The components of the price policy followed up to the present are as follows: (1) the prices of bread, lamp oil and certain food products are fixed and subsidized by the State (thanks to grants from the EEC) in order to make these items more readily available to the poor, but the rich also benefit from these subsidies; (2) the prices of a score of staples and a dozen or so building materials are subject to an approval procedure during which the State fixes the local distribution markups; (3) prices of pharmaceuticals are subject to a special system that ought to be revised because it leaves the pharmacies distinctly excessive margins; (4) prices of oil products are also subject to a special subsidy system with equalization (financed by grants from Saudi Arabia); (5) cost pricing is applied in the public enterprises, but cyclical or temporary subsidies are given in practice. All other prices are uncontrolled.

96. The Government intends to continue with this policy, which by and large appears well suited to the very special circumstances of the local market. It is necessary, for instance, to control margins in sectors where there are only one or two distributors. However, some corrections ought to be applied. It has already been noted that the subsidies from the State budget for food and energy products ought to be eliminated. The margins allowed on the "approved" products should also be tracked more closely, with a view to reducing them when the productivity of distribution improves or when circumstances change, as in the case of pharmaceuticals.

97. Moreover, competition does not function smoothly in Djibouti owing to the small size of the market and the practice of obtaining supplies from France through channels established before independence. A more active policy seems essential as regards competition. Regarding individual practices, violations of the regulations governing the publishing of prices, refusals to sell and abuse of dominant position should be punished. Consumers ought also perhaps to be encouraged to organize to protect their interests. As regards collective practices, studies of price formation should be made (as the government document proposes) in order to ascertain the distribution networks where prices are manipulated and to formulate measures to counter such manipulation.

#### Mobilization of External Savings and of the Absorptive Capacity of the Economy

98. The amount of external borrowing proposed by the government document for 1984-88 does not appear excessive in relation to the economy's debt-service capacity. However, this assessment is based on two assumptions that need to be underscored. The first is that the amount of foreign expenditures prompted by strategic and military considerations will be maintained, in volume terms, at least at the 1982 level, because it is on these expenditures that Djibouti's "real" exports (as defined in para. 45) and, as a result, its capacity for servicing external debt very largely depend. The second is that the average conditions for future borrowings be at least as favorable as those applicable to the debt contracted as of the end of 1982; i.e., on average, interest of 2.7% and a period of 21 years, including a six-year grace period. On the basis of these two assumptions, the mission estimates that service of the external debt will reach a maximum of US\$14 million during the 1990s, whereas "real" exports ought already to have topped US\$40 million by 1989 and will continue to grow slowly thereafter, as the economy develops its production capacity.

99. It should also be borne in mind that the maintaining of the overall economic and financial equilibria over the medium term will call for grants of the order of US\$95 million per year in 1984-88. This results from the twofold need to prevent any pronounced economic contraction that would compromise the Government's anti-poverty efforts and to cut by half the relative weight of Djibouti's own military spending on the economy and in the budget.

100. The above considerations establish that, from the financial angle, the economy will be able to absorb the investment figure adopted by the mission for 1984-88 on the basis of the proposals and analyses contained in the government document prepared for the Donors' Conference. It should be noted that these macroeconomic financial considerations are based on the implicit assumption that the Djibouti economy possesses the physical capacity necessary to usefully absorb the amount of investment envisaged, together with the external grants and loans that will accompany it. However, this assumption needs to be carefully examined.

101. Generally speaking, it can be stated that Djibouti's physical absorptive capacity can be increased without major problems through recourse to foreign (and, in particular, French) technical assistance. Past experience bears this out; the absorptive capacity was swiftly expanded after independence. Djibouti now has a sizable stock of project studies (even though some of them are not altogether satisfactory). The average annual investment figure taken by the mission for 1984-88 does not exceed the 1983 level. The liberal operating conditions of the economy are also helpful in this respect;

the complicated rules and regulations concerning foreign exchange, imports, investments, credit and prices that commonly cause obstacles even in certain countries that consider themselves advanced are not found in Djibouti.

102. It is nevertheless true, still speaking in general terms, that the Djibouti authorities are still not too well able to cope with coordinating the various foreign aid sources and resources involved in project financing. Delays have occurred in the past, leading to production losses. This was why Electricité de Djibouti was unable to install in time the generating capacity called for by demand, with the result that the functioning of the economy is obstructed by daily power cuts. The authorities' lack of experience, coupled with the local politico-administrative environment, are certainly at the root of the difficulties experienced in coordinating foreign aid. In all fairness, however, no small part of the blame must also be laid on the -- at times contradictory -- procedural and other requirements of the bilateral and multilateral aid agencies. Thanks to the patient efforts of all concerned, these problems, the relative magnitude of which should not be exaggerated, ought to diminish in the future. The reduction in the investment program proposed by the mission will mean that the execution of the government program will have to be spread over a longer period, which should help to ease coordination and absorption problems in general.

103. The absorptive capacity in the individual sectors -- which is where the real problems arise -- still has to be considered. This aspect is examined in the concluding part of the report, but some general observations can be made at this point. The absorptive capacity is relatively good in the traditional sectors, viz. transportation, communications, electricity and services, in which the economy has been specialized for a number of decades, and also in the health and education services, which can count on external technical assistance. This capacity is still small, however, in the new sectors of agriculture, industry, geothermal energy and urban development, where formidable natural obstacles have to be overcome and original technical experience acquired. The building and public works sector is easily able to cope with demand in Djibouti, but its prices are high and the prolonged heat of summer greatly reduces construction workers' efficiency. There are local firms that can handle small jobs and foreign contractors, with or without branches in Djibouti, for big ones, all with sufficient experience.

#### IV. SECTOR POLICIES AND PROSPECTS

##### Statistics on Investment

104. Investments in the five-year period 1978-82 totaled some US\$227 million at current prices, or approx. US\$255 million at 1983 prices. These investments tripled in volume between 1978 and 1982, thanks among other things to external financial and technical assistance. Investments were running at an annual level of US\$75 million at current prices in 1982. The government document puts the figure for fiscal 1983 at US\$88 million, while the mission has adopted a provisional estimate of US\$80 million based on information obtained from official Djibouti sources.

105. The above figures do not include purely private operations, for which the Government, while maintaining a totally noninterventive stance, is preparing some incentives. Private operations in 1978-82 are estimated very roughly at US\$23 million (US\$6 million in 1982), i.e. about 10% of the public and semipublic figure. While the sector breakdown of these operations is not fully known, they can be said to be concentrated in the building and public works sector, in conjunction with the public and semipublic program and also in response to a miniboom in demand for housing and private office buildings. Private operations are also quite significant in the trade, road transportation, banking and small-scale services (mechanical, electrical and electronic maintenance) sectors. Data processing is in its early stages in Djibouti. It has a promising future (on the scale of the country, of course), which the Government can no longer continue to ignore, if only to avoid costly duplications and incompatibilities.

106. For the five-year period 1984-88, the government document for the Donors' Conference proposes a public and semipublic investment program of some US\$482 million at 1983 prices (Tables 6.1 to 6.3), to which should be added the US\$8 million representing expenditures that it will not be possible to effect in 1983 and will therefore have to be carried forward to subsequent years. Of this program, ongoing projects, i.e. those for which the necessary external assistance has been obtained or promised, represent US\$171 million and new ones for which external funding has yet to be obtained, US\$311 million.

107. For the reasons of overall financial equilibrium discussed in Part III and Annex 1, the mission considers that this 1984-88 program ought to be reduced by US\$100 million and brought down to a total of about US\$390 million. This would amount to a volume increase of the order of 50% over 1978-82. However, the annual average for 1984-88 would then be US\$78 million i.e. very close to the actual annual average of US\$77.5 million for 1982-83.

108. The scaled-down program proposed by the mission would be financed as follows:

- (1) About US\$20 million from the Djibouti budget;

- (2) About US\$176 million from medium and long-term foreign loans, the terms and conditions of which ought to be at least as favorable as in the past, in order to prevent an excessive increase in debt-service obligations;
- (3) About US\$194 million from grant-type assistance (US\$39 million per year, on average), it being understood that current budget subsidies ought also to be obtained, in an amount of about US\$281 million (US\$56 million per year, on average), with a view to helping the Government meet the expenses imposed by defense, youth training and the campaign against poverty.

109. With the assistance of the Djibouti authorities, the mission also undertook a systematic examination of the absorptive capacity of the various sectors of the economy. This enabled it to draw up a list of projects in the 1984-88 program through which the proposed cost reduction could be achieved. This list is given in Table 6.2. The projects contained in this list were selected on the basis of considerations that were complex in certain instances and are explained further on in this part of the report. The list yields a total of US\$179 million, which is distinctly more than the US\$100 million reduction proposed. It is the mission's view that neither the Government nor it presently have available the data needed for making definitive reduction proposals. These can only be formulated after a detailed supplementary examination of the projects concerned that will lead either to some of them being dropped altogether or to partial deferments of expenditures that will produce the reduction sought, in conjunction with an enhanced average return from the program as a whole. A more regular spread of the program over time should also be aimed at, to take account of yearly cyclical circumstances among other things. This would entail reconsideration of the execution schedules for all the projects.

110. To achieve this twofold aim -- reduction plus more regular spreading of the program -- it will be clear that the Government will have to make many decisions based on the relative costs, benefits and priorities of different projects, which will call for detailed preparatory work at the level of technical and economic analysis of projects. The mission feels that this work can only be properly done by a high-level interministerial coordinating unit. This unit could be the working group that prepared the document for the Donors' Conference, or an expanded group of equivalent status. It would be highly desirable to stipulate, through appropriate legislation or regulations, that the Government may not make decisions on the future of projects without first obtaining this group's opinion.

111. The sector breakdown of public and semipublic investment for 1978-82 is not available, and neither is that for the reduced program proposed by the mission for 1984-88 as the necessary decisions have not yet been taken. However, the program proposed by the Government document for 1984-88 (Table 6.1) breaks down as follows (in %):

	<u>Total program</u>	<u>New projects</u>
Water, agriculture, stockraising, fishery and forestry	8.1	11.2
Industry, energy and research	27.1	28.0
Transportation and communications	35.5	25.8
Urban and social development	29.3	35.0
Total	<u>100.0</u>	<u>100.0</u>
Total in US\$ million	481.8	310.7

112. The differences in breakdown between the total program and the new projects reflect the orientation the Government intends to give Djibouti's development in 1984-88. Basing itself on the results of the 1978-82 period, during which numerous sector and project studies were made, it proposes to concentrate on what it terms the productive sectors, on the one hand, and on urban and social development, on the other. At the same time, the share of transportation and communications would be reduced by nearly 10 points. The latter decision also reflects the low dynamism of international demand in regard to the port and airport of Djibouti, owing to new international transportation techniques and, primarily, the protectionist measures by neighboring countries in favor of their own activities in these areas. The trimming of expenditure proposed by the mission would further emphasize this reorientation, as it is in transportation and sociocultural infrastructure of little lasting direct impact on the income of the most underprivileged (color TV and sports complex) that the biggest opportunities for deferring or cutting expenditure are to be found.

#### Efficiency, Employment and Poverty in the 1984-88 Program

113. The data contained in the government document allow for the following comparisons (estimates in millions of 1983 US\$):

	<u>Investment in 1983-87</u>	<u>GDP growth between 1983 and 1988</u>	<u>Ratio of (a) to (b)</u>
	(a)	(b)	
Total	520	178	2.9
Agriculture (excl. water)	35	12	2.9
Manufacturing industry	45	15	3.0
Transp. and telecommunications	167	31	5.8

114. The ratios between investment in 1983-87 and GDP growth between the same years can be considered representative of the marginal efficiency of capital, although with numerous conceptual reservations that need not be spelled out here. We would simply note that the overall ratio of 2.9 is low on account of the severe constraints of the Djibouti economy and the relative weight of investments in physical infrastructure and geothermal prospecting. The agricultural ratio is artificially low because the cost of water supply equipment is not taken into account. The ratio for transportation and

telecommunications, on the other hand, is increased by the cost of the largest investment in the program, the Djibouti-Tadjourah highway. It is clear that the reduction in expenditure proposed by the mission would raise the average efficiency of investment in Djibouti.

115. The impact on employment of the 1984-88 program presented in the government document is estimated (in that document) at 1,495 jobs by 1988, not counting jobs created in the building and public works sector. The capital cost of each job created works out at over US\$380,000 in 1983 dollars, which is not surprising since the composition of the program favors several large investments with long gestation periods. This job creation relates essentially to jobs classified as permanent, which in Djibouti number no more than 40-45,000 for a population of working age totaling some 210,000. They represent less than 4% of the total inventoried.

116. In Djibouti, therefore, poverty will not be eliminated or eased by the creation of permanent jobs, because the number of such jobs created is relatively small, but rather by a combination of various sectoral actions the quantitative impact of which is not readily measurable, even though it is far from negligible for the beneficiaries. These measures can be summed up as follows:

- (1) Agricultural development projects, without unduly costly water facilities, and stockraising improvement projects, including the establishment of watering facilities that lessen to distances to be covered to reach water and reduce the risk of animals dying of thirst;
- (2) Urban development, encompassing a whole range of operations in the poorest districts of Djibouti and carried out with the physical and financial participation of the beneficiaries;
- (3) Expansion of the training and health services at lowest possible unit cost in order to reach the largest possible number.

117. However, it must be noted that in Djibouti these measures in favor of the least privileged do not yet form part of an entirely coherent strategy. Several components are still lacking. Far too little is yet known about the target social groups of the drive against poverty, for instance their precise numbers and which of their basic needs have not yet been met. These data have to be ascertained, for which priority support from external grant funds would be warranted. Achieving lowest unit costs is not yet a major concern of the training and health services, which tend on the contrary to model themselves on their French counterparts. Here, too, a priority research effort using external grant funds would be valuable. Finally, in the agriculture sector there is no policy on recovering water costs from beneficiaries, despite the fact that such a policy is essential. It is not a matter of going all-out for 100% cost recovery, or even for 50%, but of determining an appropriate contribution, as it is obvious that the present policy of free supply will lead to an impasse, given the budget constraints. The country just cannot afford to continue supplying free of charge to the people and livestock of the interior water brought up at great cost from underground.

### Water Supply Development Policy

118. Water is the most severe constraint on the development of the economy, and on that of agriculture and stockraising in particular. During 1978-82 investments totaling over US\$9 million were devoted to prospecting for and developing water resources for rural and urban consumption. Supply to the city and the logistic resources of the Rural Engineering Department received special attention. A scientific inventory of resources was also made. However, the findings of that inventory have still to be converted into terms that will make them usable by the technicians.

119. Six new water supply projects are proposed in the 1984-88 program, at a total estimated cost of US\$7.8 million. The mission did not have the technical expertise required to make an appraisal of these projects. It wishes solely to draw attention to the situation of the Office National de l'Eau de Djibouti (ONED), which handles the production, transmission and distribution of water in the capital and the other urban centers. ONED's rate structure appears to be quite appropriate and its self-financing margin is not negligible (about DF 150 million in 1982), but it still suffers from technical and organizational deficiencies that make it deserving of outside technical assistance.

### Agriculture, Stockraising and Fishery

120. The least that can be said is that agriculture and stockraising have had to overcome formidable natural obstacles in Djibouti, where it rains for less than 6 hours a year. The tiny quantities of rain received (144 mm per year on average in 1961-70) vary very greatly from one year to another and about one-third disappears immediately through evaporation. The very high temperatures from May to September (35 C on average) limit vegetation and exhaust men and livestock. The soils are too poor for crop raising without application of considerable quantities of fertilizer. Outside the Djibouti city urban area, potential producing areas are very hard to reach owing to the rugged terrain and the lack of roads. Obviously, only irrigated crops can succeed and irrigation is very costly, when the underground water is not too salt-laden.

121. Notwithstanding these exceptional constraints, the number of farms has risen from about 100 before independence to some 650 today. Most of them are really private gardens of 2,000 to 3,000 m<sup>2</sup> that have been established at watering points or near intermittent water courses close to urban areas, i.e. essentially Djibouti city. These gardens produce vegetables that can stand up to heat (tomatoes especially); fruit trees cannot make it. It is estimated that a garden produces an average annual income of DF 350,000 (US\$1,971) for a family (six persons on average). There are also ten official gardens and one ornamental nursery established well before independence by the French administrators. Finally, in the higher part of the mountainous north the Day Forest covers several hundred hectares and there are also some doom-palm groves. For the moment, this forest and the palm groves are used primarily by transhumant flocks and herds. The Agriculture and Forestry Service, which is responsible for developing the country's agriculture and forestry resources, has four university-graduate staff, three senior technicians, five agricultural technicians and six expatriates attached to its projects. Its premises and equipment are comparable with its human resources, i.e. very limited.

122. During 1984-88 the Government intends to pursue the aggressive development policy that it has followed since 1978, because although the country's agricultural potential is limited it is still far from exhausted. FAO estimates the area cultivable under irrigation at 6,500 ha, whereas less than 200 ha is presently under irrigation. The projects proposed in the government document are modest, thoroughly researched operations that warrant the financial and technical support sought from donors. There is just one exception: on the basis of information it gathered, the mission considers that the irrigation schemes currently under way (PK20 in particular) are excessively costly per hectare.

123. Stockraising provides the livelihood of the nomad population. The country has some 500,000 goats, 350,000 sheep, 50,000 camels, 40,000 cattle and 6,500 donkeys for a nomad population numbering about 65,000. Most of the nomads live below the poverty line, under the constant threat of lack of water. Commercial dairy farming has been started at Ambouli, near Djibouti, on the largest private farm in the country (which is still only 4 ha). However, this experiment is unique. According to information obtained, there is virtually no marketing of livestock products; almost all the exports of live animals and salted hides passing through the port in fact come from Ethiopia, as do nearly all the animals processed in the Djibouti slaughterhouse.

124. Notwithstanding the extremely limited human resources (the Livestock Service has only one Djiboutian veterinarian), the Government has worked hard since independence to upgrade stockraising and, especially, to formulate a policy for so doing. As a result, the government document for 1984-88 includes six projects that the mission views as having priority. Two of them (restoration of palm groves and improvement of production) would have an eminently desirable impact on the production and income of the nomadic stockfarmers at a modest cost. The other four are essential (stockfeed and new slaughterhouse and hide-drying facility) or sufficiently promising (tannery and poultry farming) to attract private investors. In any case the size of these projects should be related to projected production figures.

125. Small-scale fishery has made considerable progress since independence thanks to the implementation of a sensible policy, as regards both the cooperative organization of the fishermen and of marketing, and also the boats and gear used. Annual production has risen from less than 80 tons before independence to about 500 tons in 1983. Ninety-five percent of the 300 fishermen are members of the cooperative, which is operating on an even keel financially. The aim is to reinforce the sector and to raise production to 3,000 tons a year by 1990. A single new project is included in the 1984-88 program: construction of a specialized quay that is estimated to cost US\$5.5 million. The study of this project is to be made in 1984 and is deserving of external assistance.

### Energy, Mining and Exploration

126. The economy's energy needs are covered entirely by importing petroleum products. These imports, together with storage and distribution to users, are handled by three foreign oil companies. Power generation by means of imported fuel oil, together with transmission and distribution, are

responsibilities of a public enterprise, Electricité de Djibouti (EDD). Local fuel and power requirements have risen considerably since independence. Whereas the foreign companies have been able to meet the demand without any problem, EDD has experienced serious difficulties. For reasons stemming primarily from the poor coordination of external financing, EDD has been unable to install the necessary capacity in time; as a result, power cuts have become a daily nuisance for users. This situation is unacceptable, especially because of the constraint it places on expansion of economic activity. EDD's financing needs should be covered in future without costly hesitations of this kind.

127. The selling prices of petroleum products to international users in the port and airport are uncontrolled. For sales to local consumers, on the other hand, the Government has since 1980 operated a complex system of subsidies and price equalization thanks to two external grants totaling US\$10 million for 1980-83, but has not authorized an adequate increase in EDD's rates, thereby compromising EDD's financial equilibrium. The two grants have now been used up and the Government needs to recognize that it does not itself have sufficient means to continue to subsidize domestic energy prices. Moreover, the subsidy and equalization system imposes distortions that cannot be justified on economic or social grounds. The structure of energy prices must be reconsidered, with real prices in mind.

128. Djibouti can ultimately expect to be able to replace a substantial part of the petroleum product imports presently used for power generation by means of utilization of its geothermal energy resources. The country possesses important reservoirs of high temperature liquids or vapor that could easily be exploited, particularly to produce electricity. Started in 1970, the geothermal exploration has led to a discovery in the Lake Assal area; unfortunately, this area cannot yet be exploited given the corrosiveness of the fluids found. In its 1984-88 program, the Government proposes for external financing an exploration project in the Hanlé zone (US\$30.5 million) and intends to continue the ongoing exploration work in the Lake Assal area. A recent mission from the OPEC Fund and the Italian Government in which IDA was represented has appraised Djibouti's geothermal prospects.

129. There are also deposits of diatomite and perlite, which are insulating materials used in building construction. Two projects for mining these materials for export are proposed for external financing.

130. Finally, the sun bathes all of Djibouti with an enormous energy potential. The average insolation represents the equivalent of 6 KW per square meter per day. An irrigation project using experimental solar pumps is included in the 1984-88 program. There is also the -- much more modest -- possibility of using wind energy on the coast and in certain parts of the interior.

131. The Institut Supérieur d'Etudes et de Recherches Scientifiques et Techniques (ISERST) has been established to ensure technical backup for the exploration for and production of the country's new energy and mining resources. The mission considers that ISERST and the projects it has responsibility for warrant technical and financial support from external sources. In particular, such sources should take care of the financial risks associated with exploration for underground resources, the experimental exploitation of new forms of energy (geothermal, solar and wind) and the fundamental research conducted by ISERST, inter alia because of the international technological spinoffs to be expected from these activities.

## Industrial and Tourism Development

132. Apart from energy, mining and agroindustrial undertakings, industrial development is limited to a few quarries and some units supplying construction materials, plus three bottling plants (Tadjourah mineral water, Pepsi and Coca Cola). Small-scale service concerns handling mechanical, electrical and electronic maintenance work are quite well developed, thanks to the importers of these articles. The technical training facilities are unable to meet all the needs for specialized labor. Djiboutian entrepreneurs are accustomed to building, trade and services and are not yet interested in industry.

133. However, the official incentives for private investment in industry are not negligible. The protection offered by the generalized taxation of imports is relatively considerable (around 30%). The State provides project studies free of charge and offers to participate through mixed corporations. The Caisse Nationale de Développement has just been set up to meet the need for long-term credit. An investment code is under study, but its usefulness must be questioned since the best guarantee the Government can offer investors is to continue unwaveringly its policy of budgetary equilibrium as regards the State and its agencies which will enable it to maintain the free movement of trade with fixed parity between the Djibouti franc and the dollar.

134. The 1984-88 program contains two current projects (dairy and printing works), plus four new projects (woodworking, papermaking, pasta/cookie making and soapmaking). These are modest projects designed only to meet local demand. The State is prepared to participate in each of them, if desired, through the mixed corporation formula. The mission did not have the technical and commercial expertise required for a thorough appraisal of the feasibility of these projects, but nevertheless considers them to be promising.

135. The 1984-88 program also contains two projects that the mission feels are technically more involved and commercially more risky, namely the brickworks (US\$2 million) and the cement works (US\$42 million). These projects deserve careful study, as the program suggests, because Djibouti has the raw materials required except for energy. However, no final decision should be taken before these studies have been completed. In the case of the cement works, the Djibouti authorities are unlikely to be able to commit themselves unless they can bring in foreign partners (states of the region or multinational companies) who will guarantee to take the cement produced for export and will share the entire financial risk. Moreover, the possibility would have to be explicitly excluded of selling the cement at lower prices (delivered Djibouti) for export than for the domestic market, since Djibouti's economy is far too weak to be able to bear the hidden weight of an implicit subsidy of this type.

136. Tourism is still little developed in Djibouti, despite the effort that has been made to expand the facilities. The Sheraton hotel opened two years ago has doubled the number of beds available, but is still operating at a considerable loss so that the State has to cover its cash-flow needs. This situation cannot be allowed to continue, since the Djibouti State should not be indirectly subsidizing the accommodation of foreign tourists. Financial equilibrium must be sought through radical changes in the form of management and, possibly, rescheduling of the loans contracted to finance the hotel's construction. The 1984-88 program includes three small tourism projects aimed primarily at making travel in the interior of the country easier for tourists -- and also officials and guests of the Government. There is a real need to

improve accommodation facilities in the interior, but it is to be feared that these projects will increase the deficit of the public tourism agencies and add to the State's expenses.

### Transportation and Communications

137. Increasing the international role of the economy will continue to be one of the Government's key objectives for developing the country in 1984-88 as it has been so far, because this amounts to taking advantage of Djibouti's sole comparative advantage: its geographic location. Achievement of this aim requires an efficient transportation and communications system with appropriate ancillary services. The strengthening of this system and its continuous adaptation to the fluctuations of international demand are permanent goals of the Government's transportation and communications policy. The system is also being developed in order to open up the regions of the interior and, as a result, to facilitate the growth of economic activity and incomes (as well as strengthening national cohesion and facilitating security).

138. These goals underlie the 1984-88 investment program submitted for external financing. The program includes 15 transportation projects (US\$145 million), eight of which are new (US\$64 million), and 11 telecommunications projects (US\$26 million), five of which are new (US\$17 million). A brief description of these projects is given in the government document and the schedule of expenditures is shown in Tables 6.1 to 6.3.

139. The mission did not have the expertise to make a fully informed appreciation of the technical and economic justifications of these projects, except for the road projects which IBRD had studied in 1982. It nevertheless believes that, in the context of the reduction of the 1984-88 program dictated by the immediate need for financial recovery as analyzed in Part III, four projects ought to be made the subject of a supplementary study because they offer possibilities, without economic drawbacks, for deferring or dropping expenditure. These are the Djibouti-Tadjourah highway, the justification for which appears to be primarily political and military (its economic return is probably nil or negative), together with Quay 14 and the expansion of the airport, which could certainly be deferred with more intensive use combined with less costly upgrading of the existing facilities. These considerations are detailed below in their subsector context. Finally, there is the color TV project, which could be held over for a time.

140. The port and port services. About 2,500 persons are presently employed in the port, consisting of the Port Autonome de Djibouti staff (470), the dockers and the employees of the private port service companies. The activity level in the port has remained static since independence (see Table 8.4), mainly because of the low level of transit traffic to Ethiopia. The Port Autonome has endeavored to develop new activities: a cold-storage entrepot has just been completed and a container terminal soon will be. The installation of the container terminal will improve the competitiveness of the port. A development master plan has been drawn up. However, the port's financial position has been made precarious by the growing cost of servicing the loans contracted to finance these diversification projects. Moreover, Djibouti is experiencing increasing competition from other ports in the region, Assab and Jeddah in particular, which are developing because of the protection given them by their governments. Traffic prospects are not very encouraging, as long as

political factors block any increase in traffic to Ethiopia, while the forecasts regarding purely local inward and outward traffic (military base, agriculture and industry) indicate relatively minor growth. This is why the mission considers (while recognizing that the political block could be removed at any moment) that for the time being it would be better to put a freeze on capacity increases and concentrate on intensifying the utilization of existing facilities, at a very low capital cost.

141. The airport. Air traffic also appears to have stagnated since independence (see Table 8.4) and the prospects are no better than for sea traffic as the same factors are involved (active competition from other airports in the region; relatively low level of local inward and outward traffic). After a temporary rise in 1977-79 due to Uganda's coffee exports passing through Djibouti (for political reasons), air freight has dropped back to around 9,000 tons/year. Nevertheless, the French military activities have transferred to Djibouti International Airport an increasing part of the services they used to handle. This transfer has adversely impacted the financial position of the airport, which was already operating at a deficit; it can only meet its expenses thanks to an indirect subsidy of FF 2-3 million from the French State, not including assistance with capital expenditures. These being the circumstances, the mission does not feel that the airport expansion project is justified, especially bearing in mind that there are extensive possibilities for intensification and upgrading, at little cost, as regards the existing passenger and freight-handling facilities.

142. The airline. Air Djibouti was formed in 1980 and is owned 92% by the State and 8% by Air France. Its fleet consists of two Twin Otters for local and regional traffic and a B-727 for international traffic. The Government has reduced the landing rights of other airlines to protect Air Djibouti, but the company is still posting operating losses that have to be financed out of the budget. This protectionist attitude constitutes a significant exception to the Government's liberal policy in the other sectors of the economy. In view of the cost of this policy for the budget (and the nation) the mission feels there is little or no justification and that the Government should consider a return to freedom of air traffic, even if this were to entail radical modification of the purposes of the national airline.

143. Altogether, the public transportation enterprises are all faced with serious problems, which result (Table 5.12) in operating deficits, negative savings and an overall financing need at the level of their financial accounts. The Government cannot allow the situation of these enterprises to deteriorate further, bearing in mind the need for all-round financial recovery. Since any action on prices and rates is severely limited by international competition, improvement can only be achieved by drastic measures in the operations area while keeping all capacity investments to a minimum.

144. Telecommunications and postal service. Thanks to an investment policy well suited to the needs of the market, the public enterprise given the monopoly of telecommunications and postal service (OPT and its subsidiary STID) is in a healthy financial position that contrasts with that of the transportation enterprises. In 1981, its gross operating surplus amounted to US\$3.7 million. Savings were US\$4.8 million and financing capacity US\$8.4 million (see Table 5.13). These results more than offset the consolidated deficits of the transportation enterprises. Moreover, its equipment is in good operating condition and its service of satisfactory quality. According to the experts, OPT's program for 1984-88 is justified.

145. Road transportation. The road network as a whole is little developed. Efforts in the past have been concentrated on the streets and roads of the capital and its immediate environs, and on the links with Ethiopia and Somalia. The rest of the country, i.e. especially the rugged north and northwest, were neglected owing to the high cost of possible links and the lack of resources. The road system totals 2,650 km, of which only 250 km is paved but not readily usable by trucks because of its poor condition. Djibouti had 11,500 road vehicles in 1982, registrations having averaged 1,390 a year over 1978-82. This number included 1,300 taxis and buses and 700 trucks ranging from 6 to 15 tons that are operated in complete freedom by highly dynamic small and medium enterprises.

146. The road program includes the Djibouti-Tadjourah highway project which has already been designated above as a candidate for deferment. Another reason for the deferment of this project is that highway maintenance costs for this road may reach US\$250,000 - 300,000 per year. The rest of the program appears to be altogether justified, especially the maintenance project for which financing has been obtained and the project for upgrading the dirt roads for which financing is sought. The urban bus station is possibly a lower priority, being chiefly an investment for user comfort; in any event, the operating cost of this service will have to be recovered in full from users.

147. The railway. Opened in 1917 to serve Ethiopian transportation needs between Addis Ababa and Djibouti, the railway is in a sorry state nowadays. Since the closing of the line by the Ogaden troubles from June 1977 to June 1978, traffic has fallen to less than 200,000 tons/year (194,000 t in 1980, down to 154,000 t in 1981 and 140,000 t in 1982), because Ethiopia reserves its traffic as far as possible for the road link with the port of Assab in its territory. The four or five trains a week do the 781 km (106 km of which is through Djiboutian territory) at an average speed that cannot exceed 10 km/h owing to the age of the equipment and the poor state of the track. The number of passengers has not been recorded for several years; moreover, most of them ride without paying on the roofs of the cars and on the flatcars rather than in the passenger accommodation proper, which is notoriously hot in the heat of the day. The 375 personnel of the former CFE are now less well paid than government employees, as they have not had any raises for a number of years.

148. Even so, the railway has an obvious recovery potential, even in competition with road transportation, and the first steps have been taken to convert this potential into fact. An agreement of March 21, 1981 filled the legal vacuum in which the railway had been operating since independence, entrusting its running to a public establishment whose capital was divided equally between the Djibouti and Ethiopian States. It was then possible to obtain foreign assistance for the procurement of rolling stock, parts and telecommunications equipment that are now being delivered. A complementary track rehabilitation and technical assistance project is envisaged. However, as of now the date on which the negotiations to bring this project into being and initiate recovery cannot be specified.

#### Training of Young People and Adults

149. Because of its very limited natural resource endowment, Djibouti's economy has to rely on its human resources for its development. However, the fact is that most of these resources have not been touched by the training effort undertaken to date. Only 9% of the population can read, count and

write. This is why training of young people and adults should be assigned top priority by both the Government and the sources of external financial and technical assistance. This fundamental need has been taken systematically into account in the design of the project submitted by the Government to the Donors' Conference.

150. The labor market is very tight. There are only 40-45,000 registered positions. The rest of the workers are independent, the great majority of them being in activities offering very few prospects for income enhancement, aside from trade and modern services.

151. Besides being tight the market also suffers from a twofold disequilibrium that is particularly pronounced. The supply of unskilled labor is considerably larger than the demand, owing to the growing number of young people with no education whatsoever coming onto the labor market and also the influx into the city of unskilled immigrants. At the same time, the public and private development operations are far from able to find workers with all the qualifications needed for their success on the local market. Recourse to expatriates is general at the senior technician, foreman and middle and senior management levels, Djiboutianization still being in its infancy in most sectors. The Chamber of Commerce puts the number of expatriates working in the public services and enterprises at 6,500. In addition, the fact that only a small number of unskilled workers are able to read, write and perform simple arithmetic is a serious handicap that can only be overcome by costly on-the-job training. This handicap is aggravated by the workers often being in poor physical shape owing to malnutrition, the heat and addiction to khat.

152. The challenge posed by this situation is a formidable one, the more so as the education system itself suffers from the same sort of personnel problem as the country in general. It is still very much dependent, for both operation and expansion, on French-speaking and Arab expatriates paid out of external assistance.

153. This challenge, the measures that have already been taken and those which are still needed are analyzed in a report submitted to the Government in December 1981<sup>7/</sup>. The Government has accepted the proposals made in the report, which are included in the program of new training projects prepared for the Donors' Conference. The mission considers these projects justified.

154. In the financial sphere, the budgetary constraint will be such in 1984-88 that the relative weight of the training expenditures on the budget revenues (excluding grant funds and drawings from reserves) will have to be

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<sup>7/</sup> Emploi et Formation en République de Djibouti (December 1981), report by B. Théry and J.M. Trutat of Quaternaire Education.

stabilized, unless of course savings can be made on other items. This relative weight is 12.8% in 1983 for operating expenses<sup>8/</sup>.

This should not be increased unless corresponding operating savings are achieved elsewhere, which would mean:

- either an increase in the donors' contribution to the operation of the training system, to offset in particular the higher cost connected with Djiboutianization;
- or an increase in the grants used to finance other items, especially defense, as suggested earlier;
- or a combination of these two that has an identical net impact on the State budget.

This recommendation is based on the fact that expenditures on training constitute for Djibouti an investment the return on which will not be seen for some time and is not measurable. At the present stage of the economy and taking into account the growing volume of unskilled immigration that has been going on for longer than ten years now, the investment required would be a cost distinctly in excess of the ability of the nation to finance. It cannot be trimmed down, however -- it ought even to be increased -- without leading to a deterioration that would irretrievably compromise the future, condemning the bulk of the population to greater poverty.

155. The following indicators reflect the effort already put into primary, secondary and higher education:

<u>No. of students</u>	<u>1978/79</u>	<u>1982/83</u>
Primary	14 743	20 433
of which: (Private)	(1 722)	(1 503)
Traditional secondary	2 697	4 429
of which: (Private)	(169)	(242)
Vocational secondary	1 155	1 411
of which: (Private)	(312)	(435)
Normal School	62	89
Scholarship holders abroad	...	254
of which: (Secondary)	(...)	(70)
(Higher)	(...)	(184)

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Source: IBRD internal memorandum, 1983.

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<sup>8/</sup> Forecast budget revenues total DF 12,290.2 million for the 1983 budget. The training expenditures included in it are estimated at DF 2,469.5 million, which comprises not only the operation of the national education system but also miscellaneous subsidies and allocations, the cost of pensions and social benefits, the cost of the CFPA attached to the Ministry of Labor and the cost of various training services attached to other ministries.

156. In spite of this effort, there is still a great deal to be done, even if the Government only considers literacy and Djiboutianization as very long-term goals to be achieved very gradually. In quantitative terms, primary education only touches a minority (30%) of the children in the age groups concerned; secondary education is going to have to cope with the cohorts now in primary and the number of higher education scholarship holders returning from abroad is still only a few dozen a year (27 in 1983). The system capacity must therefore be expanded, especially in vocational secondary education in order to recover a part of the roughly 2,600 children (out of about 4,200) who drop out of the system each year between the sixth year of primary and the first year of secondary, while the economy's need of skilled workers is not met.

157. Qualitatively, the Djiboutian system is a recent adaptation of the French system, with which it shares certain advantages and some drawbacks. The internal efficiency of primary education is good, since only 10% of the children have to repeat. However, this education is expensive, so that universal enrollment can only be a very long term goal. It is the Government's intention to effect certain reductions in unit cost in 1984-88, but these are relatively small. To raise the literacy rate, which is currently very low, inexpensive solutions focusing primarily on young adults should be sought. In secondary, the internal efficiency is distinctly less good. The dropout rate is high, especially between the second and third years and at the level of the fifth. In addition, vocational secondary education requires radical reorientation (as well as the expansion already mentioned) because, paradoxically enough, it is producing specialists that the economy cannot use, while many other needs are remaining unmet. Active and direct participation by public and private employers should be organized for this reorientation of education -- the Government is working on this -- but immediate spectacular results should not be expected from this coordination because a reorientation of this type is no simple undertaking. In the meanwhile, the Government intends to eliminate the present hiatus between the CES which finishes at age 15 and the CFPA which starts at 16, leaving the students with an "empty" year, something that only encourages dropping out.

158. As regards highly specialized technicians and engineers and senior management, Djibouti will clearly have to rely on training abroad as local training would be far too costly. The present policy is to give all secondary school graduates a scholarship (FAC or BN). The Government intends to take a more active line in directing scholarship holders toward qualifications that are immediately usable in Djibouti, rather than letting them opt for law, economics or arts as they wish.

159. Private primary education is in serious financial straits. It has suggested that the Government transfer certain primary schools to it in order to be able to concentrate on complementary prevocational education. A solution to this problem is under study.

160. Training institutions outside of the traditional and vocational education system under the supervision of the Ministries of Education and Labor still play a minor role in Djibouti. There is an Iraqi school that takes 2,000 children in rotation and about a hundred Koranic schools which focus on religious education. There are also several specialized institutions which receive some subsidies from the State, such as the Centre Régional Interprofessionnel Linguistique (CRIL), the kindergartens, the Association Nationale pour la Protection de la Jeunesse (ANJ), the Association Mère-Enfant,

(CNFD), the Office National d'Assistance aux Réfugiés et aux Sinistrés (ONARS), Enfance Abandonnée, the Supervised Education Center and the small internal training departments of the Ministries of the Civil Service and Health. Finally, some youth centers have been built and a community center is nearing completion. This decentralized setup makes it possible to meet specific needs, of a religious and family nature in particular. It would perhaps be desirable for it to receive increased encouragement from the State, in return for participation by it in the nation-wide basic education effort. In any event, there is an urgent need in Djibouti for a large-scale campaign to impart the basics (reading, writing and arithmetic) to adolescents and young adults who have never received any education. New formulas must be sought to meet this need, without which Djiboutian society will remain for some considerable time divided between those who benefit from international services and the rest.

### Population and Health

161. Djibouti does not have an explicit population policy. The Government accepts refugees driven out of neighboring countries, with assistance from the High Commission for Refugees (HCR), without having announced any precise intent concerning immigration. The same applies as regards emigration, which is unrestricted. Contraceptives may also be freely sold and family allowances are paid up to the sixth child for registered wage-earners, but the Government has not yet set any target as regards natural population growth, which is estimated at 3%.

162. Life expectancy is estimated at 50 years and infant mortality at 120 per 1000. Although very hot, the climate is relatively healthy. Djibouti has a relatively large number of expatriate medical personnel and the best medical and hospital services of the region, although certain equipment and facilities are showing signs of wear. Registered wage-earners benefit from an advanced social welfare and medical system (CPS-SMI) and the free care provided by the public hospital is open to all, even foreigners and refugees. All in all, health expenditures in 1982 represented some 5.6% of GDP, or US\$20 million.

163. While medical coverage is good compared with neighboring countries, it is still far from sufficient in terms of the population's needs. Tuberculosis affects 15% of the population. The interior of the country is still poorly served. The poorest of the poor only receive partial care. Prevention is largely disregarded. There is also the problem already mentioned of the excessive cost of medications, which puts them out of the reach of families not covered by the social welfare system. The 1984-88 program contains three small new projects proposed for external financing which seem indispensable, together with a supply pharmacy project that would fill a real need and show a good return, compared with the present supply system. In addition, the Government proposes to place greater emphasis on prevention through the public health service.

### Urban Development

164. Two-thirds of the country's population lives in the capital, Djibouti. The city's population rose from 115,000 in 1972 to 195,000 ten years later, according to estimates given in the government document. The average

annual growth rate works out at 5.4% over that period, 3% being natural growth and the other 2.4% the result of immigration from the interior and from neighboring countries. At this rate, Djibouti is presently gaining more than 10,500 inhabitants, nearly 4,700 of whom are immigrants, per year.

165. Bearing in mind the very low income level of the new arrivals and of a large part of the inhabitants of Djibouti, and also taking into consideration the constraints on public resources, it is no surprise to note that over the past decade urban infrastructure, services and housing have lagged well behind even the most elementary needs for about 40% of the population. The old districts are overpopulated (45,000 inhabitants) and very run down. Balbala (25,000 inhabitants) is a squatter development with the most rudimentary housing and no proper streets, services or infrastructure with the exception of two water-supply points. In these districts, the residents are in a similar situation to refugees, driven out of their native regions or countries by poverty or turmoil or both. Djibouti does not have the means to provide them with jobs or to receive them with anything but the barest necessities. The torrid heat from May to September makes life even more wretched for these totally destitute people.

166. The Government has not been able to carry out more than a few site allocation and social housing operations since independence but has managed to keep the existing roads and services in shape. The private sector has responded as well as possible to the needs for increased urban transportation. The Government has further made a set of studies leading up to the program proposed for 1984-88.

167. The central part of this program (about US\$16.5 million out of US\$20.5 million) constitutes the Djibouti Urban Development Project (DUDP). This project comprises a set of road, sites and services and housing operations in the old districts Nos. 3, 5 and 6 (28,000 inhabitants) and Balbala (25,000 inhabitants), with participation by the occupants in some job creation. However, several problems have yet to be solved before the DUDP can be implemented, viz.:

- (1) Strengthening of the administrative services concerned;
- (2) The extent of project cost recovery from the beneficiaries, which should be 100% except for offsite infrastructure and the strengthening of administrative services;
- (3) Simplifications required to the approval and registration procedures for sites and services and housing operations;
- 4) The obtaining of appropriate external financing for the part of the cost of the DUDP not yet covered (30%). The mission considers that the donors should give this financing need priority, in view of the considerable significance of the DUDP for Djibouti's campaign against poverty as well as for improving the living standard of the city dwellers so that Djibouti could become more attractive as an international service center.

### Reception of Refugees

168. The Republic of Djibouti receives a large number of refugees who have been driven from their homes by the lack of security and dismal conditions in neighboring countries. The Government estimated their number at 42,000 in 1982, 35,000 of whom were registered with the HCR and 7,000 simply staying with relatives or friends in Djibouti. These refugees therefore amount to nearly 13% of Djibouti's population. Of the 35,000 registered with the HCR, some 33,000 are housed in the Diklil and Ali Sabieh camps and 2,000 with relatives or friends in Djibouti. The majority are women and children. Thanks to international assistance, the HCR has been able to improve living conditions in the camps (permanent housing with water and sanitary facilities), with the result that conditions in them are now better than in Balbala.

169. The HRC, in collaboration with the Office National d'Assistance aux Réfugiés et aux Sinistrés and several charitable organizations, provides immediate survival assistance and works towards enabling the refugees ultimately to resume a normal life. Its budget was US\$5 million in 1983 and US\$4.5 million in 1981 and 1982, based on the growth in the number of refugees. To this budget must be added the grants in kind from the charitable organizations and also the education and training programs run by them. In particular, some small agricultural and craft-type programs have been set up to provide refugee families with income. Resettlement abroad has not made much progress, however, only about 2,000 have been accepted by the United States, Canada and Europe. Around a hundred have obtained authorization to work, on a very uncertain basis, in the Gulf states.

170. The problem of the refugees' future therefore remains unsolved. The Djibouti economy cannot provide them with employment and the Government does not have the resources it would need to assume responsibility for them. The likelihood of them being able to settle in the countries of the region is virtually nil, since most of them are farmers and herders without any other training. The sole solution for the greatest majority of them would be for them to return to their home countries, provided the Governments concerned will accept them. A tripartite commission made up of representatives of Ethiopia, Djibouti and the HCR looked into this solution at a meeting held in Addis Ababa in April 1983. On that occasion a program of incentives for voluntary return was drawn up, comprising assistance with transportation and resettlement of families in their home regions. This program is to be submitted shortly to agencies that might be prepared to assist with its financing.

Annex 1

Explanatory Note on the Forecasts  
for 1983 and 1984-88

Explanatory Note on the Forecasts  
for 1983 and 1984-88

1983 Estimates

1. Public investment is estimated at US\$88 million in the document prepared for the Donors' Conference (Volume II, page 6). The figure is adjusted downward to US\$80 million on the basis of information obtained elsewhere (especially the budget).
2. The other items are estimated from information obtained by the mission. The results are presented in the table below. Overall, the projection indicates that reserves will have to be drawn down by about the same amount as in 1982, bringing reserves to US\$66 million at the end of 1983. Of that amount, about US\$39 million is required for legal backing of the currency. Therefore, the unrestricted amount is only US\$27 million, i.e., barely six weeks of projected 1983 imports.

The Government's Scenario for 1984-88

3. The document prepared for the Donors' Conference (Volume II) gives some provisional data that permit calculation of the national and external accounts that will constitute the framework for the 1984-88 investment program. They are:

- (1) The amount of the program and its financing (pages 6 and 22);
- (2) The expected effect on the resource gap, exports and imports (pages 20 and 21);
- (3) The expected effect on GDP (page 30).

The breakdown accompanying these data allows calculation only of the totals for 1984-88 and the corresponding annual averages.

4. The government investment program for 1984-88 and its financing are broken down as follows (in US\$ millions):

	<u>Total</u>	<u>Annual Average</u>
Investment 1984-88 (570-80)	490	98
Financed by:		
Budget	20	4
Borrowings secured or committed	46 <sup>1</sup> / <sub>2</sub>	9
Borrowings to be sought	130	26
Total borrowings	176	35
Grants secured or committed	114	23
Grants to be sought	180	36
Total grants	294	59

5. The increase in GDP between 1983 and 1988 is projected at US\$178.4 million, i.e., average annual growth of US\$36 million. Added to estimated GDP for 1983, this gives an average GDP of US\$411 million per year for the period 1984-88.

6. The increases in exports and imports and in the resource gap for 1983-88 are projected as follows (in US\$ millions):

	<u>Imports</u>	<u>Exports</u>	<u>Gap</u>
Total increase	38.3	9.7	28.6
Average increase per year	8	2	6
Average annual totals	248	122	126

7. These projected annual averages are presented in the appended table of national and external accounts, side by side with the accounts for the years 1981-1983 to facilitate comparison. The projected accounts can then be completed on the basis of reasonable hypotheses, chief among which are:

- (1) Private investment will remain at about 8% of total investment and inventory changes are put at 10% of the increase in GDP. Once these two magnitudes have been determined, and taking into account the projected data in the government document, consumption is derived as a residual (resource gap + GDP - investment = final consumption);
- (2) With regard to the external accounts, miscellaneous receipts and expenditures have been estimated from the available

information (mainly private movements and interest received on foreign exchange reserves). Further, the amount of capital grants estimated in the government document (US\$59 million) has been increased by an amount (US\$25 million) representing external operating subsidies. Finally, an estimate has been made of external debt service, including the medium and long-term borrowings envisaged in the government document. Under these hypotheses, we obtain by difference a noncovered requirement for external financing equal to US\$36 million.

8. Some of the projected data are subject to a considerable degree of uncertainty. Nonetheless, the exercise makes it clear that the investment program proposed in the government document would aggravate the internal and external disequilibria that appeared in 1982-83. Investment remains too high (26.5% of GDP) in relation to expected resources. The noncovered requirement for external financing totals US\$180 million for the five-year period 1984-88. It is most unlikely that Djibouti will be able to cover it, since the country's unrestricted reserves will be very small at the end of 1983; recourse to additional borrowing would be unwise and it is very improbable that grants can be obtained in such a large amount, over and above those indicated in the government document.

#### The Mission's Scenario for 1984-88

9. For this reason, the mission has explored an alternative development scheme which is presented in the last column of the appended table. It begins with the objective of maintaining reserves at the level reached at the end of 1983, since that level is a minimum if Djibouti wishes to preserve the free movement of funds and the fixed parity between the US dollar and the Djibouti franc. Thus, the noncovered requirement for external financing that appears in the government scenario must be reduced to zero (it might even be desirable to contemplate a slight surplus). The consequences are:

- (1) A reduction of US\$100 million in the investment program proposed by the Government, which thereby decreases to about 22% of GDP, and improved program efficiency through postponement of the projects having the least economic and social benefit;
- (2) A substantial curtailment of the increase in consumption with respect to the Government scenario and past experience;
- (3) These two factors reduce the import requirement, while exports remain at the level projected in the government document;
- (4) External borrowing remains at the level projected in the government scenario;

- (5) However, it seems essential to increase the amount of grants projected by about US\$11 million per year, or US\$55 million over the five-year period, to avoid a standstill or even a contraction in production and consumption and therefore a slowdown in from the campaign against poverty.

Table: Estimated and forecast accounts of the Djibouti economy,  
annual for 1981-83 and annual averages for 1984-88  
(US\$ Mln.)

	<u>Mission estimate</u>			<u>Forecast 1984-88</u>	
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Govt.</u>	<u>Mission</u>
Final consumption	376	390	407	428	418
Investment	63	87	88	109	89
of which: (Public)	(57)	(75)	(80)	(98)	(80)
(Private)	(5)	(6)	(6)	(8)	(6)
(Inventories)	<u>(1)</u>	<u>(6)</u>	<u>(2)</u>	<u>(3)</u>	<u>(3)</u>
Uses = sources	439	477	495	537	507
GDP at market prices	355	355	375	411	406
Imports	222	243	240	248	223
Exports	<u>-138</u>	<u>-121</u>	<u>-120</u>	<u>-122</u>	<u>-122</u>
Resource gap	84	122	120	126	101
Service of public debt	3	3	4	9	9
Miscellaneous expenditures <sup>2/</sup>	42	59	50	45	45
Financing requirement	<u>129</u>	<u>184</u>	<u>174</u>	<u>180</u>	<u>155</u>
Covered by:					
Public grants	104	94	92	84	95
Miscellaneous receipts <sup>3/</sup>	33	30	25	25	25
Public MLT borrowings	1	25	18	35	35
Errors and omissions	4	-1	-	-	-
Drawings on reserves	-13	36	39	36	-

1/ In current prices for 1981 and 1982, constant 1983 prices for 1983, annual averages for 1984-88.

2/ Income from foreign private investment in Djibouti, together with unrequited transfers.

3/ Income from Djibouti capital and labor abroad, unrequited private transfers and private borrowings.

Source: Mission estimates.

Annex 2

Note on Finances of the State,

Social Welfare Institutions and Public Enterprises

(prepared by Jean Paul Milot)

Note on Finances of the State,  
Social Welfare Institutions and Public Enterprises  
State Finances

1. State finances play a dominant role in Djibouti's economy. However, the very organization of the system makes it difficult to obtain an overall picture of the financial situation. Its constituent principles, such as the legal requirement of a balanced budget, are applied only in part and numerous exceptions seem possible under the present system.
2. This situation has not proved troublesome up to the present, in that no serious difficulty has disturbed an equilibrium that the Administration has been obliged to maintain. But the very opacity of the system may cause matters to take an unfavorable turn in more difficult times, because certain warning signs may not appear early enough or with sufficient clarity.
3. Before analyzing the historical results and focusing on the present situation, a brief description of the system as a whole is in order.
4. To our knowledge there is no summary document (such as a general financial account) bringing together all State operations in such a manner as to show significant balances. The document most like a summary of that kind is not a public document and is difficult to understand because of the imprecision of the nomenclature used. This document, called the "General Balance of Accounts," is a list of accounts which can be grouped in five categories:
  - (1) The budgetary accounts, which show budget execution in operations for the year and in claims established;
  - (2) Special allocation accounts, which show sources and uses of budgetary operations or those not financed by external aid;
  - (3) Suspense accounts, showing transfers from management (gestion) to cash (trésorerie);
  - (4) Accounts of correspondents; and
  - (5) Deposit and settlement accounts.
5. We have distinguished these categories for convenience of exposition because there is no organization of this type at present in the accounting system of Djibouti. An absolutely indispensable requirement for control of the

public finances -- as regards both budgetary management and decisions and the monitoring of cash flow -- is the setting up of a true State accounting plan, a proposal for which is now being considered by the Treasury.

6. The analysis of public finances should be divided into three parts: analysis of budgetary operations; analysis of operations involving nonbudgetary revenue and expenditure; and analysis of cash-flow operations which are the counterpart of the first two. Such a three-part analysis cannot be made in an entirely consistent manner for this report, owing to the difficulty of interpreting certain accounts and the uncertainty as to their exact content.

### I. Budgetary Operations

#### (a) Overall budgetary results

7. The overall budgetary results for the period 1978-82 are as follows (in millions of DF):

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Revenue	12094	13037	16951	20492	23377
Expenditure	<u>9740</u>	<u>12194</u>	<u>13125</u>	<u>18046</u>	<u>25519</u>
Balance	+2354	+843	+3826	+2446	-2142

8. These balances are calculated prior to drawings on the reserve fund. This fund, to which accrued surpluses are transferred, is used to finance certain operating and capital expenditures. For the first time, it was necessary to draw upon this fund in 1982 in order to balance the budget.

9. This circumstance, which is discussed in detail below, situates the problem of the public finances in its basic context: until 1982 it was possible to accumulate surpluses by means of strict management, but current revenues do not make it possible to continue such accumulation at the same rate. The question that arises is whether new revenue can be found or whether a curtailment of the growth of expenditures must be considered.

#### (b) Revenue (Tables 5.1, 5.3 and 5.4)

10. Budgetary revenues can be grouped in three categories: tax revenue, contributions from foreign states, and other revenue. A note on the tax system of Djibouti is appended to this document. Tax revenue represented 70% of budgetary revenue in 1978 and 72% in 1982. It increased by an average of 18.8% a year during that period, but its growth slowed sharply beginning in 1980 (Table 5.4).

11. Indirect taxes account for the greatest part of tax revenue. Their share has remained quite stable (about 65% of tax revenue during the period). Direct taxes generated 32% of tax revenue in 1978 and 31% in 1982, which, taking the accuracy of the data into account, also indicates comparative stability. These two categories of taxes provide a basis for study of the problems of tax revenue.

12. Indirect taxes consist primarily of domestic excise taxes. The rates are already quite high, and it would appear difficult to raise substantial additional revenue by this means. With regard to revenue at the present rates, the structure of Djibouti's economy makes this essentially an import tax; in other words, the yield is difficult to control. Because most imports come from France, the reflective movements of the US dollar (and therefore of the DF), and of the French franc, have meant a fall in revenue in relative terms, and this will be even more marked if the trend continues. The Djibouti authorities estimate the gains foregone because of the change in FF-DF parity at DF 1,360 million in 1982.

13. Direct taxes consist of taxes on salaries and wages and taxes on profits. Revenue from the former rose by an average of 9.3% per year during the period. In fact, a large part of these taxes is paid by foreigners (French military and aid personnel) and therefore applies to salaries whose level does not depend on economic activity in Djibouti. The various categories of taxes on profits increased overall at an average rate of 29.1% per year, which is clearly higher than the average increase in total revenue. In all likelihood, this interesting circumstance attests to an economic take-off in Djibouti. However, the nature of the economy (based largely on services) subjects such development to uncertainty, and there is no question, for example, that the measures taken by France in 1982 -- substantially reducing the number of military personnel assigned to Djibouti -- will have an impact not only on the yield of the wage tax (estimated at DF 300 million in 1983), but also, through the contraction or stagnation of certain activities, on revenue from the tax on profits. On the whole, the prospects for increasing revenue through taxation seem limited.

14. It has already been indicated that a substantial increase in the rates of indirect taxes would be unrealistic. A greater yield from this source of revenue could therefore be produced only by a major expansion of economic activity. Even in that case, however, external developments such as the movement of the FF-DF parity could have adverse effects that would be aggravated in case of marked growth. As for income taxes, the means of acting upon the tax base seem limited, but one might envisage an increase in rates which seem quite moderate. Still, a measure of that kind would not generate very much additional revenue from the tax on wage income and its impact on the yield of the tax on profits is difficult to assess. Significant growth in revenue from the latter seems to have been jeopardized in 1982 by the stagnation of certain service activities. Under these circumstances, an increase in rates would be difficult to implement.

(c) Expenditure (Tables 5.2, 5.3, and 5.4)

15. The trend in budgetary expenditure was disturbed by the incorporation of the army budget in the general budget in 1982. Table 5.4 shows the trend with that effect eliminated. Expenditures for salaries and wages have been rising by an average of 11.8% per year, but with a sharp upswing in 1982. There were about 6,300 government employees in 1982 (of which about 1,800 were civil servants), to which expatriate aid personnel must be added. The latter are not paid (or are paid only in part) from the budget of Djibouti, but rather by the government of their home country. On the other hand, as already noted, they often pay taxes in Djibouti. It is difficult to determine the cost of "nationalizing" the government, but even if that is bound to be a very long-term objective for obvious reasons, any partial measures in that direction will arguably entail a high net cost to the budget.

16. Salaries and wages accounted for a decreasing share of expenditure (51% in 1978 and 44% in 1982), owing mainly to the increase in capital outlays. It would seem that the Government's employment policy has been quite austere, as evidenced by the modest growth in wages paid up till 1982.

17. Eliminating the effect of incorporation of the army budget in 1982, we find that among general administration expenditure, the largest items have been for health and education. They have followed quite different trends: health accounted for 13.8% of total operating expenditure in 1978, but the proportion fell to 9.0% in 1982; conversely, national education saw its share increase from 6.6% to 7.1%.

18. Capital expenditure has increased much more rapidly, by an average of 36.6% per year. Such outlays accounted for 15% of total expenditure in 1978 and 22.0% in 1982 (excluding the army budget). However, further expansion is questionable because of the problem of budgetary balance. At this time, the capital budget is estimated at only DF 1,810 million for 1983, compared to DF 3,620 million in 1982.

19. The budget of the army, which was separate until 1981, was financed entirely by a subsidy from France until 1980. Since 1981 appropriations in the general budget have augmented the subsidy, and the army budget was made part of the general budget in 1982. It increased by an average of 5.5% per year, while the French subsidy was reduced beginning in 1982 when it covered only 52.6%. The amount of expenditure thus incorporated in the budget of Djibouti can be put at DF 2,400 million in 1982, or about 10% of budgetary revenue for the year (3.8% of GDP).

20. The trends -- and consequently the outlook -- of expenditure are difficult to assess (we will return later to the impact of the 1983-88 investment program). Analysis of the present situation should distinguish

recurring charges from projects already completed or in execution. Unfortunately, we cannot make such an analysis with the documents available to us, and we are compelled to consider the situation as a whole. Thus, the problem of controlling expenditure appears in several aspects. Did the sharp increase in personnel expenditure in 1982 reflect a lasting change in the rate, and in that case would the elements of the problem be altered in a fundamental way? To what extent can capital outlays surmount the effects of the budgetary problems without giving rise to serious problems of maintenance? In the absence of a detailed analysis of the investment budget, these questions can only be raised. It may be noted, however, that even before the effects of a new program are taken into account, the budget situation appears quite vexing since the rate of growth of expenditure seems to have surpassed that of revenue substantially and in a sustained manner.

## II. Nonbudgetary Operations

21. Nonbudgetary operations refer to external grants which are not intended to balance the budget and which correspond in general to specific capital operations. Table 5.6 shows income and expenditure relating to such aid. The most significant accounts are those of the aid fund of the Kingdom of Saudi Arabia, which made US\$60 million (DF 10.7 billion) available to Djibouti under an agreement signed on April 30, 1978. Disbursements are made at the request of the Republic of Djibouti, as the projects are carried out. They amounted to DF 2,274 million in 1979, DF 1,775 million in 1980, DF 1,244 million in 1981 and DF 1,149 million in 1982. The percentage of implementation of the agreement was 60% for the 1979-82 period as a whole.

## III. General Summary and the Problem of Financing the State Budget

22. The aggregation of budgetary operations (including the army budget) and nonbudgetary operations permits an assessment of the overall situation of the State finances. However, it is advisable to consider the aforementioned problems in detail. The problem of such a synthesis has two different aspects. On one hand, there is the usual problem of consolidation, which requires very detailed information. This problem has been considered only in part here, but the effect in terms of the significance of the findings is not great (one cannot be as optimistic about the quality of the financial data presented). On the other hand, the lack of an organized accounting plan and the imprecision of the accounting nomenclature makes it extremely difficult to analyze the operations of nonbudgetary accounts. This means that the traditional analysis -- adding the operations of analogous special accounts to budgetary expenditure and revenue in order to obtain a balance, and then, using the special financial

accounts (cash, advance, loan accounts, etc.), describing the counterpart of the balance (utilization of the surplus or financing of the deficit) -- cannot be carried out completely here. The main reason is that the detail of the accounts at our disposal is not very great, and their meaning not very clear, for placing an item "above the line" and its counterpart "below the line." We have therefore placed in operations "above the line," under the heading of special Treasury accounts, revenue and expenditure that essentially corresponds to nonfinancial operations. On the other hand, we have not been able to make a sufficiently precise analysis of the other operations so as to describe the counterpart of the balance in other than qualitative terms. The best illustration of this state of affairs is seen in comparison of these results with the Treasury's financial statistics. These statistics, prepared by the Treasury of Djibouti and presented in Tables 5.1-5.6, come from the same sources as the Treasury accounts, so that the inconsistency indicated in Table 5.7 cannot be due to a difference of sources, but rather to the fact that the financial statistics are prepared with greater detail in these accounts than could be made available to the mission, mainly because of time constraints.

23. The general situation of revenue and expenditure can be summarized as follows (in millions of DF):

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total revenue, of which:	17 198	19 575	24 236	27 014	28 750
Internally generated revenue	9 551	12 108	15 432	16 663	20 594
External aid	7 647	7 467	8 804	10 351	8 156
Total expenditure	<u>16 124</u>	<u>18 534</u>	<u>21 399</u>	<u>24 663</u>	<u>31 462</u>
Balance	+1 074	+1 040	+2 837	+2 351	-2 713

24. This result shows that despite an appreciable slackening of the inflow of foreign aid since 1980, the expansion of internally generated revenue made it possible to continue the increase in public finances. However, this trend halted in 1982 with the appearance of a deficit.

25. In the particular case of Djibouti a deficit cannot be financed in a significant and lasting manner by a monetary issue of the Treasury. Table 7.2 shows that (notwithstanding the disparities in relation to the preceding figures) in 1982 the deficit was financed by drawing on reserves (Government deposits in banks), and by some mobilization of deposits of Treasury correspondents. Those two mechanisms, which have the benefit of clarity,

probably leave little margin (in particular, it would appear that Treasury correspondents by no means deposit all of their funds in the Treasury). However, it is obvious that they are incapable of financing a sustained deficit.

26. The fundamental problem is either to find revenue for financing development -- and, since we have seen that the instruments of taxation appear to offer few prospects in this regard, it must be concluded that development in this case would necessarily entail an increase (or continuation) in external aid -- or to halt or even reduce development if external aid without cost is not available in sufficient amounts.

Social Welfare Institutions  
(Tables 5.8 and 5.9)

27. The social security system is supported by three institutions and the State budget. Civil servants pay into the National Retirement Fund (Caisse Nationale de Retraite), which is administered directly by the Ministry of Finance and is not separate from the Government. It consists of a single account, which receives contributions from employees (5% of salaries) and employers (11%). There is a special system for deputies. Surpluses are deposited in the Caisse des Dépôts et Consignations (in France). The fund balanced for 1982 (in millions of DF) was as follows:

Income	551.2
Expenditure	427.3
of which:	
Pensions and annuities	418.8
Death benefits	3.4
Reimbursements	5.1

28. Employees in the private sector, and those covered by collective bargaining agreements for public sector employees, receive benefits from the Caisse des Prestations Sociales (CPS) and the Service Médical Inter-entreprises (SMI). Those two institutions are in fact administered jointly. Contributions are a maximum of 17.7% of salaries (employer share 15.7%, employee share 2.0%). The CPS receives 10.5% and the SMI 7.2%. The statements for the two institutions are presented in Tables 5.8 and 5.9, and indicate an overall balance.

29. In addition to these institutions, the Ministry of Health pays the costs of the hospital, which provides care without any conditions whatsoever (even as to nationality). However, access to it depends on the waiting period and the distance involved for those in the interior.

30. The coverage of social services is therefore total insofar as health care is concerned. For other risks, it operates only for contributors and those with entitlement.

31. In the aggregate, a calculation of total social welfare expenditure may be attempted by adding health expenditures in the budget to those of the social institutions. The figure obtained for 1982 is DF 3,547.5 million, or 5.6% of GDP, against DF 3,133 million or 7.4% of GDP in 1978. This decline as a percentage of GDP was due to the standstill in budgetary health expenditures.

Public Enterprises  
(Tables 5.10 to 5.14)

32. The public enterprises play an important role in the economy of Djibouti. They generated nearly 9% of total market value added and over 20% of total GFCF in 1981. They hold monopoly or quasi-monopoly positions in the sectors of water, energy, transportation and telecommunications. The public sector also includes one of the largest industrial enterprises in Djibouti (Eaux de Tadjourah).

33. The figures available (Table 5.10) for the 12 largest enterprises point to a strong and continuous increase in production in terms of value (averaging 20% per year in 1979-81). The increase in intermediate consumption has been even more rapid owing primarily to the fact that the rise in oil prices has not yet been fully reflected in selling prices. Value added has therefore tended to decrease (DF 3,276 million in 1981 compared to DF 4,150 million in 1979). As a result, large operating subsidies (DF 89 million in 1979, DF 287 million in 1980 and DF 766 million in 1981) have been necessary to maintain the operating surplus. The latter has remained at a fairly high level thanks to the moderate increase in the wage bill (averaging 0.8% a year in 1981-82). It may be noted that operating subsidies, though they have increased substantially, still remain significantly less than the operating surplus; in other words, there would be a surplus even without the subsidies.

34. Savings do not cover investment. In 1979 and 1981 the deficiency was more than made up by capital subsidies, while in 1981, despite a sharp increase in the capital subsidy with respect to the preceding year, there was a substantial financing requirement. This situation is due to the very sharp increase in GFCF, which reached a peak in 1980 when it represented over 37% of the total budget of the Djibouti economy.

35. Water and electricity (Table 5.11). This sector comprises the Office National des Eaux de Djibouti (ONED) and Electricité de Djibouti (EDD).

36. ONED (Régie des Eaux, which became a public entity in 1983) employs 230 persons with a total payroll of about DF 200 million in 1983. It experienced some financial difficulties until 1980 owing primarily to the state of disrepair of most meters, which did not operate and therefore made it impossible to bill customers. Since then the meters of all large subscribers have been replaced (these sales account for 80% of income) and the situation has

clearly improved. The investment budget for 1982 was DF 390 million, financed by loans from the State and from the CCCE (20 years at 6%), together with a grant from Libya. For 1983, an ADF credit for 50 years at 1% is financing the DF 580 million provided in the capital budget. ONED should follow a policy of marginal-cost pricing.

37. EDD suffers at present from insufficient production capacity which means frequent cutoffs during peak periods. The expansion of the Boulaos unit should come on stream around mid-1984. The production plant also includes worn-out units which should have been decommissioned already. The budget was DF 5,709 million for 1982. This utility operated at a profit until 1979, when the oil price increases of that year reversed the situation. Since 1980 EDD has operated at a deficit, as the price increases have not been passed on. Losses are offset by subsidies from the State (DF 850 million in 1981 and 1982).

38. Overall, the sector shows a positive balance, but in 1979 and 1980 it had increasing requirements for financing (DF 184 million and DF 712 million), owing to a sharp rise in GFCF. The latter slackened in 1981, while the sector was receiving substantial transfers of capital (DF 1,008 million), enabling it to generate an appreciable financing capacity (DF 809 million).

39. Transportation (Table 5.12). The transportation sector includes the port, the airport, Air Djibouti and the bonded warehouses (the railway, which is a binational company, is not considered here).

40. The port of Djibouti is the main component of the transportation system. Since January 1982 it has had the status of an autonomous port. It employs about 470 persons, and lighterage contractors directly employ about 2,000 dock workers. Present capacity is about 640,000 tons. The port is subsidized, and borrowings to date remain small. The subsidy was DF 100 million in 1981.

41. Air transport comprises the Djibouti airport, a public entity which employed 256 persons in 1982. Two thirds of its income is from fees. FAC subsidizes about 20% of income. The national airline Air Djibouti, a State company since 1980, purchased a B-727 in 1982 and has leased a B-737 since 1980. This company has not yet gained financial independence, and its operating losses remain high.

42. Overall, the transportation sector has experienced financial difficulties. In 1980 and 1981 it showed an operating deficit (after operating subsidy). It has also had substantial financing requirements.

43. Telecommunications and postal services (Table 5.13). This sector comprises the Office des Postes et Télécommunications and STID, established to operate international communications with France-Cables, which holds 25% of STID's capital. It has reliable and efficient equipment, and regularly shows operating surpluses and generates financing capacity.

44. Other public enterprises (Table 5.14). This sector consists essentially of Eaux de Tadjourah, Société Hotelière d'Etat and Pharmacie de l'Indépendance. The latter is highly profitable. The other two went into operation quite recently (1981 and 1980) with problems of start-up, while the financing of particularly important infrastructures in 1980 (construction of the Sheraton Hotel) was made possible by borrowings the service of which strains their cash flow.

Annex

Components of the Tax System

Direct Taxation:

- Property taxes:
  - Assessment on improved property      Assessed on rental value less 20%; rate 21%; possible exemption for 5 years following construction.
  - Residential waste disposal tax      Assessed on rental value less 20%; rate 3%.
  - Assessment on unimproved property      21% of rental value.
- Business license fee:

Payable by any person engaging in commerce, industry or a noncommercial profession in Djibouti. The amount depends on the type of activity. Imports are also subject to an import license fee depending on the total amount of imports for the year.
- General solidarity tax:
  - Tax on salaries and wages      Withheld at the source; calculated monthly on wages at a progressive rate (2 to 15%). Forwarded by the employer to the Treasury.
  - Tax on noncommercial profits      15% of noncommercial profits or similar income realized by individuals.
  - Tax on industrial and commercial profits      15% of annual profits realized by individuals and partnerships engaging in commercial or industrial activity.
  - Tax on corporate profits      20% of annual profits realized by capital companies.

Registration and estate fees:

Consisting of: proportional fees (1.5% to 10% depending on the instrument), or fixed fees of DF 1,000 to DF4,000 depending on the instrument.

Death duties are assessed at a progressive rate.

Indirect taxation:

Taxes and surtaxes on imports:

Domestic excise tax	23% of CIF value + port fees on all items imported for consumption in Djibouti. The rate is 26% for luxury items. Exemption for foodstuffs.
Import surtax	5% applied to all nonexempt products.
Surtax on tobacco	40% ad valorem.
Surtax on products containing alcohol	Variable depending on the type of product.
Surtax on hydrocarbons	Regular and premium gasoline DF 21.5/liter. Fuel oil DF 3/liter. Other hydrocarbons DF 2/liter.
Surtax on khat	DF 250 per gross kilo, for a flat value of DF 1,000 per kilo.

Table 1.1

Population in 1982

(Number)

	<u>1982</u>
<u>Total population</u>	
of which	<u>330.000</u>
- City of Djibouti	
- Interior settlements	70.000
- Nomad population	65.000
<u>Distribution by age group</u>	
- Under 15 years (34%)	112.000
- 15 to 59 years (64%)	211.000
- 60 years and over (2%)	7.000
<u>Refugees</u> (not included in the foregoing)	42.000

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Note: A general population census was taken in January 1983. The results are not yet available.

Source: Summary (project) report prepared for the 1983 Donors' Conference.

Table 1.2

Employment and Income

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Number of workers registered with CPS by year	2009	1876	2064	1906	...
Number of employees declared to CPS <sup>1/</sup>	15506	14425	14679	15556	16139
Annual wages declared to CPS					
In DF millions	6990	7650	8484	9113	10024
In US\$ millions	39333	43045	47738	51278	56403
Average annual wage declared to CPS					
In DF 000	451	530	578	586	621
In US\$	2536	2984	3252	3296	3495
Guaranteed minimum hourly wage <sup>2/</sup>					
In DF	79.32	79.32	85.32 <sup>3/</sup>	91.32	...
In US\$	0.45	0.45	0.48	0.51	
Total salaries and wages (In DF billions)					
Public	4.97	4.85	4.63	5.40	...
Private	<u>6.98</u>	<u>7.68</u>	<u>7.42</u>	<u>7.65</u>	<u>...</u>
Total	11.95	12.53	12.05	13.05	...

<sup>1/</sup> See details in Table 1.3.

<sup>2/</sup> Wages paid are generally higher than the guaranteed minimum wage.

<sup>3/</sup> Level as of July 1, 1980.

CPS: Caisse des Prestations Sociales.

Source: Statistical Yearbook of Djibouti, 1981 data.

Table 1.3

Number of Employees Declared  
to the Caisse des Prestations Sociales,  
by Branch of Economic Activity

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Agriculture	5	..	..	2	63
Manufacturing industries	699	1005	1189	787	726
of which:					
Food industries	..	..	..	(673)	(588)
Water - Electricity	416	502	..	588	456
Construction and public works	509	752	1288	1499	2309
of which:					
Construction industry	..	..	..	(1468)	(2235)
Trade	1934	2212	2564	2794	3148
of which:					
Wholesale trade	..	..	..	(1190)	(380)
Automobile sales					
and repair	..	..	..	(279)	(708)
Retail trade	..	..	..	(537)	(1162)
Hotels - Bars - Restaurants	(508)	(655)	(622)	(788)	(898)
Transportation - Telecommunications	5700	3918	2250	2619	2711
Banking - Insurance -					
Business services	709	864	997	1173	1296
of which:					
Banking, insurance, real estate	(585)	(637)	(717)	(708)	(725)
Business services	(124)	(227)	(280)	(465)	(571)
Public Services and other of which:	5534	5172	6391	6094	5430
Public services	(3599)	(3224)	(4334)	(3709)	(3347)
International and special-status					
agencies	(798)	(931)	(984)	(970)	(915)
Domestic	<u>(1137)</u>	<u>(1017)</u>	<u>(1073)</u>	<u>(1415)</u>	<u>(1168)</u>
Grand total:	15506	14425	14679	15556	16139

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Source: Statistical Yearbook of Djibouti, 1981 data.

Table 1.4                      Distribution of Government Employees by  
Level and by Ministerial Department in 1982

(Number)

	<u>Level</u> <u>A</u>	<u>Level</u> <u>B</u>	<u>Level</u> <u>C</u>	<u>Level</u> <u>D</u>	<u>Level</u> <u>E</u>	<u>Total</u>
National Assembly	1	7	4	2	1	15
Office of the President	29	32	55	7	2	125
Prime Minister	8	28	31	12	1	80
Foreign Affairs	35	14	7	-	-	56
Agriculture-Stockraising	7	15	19	25	5	71
Trade, Transportation and Tourism	12	32	27	-	-	71
National Defense	2	-	-	-	-	2
National Education	50	107	109	24	3	293
Finance	29	48	91	57	5	230
Civil Service	2	3	4	2	-	11
Industry	11	16	10	4	1	42
Interior	39	80	133	38	13	303
Justice	10	7	12	2	-	31
Public Health	7	74	181	67	39	368
Labor	9	4	19	2	1	35
Public Works	<u>10</u>	<u>18</u>	<u>47</u>	<u>9</u>	<u>-</u>	<u>84</u>
Total	261	485	749	251	71	1817

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Source: Ministry of Civil Service and Administrative Reform.

Table 2.1

Gross Domestic Product by Branch  
of Economic Activity at Current Prices

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u> <sup>1/</sup>	<u>1982</u> <sup>1/</sup>
Agriculture, stockraising, fishing	1969	2422	2829	3190	3962
Manufacturing industries	3177	3874	4403	4575	4201
Electricity and water	1344	1469	1384	1123	1018
Construction and public works	1405	2155	2994	3288	3513
Trade, hotels, bars, restaurants	12162	14306	15271	16198	14538
Banking, insurance, real estate, business services	2828	3293	5030	6828	7834
Transportation and communications	3603	4175	4805	5141	4652
Government	10276	12332	13745	15518	16278
Other services	683	782	885	938	855
Imputed banking services	-498	-555	-1903	-3488	-4610
Import duties and taxes	5484	6463	9004	9820	10856
GDP at market prices	42433	50716	58447	63131	63097
Indirect taxes (net)	6205	8270	10566	11678	12681
GDP at factor cost	36228	42446	47881	51453	50416

<sup>1/</sup> Provisional.

Source: IBRD mission estimates.

Table 2.2

Destination of Gross Domestic  
Product at Current Prices

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981<sup>1/</sup></u>	<u>1982<sup>1/</sup></u>
Final public consumption	13573	17403	20256	22601	24229
Final private consumption	29369	34850	40810	44272	45103
Gross fixed capital formation	3384	5915	9678	11008	14528
Inventory changes	-100	300	210	250	990
Exports of goods and services	19427	22393	25471	24481	21521
Imports of goods and services	-23220	-30145	-37978	-39481	-43274
GDP at market prices	42433	50716	58447	63131	63097
Income of factors	-3259	-4698	-2975	-2710	-5058
Gross national product	39174	46018	55472	60421	58039

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<sup>1/</sup> Provisional

Source: IBRD mission estimates.

Table 2.3

Gross Domestic Product by Branch  
of Economic Activity at Constant 1978 Prices

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Agriculture, stockraising, fishing	1969	2166	2326	2549	2812
Manufacturing industries	3177	3290	3333	3277	3084
Electricity and water	1344	1392	1410	1497	1552
Construction and public works	1405	1819	2227	2232	2353
Trade <sup>1/</sup> , hotels, bars, restaurants	17646	18060	18832	19103	19108
Banking <sup>2/</sup> , insurance, real estate, business services	2330	2381	2426	2452	2426
Transportation and communications	3603	3630	3728	3775	3500
Government	10276	10723	10663	11394	12248
Other services	683	680	687	687	643
GDP at market prices	42433	44141	45632	46966	47726
Indirect taxes (net) <sup>3/</sup>	6205	7198	8248	8689	9592
GDP at factor cost	36228	36943	37384	38277	38134

<sup>1/</sup> Including import duties and taxes.

<sup>2/</sup> Including imputed banking services.

<sup>3/</sup> Deflated by the GDP price index.

Source: IBRD mission estimates.

Table 2.4

Destination of Gross Domestic  
Product at Constant 1978 Prices

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981<sup>1/</sup></u>	<u>1982<sup>1/</sup></u>
Final public consumption	13573	15133	15715	16594	18231
Final private consumption	29369	30304	31660	32505	33938
Gross fixed capital formation	3384	5182	7791	8684	11164
Inventory changes	-100	263	169	197	761
Exports of goods and services	19427	19472	19760	17974	16193
Imports of goods and services	-23220	-26213	-29463	-28988	-32561
GDP at market prices	42433	44141	45632	46966	47726
Income of factors <sup>2/</sup>	-3259	-4089	-2322	-2016	-3826
Gross national product	39174	40052	43310	44950	43900

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1/ Provisional.

2/ Deflated by the GDP price index.

Source: IBRD mission estimates.

Table 2.5

Sectoral Deflators, 1978 = 100

1. GDP by Branch of Activity

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Agriculture, stockraising, fishing	111.8	121.6	125.1	140.9
Manufacturing industries	117.8	132.1	139.6	136.2
Electricity, water (double deflation) =				
- Production	115.0	140.5	158.2	165.2
- Domestic consumption	119.0	192.0	259.6	351.0
Construction and public works	118.5	134.4	147.3	149.3
Trade, hotels, bars, restaurants	115.0	128.9	136.2	132.9
Transportation and communications	115.0	128.9	136.2	132.9
Government	115.0	128.9	136.2	132.9
Other services	115.0	128.9	136.2	132.9
GDP at market prices	114.9	128.1	134.4	132.2

2. Destination of GDP

Final public consumption	115.0	128.9	136.2	132.9
Final private consumption	115.0	128.9	136.2	132.9
Gross fixed capital formation <sup>1/</sup>	114.1	124.2	126.8	130.1
Inventory changes <sup>1/</sup>	114.1	124.2	126.8	130.1
Exports of goods and services	115.0	128.9	136.2	132.9
Imports of goods and services	115.0	128.9	136.2	132.9
GDP at market prices	114.9	128.1	134.4	132.2

1/ Implicit for 1981 and 1982.

Source: IBRD mission estimates.

Table 2.6                      Growth Rate by Branch of Economic Activity

(In percentages)

	<u>1978-82</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Agriculture, stockraising, fishing	9.3	10.0	7.4	9.6	10.3
Manufacturing industries	-0.7	3.6	1.3	-1.7	-5.9
Electricity, water	3.7	3.6	1.3	6.2	3.7
Construction and public works	13.8	29.5	22.4	0.2	5.4
Trade, hotels, bars, restaurants	2.0	2.3	4.3	1.4	0.0
Banking, insurance, real estate, business services	1.0	2.2	1.9	1.1	-1.1
Transportation and communications	-0.7	0.7	2.7	1.3	-7.3
Government	4.5	4.3	-0.6	6.9	7.5
Other services	-1.5	-0.4	1.0	0.0	-6.4
GDP at market prices	3.0	4.0	3.4	2.9	1.6
Indirect taxes (net)	11.5	16.0	14.6	5.3	10.4
GDP at factor cost	1.3	2.0	1.2	2.4	-0.4
Gross national product	2.9	2.2	8.1	3.8	-2.3

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Source: Table 2.3.

Table 2.7

Investment and Savings

(In DF millions at current prices)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Gross fixed capital formation	3384	5915	9678	11008	14528
- Public sector <sup>1/</sup>	2922	5190	8841	10032	13391
- Private sector	462	725	837	976	1137
Inventory changes	-100	300	210	250	990
Gross capital formation <sup>1/</sup>	3284	6215	9888	11258	15518
Imports of goods and services	23220	30145	37978	39481	43274
Exports of goods and services	19427	22393	25471	24481	21521
Resource gap	-3793	-7752	-12507	-15000	-21753
Domestic savings A=1+2	-509	-1537	-2619	-3742	-6235
Income of factors (net) (B)	-3259	-4698	-2975	-2710	-5058
Current transfers (net) (C)	8202	9660	13046	12991	12066
National savings D=A+B+C	4434	3425	7452	6539	773
GDP at market prices	42433	50716	58447	63131	63097

(In percentages)

GFCF as % of GDP	8.0	11.7	16.6	17.4	23.0
GCF as % of GDP	7.7	12.3	16.9	17.8	24.6
Resource gap as % of GDP	-8.9	-15.3	-21.3	-23.8	-34.5
Domestic savings as % of GDP	-1.2	-3.0	-4.5	-5.9	-9.9
National savings as % of GDP	10.4	6.8	12.8	10.4	1.2

<sup>1/</sup> Public administration and public enterprises.

Source: IBRD mission estimates.

Table 2.8

Investment and Savings

(In DF millions at constant 1978 prices)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Gross fixed capital formation	3384	5182	7791	8684	11164
- Public sector <sup>1/</sup>	2922	4547	7116	7914	10290
- Private sector	462	635	675	770	874
Inventory changes	-100	263	169	197	761
Gross capital formation <sup>1/</sup>	3284	5445	7960	8881	11925
Imports of goods and services	23220	26213	29463	28988	32561
Exports of goods and services	19427	19472	19760	17974	16193
Resource gap	-3793	-6741	-9703	-11014	-16368
Domestic savings A=1+2	-509	-1296	-1743	-2133	-4443
Income of factors (net) (B)	-3259	-4089	-2322	-2016	-3826
Current transfers (net) (C)	8202	8467	10184	9666	9127
National savings D=A+B+C	4434	3022	6119	5517	858
GDP at market prices	42433	44141	45632	46966	47726

(In percentages)

GFCF as % of GDP	8.0	11.7	17.1	18.5	23.4
GCF as % of GDP	7.7	12.3	17.4	18.9	25.0
Resource gap as % of GDP	-8.9	-15.3	-21.4	-23.9	-35.0
Domestic savings as % of GDP	-1.2	-2.9	-3.8	-4.5	-9.3
National savings as % of GDP	10.8	6.8	13.4	11.7	1.8

<sup>1/</sup> Public administration and public enterprises.

Source: IBRD mission estimates.

Table 3.1

Balance of Payments 1978-82

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Exports of goods and NFS	19427	22393	25471	24481	21521
- Goods FOB <sup>1/</sup>	4648	4059	5217	5556	5912
- Nonfactor services	1570	2181	2796	3697	3475
- Purchases by special status agencies	13209	16153	17458	15228	12134
Imports of goods and NFS	23220	30145	37978	39481	43274
- Goods CIF <sup>2/</sup>	22260	28947	36649	37770	41353
- Nonfactor services	960	1198	1329	1711	1921
<u>Resource balance</u>	-3793	-7752	-12507	-15000	-21753
Factor services, net	-3259	-4698	-2975	-2710	-5058
Receipts	1270	1456	2581	2807	2388
- Wage payments	900	1076	1254	1600	1476
- Interest	370	380	1327	1207	912
Payments	4529	6154	5556	5517	7446
- Interest	116	134	143	272	171
- Investment income	4413	6020	5413	5245	7275
Unrequited transfers, net	+8202	+9660	+13046	+12991	+12066
Receipts	9310	11112	14811	15201	15120
- Private	1144	1227	1294	1028	835
- Public	8166	9885	13517	14173	14285
Payments	1108	1452	1765	2210	3054
- Private	906	1137	1296	1703	2404
- Public	202	315	469	507	650
<u>Current balance</u>	<u>+1150</u>	<u>-2790</u>	<u>-2436</u>	<u>-4719</u>	<u>-14745</u>

Table 3.1

Balance of Payments 1978-82

Page 2

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>Capital movements, net</u>	+2613	+4988	+8244	+6180	+8641
Loans, net	-905	+1191	3296	1885	6200
- Disbursements	-751	1396	3609	2210	6604
Public	72	-	1832	246	4504
Private	-823	1396	1777	1964	2100
- Amortizations	154	205	313	325	404
Public	154	205	313	325	404
Grants and quasi-grants	3518	3797	4948	4295	2441
Errors and omissions	...	+541	-795	+859	-313
Overall balance	<u>+3763</u>	<u>+2739</u>	<u>+5013</u>	<u>+2320</u>	<u>-6417</u>

Change in reserves

( - = increase)

1/ See calculation of exports of goods FOB, Table 3.1A.

2/ See calculation of imports of goods CAF, Table 3.1B.

Source: IBRD mission estimates.

Table 3.1 A

Calculation of Exports of Goods FOB

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1. Special trade:	670	264	1222	1222	1222
2. Goods subject to 10% exit duty (TIC)	2022	1261	1339	1287	1352
- CIF value	1560	970	1030	990	1040
- TIC	156	97	103	99	104
- Markups	306	194	206	198	208
3. Unregulated trade with neighboring countries <sup>1/</sup>	1840	2407	2815	3070 <sup>1/</sup>	3394 <sup>1/</sup>
- CIF value	1035	1354	1590	...	...
- TIC	391	512	575	...	...
- Markups	414	541	650	...	...
4. Refueling	<u>116</u>	<u>127</u>	<u>150</u>	<u>205</u>	<u>178</u>
Total exports of goods FOB	4648	4059	5217	5556	5912

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<sup>1/</sup> Estimates based on sources and uses of goods in the national accounts for 1978-80 and on figures for the TIC for 1981 and 1982.

Source: IBRD mission estimates.

Table 3.1.B

Calculation of Imports of Goods CIF

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
1. Special trade	19600 <sup>1/</sup>	26702	34109	35420	39133 <sup>2/</sup>
2. Goods subject to 10% exit duty (TIC) (CIF)	1560	970	1030	990	1040
3. Live animals from neighboring countries	<u>1100</u>	<u>1275</u>	<u>1510</u>	<u>1360</u>	<u>1180</u>
Total imports of goods CIF	22260	28947	36649	37770	41353

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<sup>1/</sup> This estimate incorporates corrections amounting to DF 3,660 million for tea, gasoline, shoes and cotton clothing (Source: National Accounts 1978).

<sup>2/</sup> Including the purchase of a Boeing airplane at DF 823 million.

Source: IBRD mission estimates.

Table 3.2

Imports of Goods, CIF

(In DF millions)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Food products	4069	5557	5918	9500
Fruits and vegetables	549	794	810	850
Cereals	405	1150	781	2066
Meal and meal products	469	608	745	1780
Meat	704	482	622	706
Dairy products and eggs	630	777	1186	1699
Fats and oils	198	213	199	644
Other foodstuffs	219	265	333	383
Tobacco and beverages	2863	4234	5882	5538
Raw and processed tobacco	931	1585	1891	1732
Qat	1095	1554	2915	2703
Beverages	837	1095	1076	1103
Petroleum products	734	833	1419	2661
Gasoline	330	500	558	1126
Fuel oil	283	262	593	1246
Other	121	71	268	289
Construction materials, wood and paper	1011	2134	2984	4194
Cement, lime, plaster	68	142	218	325
Iron, metals	303	734	1118	1603
Wood and paper	379	756	1058	1422
Other	261	502	590	844
Textiles	1263	3745	2018	2948
Made-up textiles	659	3077	1196	1508
Non-made-up textiles and fibers	604	668	822	1440
Chemical products	982	1346	1532	1767
Pharmaceutical and chemical products	746	899	981	1167
Plastics and rubber	116	230	258	313
Other	120	217	293	287
Machinery and electrical equipment	1891	4555	5612	6457
Machinery and electrical equipment	824	2046	1810	2799
Motor vehicles	582	1767	2497	2287
Other	485	742	1305	1371
Miscellaneous products	<u>601</u>	<u>856</u>	<u>1337</u>	<u>1044</u>
Total	13414	23260	26702	34109

Source: Statistical Yearbook of Djibouti, 1981 data.

Table 3.3

Imports of Principal Products by Volume

(In metric tons)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Food products	41470	53468	51581	64653
Fruits and vegetables	6739	6402	7715	9871
Cereals	7536	12200	10573	18411
Meal and meal products	8405	9653	11468	13030
Meat	748	861	971	978
Dairy products and eggs	4509	4888	5941	8000
Fats and oils	1398	1505	1484	2848
Other foodstuffs	12135	17959	13429	11515
Tobacco and beverages	10423	11947	13184	9996
Raw and processed tobacco	1019	1686	1645	1211
Qat	1089	1248	2171	2014
Beverages	8315	9013	9368	6771
Petroleum products	31105	35827	56516	70615
Gasoline	10839	11542	15392	19217
Fuel oil	18715	23061	33925	39496
Other	1551	1224	7199	11902
Construction materials, wood and paper	11084	18952	25389	38948
Cement, lime, plaster	200	9853	14144	23410
Iron, metals	3168	3416	4421	5646
Wood and paper	1624	3806	4255	6376
Other	1092	1877	2569	3516
Textiles				
Made-up textiles	1195	1406	1504	1749
Non-made-up textiles and fibers	1513	814	961	1274
Chemical products	2589	5948	5168	4209
Pharmaceutical and chemical products	1338	3928	3044	2851
Plastics and rubber	521	857	591	497
Other	730	1163	1533	861
Machinery and electrical equipment	2009	5293	6781	5022
Machinery and electrical equipment	784	1564	1715	1713
Motor vehicles	1018	2422	3409	2785
Other	207	1307	1657	524
Miscellaneous products	<u>2005</u>	<u>623</u>	<u>2697</u>	<u>937</u>
Total	103193	134278	163781	197403

Source: Statistical Yearbook of Djibouti, 1981 data.

Table 3.4                      Average Unit Value of Selected Imported Products

(In DF 000 per metric ton)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Food products				
Fruits and vegetables	81.5	124.0	105.0	86.1
Cereals	53.7	94.3	73.9	112.2
Meal and meal products	55.8	63.0	65.0	136.6
Meat	941.2	559.8	640.6	721.9
Dairy products and eggs	139.7	159.0	199.6	212.4
Tobacco and beverages				
Raw and processed tobacco	913.6	940.1	1149.5	1430.2
Qat	1005.5	1245.2	1342.7	1342.1
Petroleum products				
Gasoline	30.5	43.3	36.3	58.6
Fuel oil	15.1	11.4	17.5	31.6
Construction materials, wood and paper				
Cement, lime, plaster	13.1	14.4	15.4	13.9
Iron, metals	233.4	198.6	248.6	223.0
Wood and paper				
Textiles	551.5	2188.5	795.2	862.2
Made-up textiles				
Non-made-up textiles and fibers	460.0	820.6	855.4	1130.3
Chemical products				
Pharmaceutical and chemical products	577.5	228.9	322.3	409.3
Plastics and rubber	222.6	268.4	436.6	629.8
Machinery and electrical equipment				
Machinery and electrical equipment	1051.0	1308.2	1055.4	1634.0
Motor vehicles	571.7	729.6	732.5	821.2

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Source: Tables 3.2 and 3.3.

Table 3.5

Exports of Goods, FOB

(In DF millions)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Domestic products				
Live animals	252.6	1.8	0.1	191.0
Hides and skins	57.1	90.4	83.2	135.8
Subtotal	<u>309.7</u>	<u>92.2</u>	<u>83.3</u>	<u>326.8</u>
Exports				
Food products	27.0	289.9	103.9	485.3
Beverages and tobacco	4.3	6.7	19.3	24.9
Machinery and electrical equipment	247.9	168.4	33.8	215.8
Other products	307.9	113.2	23.4	169.9
Subtotal	<u>587.1</u>	<u>578.2</u>	<u>180.4</u>	<u>895.8</u>
Grand Total	896.8	670.4	263.7	1222.6

(In metric tons)

Domestic exports by volume				
Live animals	1351	2	-	693
Hides and skins	135	224	137	206

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Source: Statistical Yearbook of Djibouti, 1981 data.

Table 3.6                      Imports and Exports by Countries of Origin and Destination

	(In %)			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<b>A. Imports by country of origin</b>				
- European Economic Community	67.1	64.0	61.8	64.7
of which France	(53.7)	(48.5)	(44.0)	(50.3)
Benelux	(4.4)	(4.4)	(4.9)	(5.2)
Great Britain	(5.8)	(6.2)	(8.0)	(4.2)
Other	(3.2)	(4.9)	(4.9)	(5.0)
- North America	2.0	4.6	2.3	5.6
- Ethiopia	7.1	5.5	9.5	6.5
- South Yemen	0.2	0.3	0.2	1.0
- Other Red Sea countries	0.8	0.7	0.5	1.5
- Japan	5.6	7.3	7.2	5.0
- Other Far East countries	5.0	6.4	6.7	6.4
- Other countries	<u>42.1</u>	<u>11.3</u>	<u>12.0</u>	<u>9.4</u>
Total	100.0	100.0	100.0	100.0
<b>B. Exports by country of destination</b>				
- European Economic Community	77.9	83.5	89.7	74.7
of which France	(74.3)	(81.7)	(87.2)	(65.7)
Italy	(2.8)	(1.5)	(1.9)	(5.7)
Other	(0.9)	(0.3)	(0.7)	(3.2)
- Somalia	0.2	0.5	1.2	5.0
- Other Red Sea countries	11.4	4.3	5.7	12.6
- Other countries	<u>10.5</u>	<u>11.8</u>	<u>3.4</u>	<u>7.8</u>
Total	100.0	100.0	100.0	100.0

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Source: Statistical Yearbook of Djibouti, 1981 data.

Table 4.1 Outstanding External Public Debt<sup>1/</sup>  
at December 31, 1982

(In US\$000)

<u>Creditors</u>	<u>Outstanding Debt</u>		
	<u>Disbursed</u>	<u>Undisbursed</u>	<u>Total</u>
Suppliers' credits	4.068	-	4.068
Private institutions	2.602	-	2.062
of which: France	(2.602)	-	(2.062)
International organizations	6.397	23.842	30.239
of which: African Development Fund	(173)	(2.695)	(2.868)
Arab Fund for Economic and Social Development	(1.205)	(14.381)	(15.586)
European Development Fund	(2.430)	(280)	(2.710)
AID	(-)	(2.868)	(2.868)
International Fund for Agricultural Development	(89)	(986)	(1.075)
Islamic Development Bank	-	(132)	(132)
OPEC Fund	(2.500)	(2.500)	(5.000)
Governments	27.043	34.395	61.438
of which: Arab Fund	-	(5.196)	(5.196)
China	-	(10.402)	(10.402)
France	(11.456)	(2.887)	(14.343)
Germany (Federal Republic)	-	(3.787)	(3.787)
Kuwait	(15.587)	(12.123)	(27.710)
Total	40.110	58.237	98.347

1/ Debt with repayment period of more than one year.

Source: IBRD estimates.

Table 4.2

External Public Debt Operations at December 31, 1982

(In US\$000)

Year	Outstanding debt at beginning of period		Operations during period					Other changes	
	Amount disbursed	Including amount not disbursed	Commitments	Disbursements	Debt service			Cancellations	Adjustments
	(1)	(2)			Principal	Interest	Total		
1978	19,426	19,822	-	413	980	767	1,747	-	2,151
1979	20,993	20,993	4,730	-	1,282	857	2,139	-	964
1980	20,538	25,405	29,532	10,261	2,244	866	3,110	-	-3,203
1981	25,847	49,490	32,237	1,389	2,181	1,568	3,749	-	-7,973
1982	19,858	71,573	34,709	25,403	2,410	1,002	3,412	24	-5,498
1983	40,110	98,350							

Projections based on commitment through December 31, 1982

1983	40,110	98,350	-	7,424	3,195	1,251	4,446	-	-1
1984	44,341	95,154	-	17,044	3,374	1,370	4,744	-	1
1985	58,011	91,781	-	14,386	3,865	1,529	5,394	-	2
1986	68,537	87,918	-	8,935	4,028	1,639	5,667	-	1
1987	73,449	83,891	-	5,045	4,977	1,631	6,608	-	1
1988	73,516	78,915	-	2,515	4,926	1,560	6,486	-	-
1989	71,104	73,989	-	1,629	4,834	1,549	6,383	-	-
1990	67,899	69,155	-	881	4,725	1,472	6,197	-	-1
1991	64,054	64,429	-	347	4,501	1,362	5,863	-	2
1992	59,901	59,930	-	29	5,155	1,237	6,392	-	1
1993	54,776	54,776	-	-	5,182	1,113	6,295	-	2
1994	49,596	49,596	-	-	5,184	990	6,174	-	-3
1995	44,409	44,409	-	-	5,174	861	6,035	-	5
1996	39,240	39,240	-	-	5,172	739	5,911	-	-1
1997	34,067	34,067	-	-	5,119	608	5,727	-	-
1998	28,948	28,948	-	-	5,043	487	5,530	-	1
1999	23,906	23,906	-	-	4,969	371	5,340	-	-1
2000	18,936	18,936	-	-	3,901	268	4,169	-	-
2001	15,035	15,035	-	-	3,357	196	3,553	-	4
2002	11,682	11,682	-	-	3,114	135	3,249	-	-2

Source: IBRD estimates.

Table 5.1

Budgetary Revenue, 1978-82

(DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Tax revenue	8460.9	10869.2	13745.9	15469.1	16839.9
of which: (Direct taxes)	(2684.1)	(3588.6)	(4161.6)	(4976.1)	(5160.0)
(Indirect taxes)	(5484.0)	(6878.5)	(9004.3)	(9820.0)	(10856.1)
Contributions from foreign States	2903.6	716.8	1116.2	1962.7	2895.8
Other budgetary revenue	729.5	1450.8	2088.7	3060.1	3641.5
Total	12094.0	13036.8	16950.8	20491.9	23377.2
+ Revenue under preceding budget received during year	+1077.1	+891.9	+1003.3	+1245.1	+2526.3
- Revenue under budget for year received in following year	-891.9	-1003.3	-1245.1	-2526.3	-1967.9
= Budgetary revenue for year	12279.2	12925.4	16709.0	19210.7	23935.6

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Source: Treasury.

Table 5.2

Budgetary expenditure, 1978-82

(DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Salaries and wages	4973.0	5434.9	5901.7	6364.2	11202.3
Equipment, supplies and maintenance	2601.4	3493.9	3759.1	4941.3	6400.6
Service of public debt	239.3	219.8	214.1	190.7	422.2
Other transfers	467.0	627.0	1044.3	2402.6	1900.0
(Total operating expenditure)	(8280.7)	(9775.2)	(10915.2)	(13898.8)	(19924.5)
Capital expenditure	1459.0	2418.7	2209.4	4147.1	5594.7
Total budgetary expenditure	9739.7	12193.9	13124.6	18045.9	25519.2
+ Expenditure under budget for preceding year paid during year	+1155.1	+793.4	+1077.5	+989.2	+1028.1
- Expenditure under budget for year paid in following year	-793.4	-1077.5	-989.2	-1028.1	-2243.9
= Budgetary expenditure for year	10101.4	11909.8	13212.9	18007.0	24303.4

---

Source: Treasury.

Table 5.3      Composition of budgetary revenue and expenditure, 1978-82

	<u>(In %)</u>				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Revenue					
Tax revenue	70.0	83.4	81.1	75.5	72.0
(Direct taxes)	(22.2)	(27.5)	(24.6)	(24.3)	(22.1)
(Indirect taxes)	(45.3)	(52.8)	(53.1)	(47.9)	(46.4)
Contributions from foreign States	24.0	5.5	6.6	9.6	12.4
Other revenue	<u>6.0</u>	<u>11.1</u>	<u>12.3</u>	<u>14.9</u>	<u>15.6</u>
Total	100.0	100.0	100.0	100.0	100.0
Expenditure					
Salaries and wages	51.0	44.6	45.0	35.3	43.9
Equipment and supplies	26.7	28.7	28.0	27.4	25.1
Other operating expenditure	7.3	6.9	10.2	14.3	13.1
Capital expenditure	<u>15.0</u>	<u>19.8</u>	<u>16.8</u>	<u>23.0</u>	<u>21.9</u>
Total	100.0	100.0	100.0	100.0	100.0

---

Source: Tables 5.1 and 5.2.

Table 5.4                      Statement of revenue and expenditure, 1978-82

(DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Budgetary revenue for year	12279.2	12925.4	16709.0	19210.7	23935.6
+ Army budget	3912.1	4281.6	4497.7	5116.4	5099.4
+ Special Treasury accounts	4665.0	7060.7	7402.7	5248.0	2577.9
- Consolidation	<u>-3568.4</u>	<u>-4692.4</u>	<u>-4373.6</u>	<u>-2560.6</u>	<u>-2862.4</u>
= Total revenue for year	<u>17197.9</u>	<u>19575.3</u>	<u>24235.8</u>	<u>27014.5</u>	<u>28750.4</u>
Budgetary expenditure for year	10101.4	11909.8	13212.9	18007.0	24303.4
+ Army budget	3912.1	4281.6	4497.7	5116.4	4849.4
+ Special Treasury accounts	5846.0	7096.9	8206.8	4212.9	5388.2
- Consolidation	<u>-3735.3</u>	<u>-4753.4</u>	<u>-4518.0</u>	<u>-2672.6</u>	<u>-3078.1</u>
= Total expenditure for year	<u>16124.2</u>	<u>18534.9</u>	<u>21399.4</u>	<u>24663.7</u>	<u>31462.9</u>
Balance	+1073.7	+1040.4	+2836.4	+2350.8	-2712.5

Source: Treasury (General Balance of Accounts).

Table 5.5

Income from foreign aid<sup>1/</sup>

(DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Budget support	2903.6	716.8	1116.2	1962.7	2895.8
Army	3604.3	4281.6	4231.4	4604.8	2682.9
Special accounts	<u>1139.2</u>	<u>2469.1</u>	<u>3456.7</u>	<u>3783.7</u>	<u>2577.9</u>
Total	7647.1	7467.5	8804.3	10351.2	8156.6
Total in US\$ millions	43.0	42.0	49.5	58.2	45.9

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<sup>1/</sup> This income represents aid received for the public finances. It excludes civil and military assistance in the form of assignment to the Djibouti Government of personnel paid by the sending country or agency in whole or in part.

Source: Treasury (General Balance of Accounts).

Table 5.6 Changes in Treasury position, 1979-82<sup>1/</sup>

(DF millions)

<u>Change in claims</u>					<u>Change in debts</u>			
<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>		<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
+670	+570	+241	+117	Coverage of currency				
+119	-235	+604	-541	Authority for issue				
+1184	+3271	-1245	+486	Miscellaneous foreign exchange holdings				
+323	-250	-90	+102	Currency	+678	+544	+358	+26
+568	+437	+2802	-3600	Deposits in banks				
				Correspondents' deposits	+513	-57	-1059	+1209
				Balance of claims and debts	+1673	+3306	+3010	-4671
<u>2464</u>	<u>3793</u>	<u>2312</u>	<u>-3436</u>		<u>2864</u>	<u>3793</u>	<u>2312</u>	<u>-3436</u>

<sup>1/</sup> This table is incomplete since it does not show changes in all Treasury claims and debts. In particular, it would be necessary to include data on loans and borrowings. As it is, however, it can be compared with Table 5.5. Such a comparison shows the financing of the deficit for 1982: Treasury deposits in banks -3600, correspondents' deposits +1209.

Source: Tables 7.1 and 7.2.

Table 5.7

CPS accounts, 1978-82

(DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Operating income	850	999	1022	943	1490 <sup>1/</sup>
Capital income	<u>118</u>	<u>31</u>	<u>21</u>	<u>41</u>	<u>60</u>
Total income	<u>968</u>	<u>630</u>	<u>1043</u>	<u>987</u>	<u>1550</u>
Operating expenditure	937	786	964	992	1158 <sup>2/</sup>
Capital expenditure	<u>8</u>	<u>1</u>	<u>420</u>	<u>10</u>	<u>11</u>
Total expenditure	<u>945</u>	<u>787</u>	<u>1384</u>	<u>1002</u>	<u>1169</u>
Operating balance <sup>2/</sup>	-87	213	58	-49	332

<sup>1/</sup> Breakdown for 1982: contributions 1200, other income 290.

<sup>2/</sup> Breakdown of operating expenditure for 1982:

Overhead	271
Family allowances	393
Work accidents	77
Old age benefits	396
Social action	21

Source: Direction Nationale de la Statistique (DINAS).

Table 5.8

SMI accounts, 1978-82

(DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Operating income	569	679	804	692	910
Capital income	<u>24</u>	<u>95</u>	<u>32</u>	<u>144</u>	<u>52</u>
Total income	<u>593</u>	<u>774</u>	<u>836</u>	<u>236</u>	<u>962</u>
Operating expenditure	417	535	482	566	617
Capital expenditure	<u>13</u>	<u>20</u>	<u>329</u>	<u>158</u>	<u>52</u>
Total expenditure	<u>430</u>	<u>555</u>	<u>811</u>	<u>721</u>	<u>669</u>
Operating surplus	152	144	319	126	293

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Source: DINAS.

Table 5.9                      Consolidated accounts of public enterprises, 1979-81<sup>1/</sup>

(DF millions)

<u>Production and operating account</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production	6844	8077	10018
- Intermediate consumption	2694	4951	6742
- Wages paid	2772	2657	2816
- Indirect taxes	26	32	32
+ Operating subsidies	89	287	765
= Gross operating surplus	<u>1441</u>	<u>724</u>	<u>1193</u>
 <u>Income and expenditure account</u>			
Gross operating surplus	1441	724	1193
+ Interest received	129	207	286
- Interest paid	143	176	141
- Insurance premiums	81	105	104
- Current transfers paid (net)	13	40	290
- Direct taxes	9	---	---
= Gross savings	<u>1324</u>	<u>610</u>	<u>944</u>
 <u>Capital account</u>			
Gross savings	1324	610	944
+ Capital transfers received (net)	765	1613	2114
- GFCF	1831	3603	2208
- Inventory changes	+118	+251	+103
= Financing capacity (+) or requirement(-)	<u>+140</u>	<u>-1631</u>	<u>+747</u>

1/ Office National de l'Eau de Djibouti (ONED), Electricité de Djibouti (EDD), Djibouti port and airport, Air Djibouti, general customshouses, Office de la Poste et des Télécommunications (OPT) and its subsidiary STID, Eau de Tadjourah (since 1981), Société d'Exploitation Hotelière Sheraton (since 1980), Pharmacie de l'Indépendance and Société Immobilière de Djibouti (SID).

Source: DINAS.

Table 5.10                      Consolidated accounts of ONED and EDD, 1979-81

(DF millions)

<u>Production and operating account</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production	2789	3606	4313
- Intermediate consumption	1254	2223	3190
- Wages paid	842	886	991
- Indirect taxes	---	---	1
+ Operating subsidies	---	200	596
= Gross operating surplus	<u>689</u>	<u>697</u>	<u>727</u>
 <u>Income and expenditure account</u>			
Gross operating surplus	689	697	727
+ Interest received	11	8	1
- Interest paid	84	82	58
- Insurance premiums	49	58	67
- Current transfers paid (net)	---	12	11
- Direct taxes	---	---	---
= Gross savings	<u>567</u>	<u>553</u>	<u>592</u>
 <u>Capital account</u>			
Gross savings	567	553	592
+ Capital transfers received (net)	47	320	1008
- GFCF	769	1328	705
- Inventory changes	+29	+257	+86
= Financing capacity (+) or requirement (-)	<u>-184</u>	<u>-712</u>	<u>+809</u>

Source: DINAS.

Table 5.11 Consolidated accounts of the port, airport,  
Air Djibouti and the general customshouses, 1979-81

(DF millions)

<u>Production and operating account</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production	2651	2818	3259
- Intermediate consumption	849	2022	2458
- Wages paid	1483	1257	1255
- Indirect taxes	19	11	9
+ Operating subsidies	89	87	169
= Gross operating surplus	<u>393</u>	<u>-385</u>	<u>-294</u>
 <u>Income and expenditure account</u>			
Gross operating surplus	393	-385	-294
+ Interest received	2	2	2
- Interest paid	20	42	42
- Insurance premiums	24	39	23
- Current transfers paid (net)	6	9	10
- Direct taxes	9	---	---
= Gross savings	<u>336</u>	<u>-473</u>	<u>-367</u>
 <u>Capital account</u>			
Gross savings	336	-473	-367
+ Capital transfers received (net)	341	350	---
- GFCF	637	138	196
- Inventory changes	+24	---	---
= Financing capacity (+) or requirement (-)	<u>16</u>	<u>-261</u>	<u>-563</u>

Source: DINAS.

Table 5.12

Consolidated accounts of OPT and STID, 1979-81

(DF millions)

<u>Production and operating account</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production	1232	1460	2118
- Intermediate consumption	572	678	995
- Wages paid	390	440	460
- Indirect taxes	6	10	9
+ Operating subsidies	---	---	---
= Gross operating surplus	<u>264</u>	<u>332</u>	<u>654</u>
 <u>Income and expenditure account</u>			
Gross operating surplus	264	332	654
+ Interest received	89	159	232
- Interest paid	13	29	19
- Insurance premiums	2	2	3
- Current transfers paid (net)	7	18	12
- Direct taxes	---	---	---
= Gross savings	<u>331</u>	<u>442</u>	<u>852</u>
 <u>Capital account</u>			
Gross savings	331	442	852
+ Capital transfers received (net)	95	555	---
- GFCF	227	989	352
- Inventory changes	+1	+8	-1
= Financing capacity (+) or requirement(-)	<u>+198</u>	<u>0</u>	<u>+501</u>

Source: DINAS.

Table 5.13 Consolidated accounts of Eau de Tadjourah (since 1981),  
SEH (since 1980) Pharmacie and SID

(DF millions)

<u>Production and operating account</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production	176	193	328
- Intermediate consumption	19	28	88
- Wages paid	57	74	110
- Indirect taxes	5	11	13
+ Operating subsidies	---	---	---
= Gross operating surplus	<u>95</u>	<u>80</u>	<u>106</u>
 <u>Income and expenditure account</u>			
Gross operating surplus	95	80	106
+ Interest received	27	38	51
- Interest paid	26	23	22
- Insurance premiums	6	6	11
- Current transfers paid (net)	---	1	257
- Direct taxes	---	---	---
= Gross savings	<u>90</u>	<u>88</u>	<u>-133</u>
 <u>Capital account</u>			
Gross savings	90	88	-133
+ Capital transfers received (net)	282	388	1106
- GFCF	198	1148	955
- Inventory changes	<u>+64</u>	<u>-14</u>	<u>+18</u>
= Financing capacity (+) or requirement (-)			

Source: DINAS.

Table 6.1

Investment program, 1983-88

(US\$ millions; 1983 prices)

<u>Sector</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Total 1984-88</u>	
							<u>Amount</u>	<u>Percentage</u>
Water	1.4	3.8	3.6	1.0	-	-	8.1	1.7
Agriculture and forestry	2.7	1.9	2.7	1.9	0.4	0.4	7.3	1.5
Stockraising and fishing	1.9	6.7	9.8	5.8	1.1	-1	23.4	4.9
Energy and research	18.3	25.9	24.9	9.4	6.1	5.5	71.8	14.9
Manufacturing industry	5.6	3.5	5.2	17.4	13.7	13.4	53.2	11.0
Tourism	8.4	3.7	1.7	0.6	-	-	6.0	1.2
Transportation <sup>2/</sup>	15.1	22.4	30.1	41.4	39.3	11.8	145.0	30.0
Telecommunications	4.2	6.3	9.3	7.8	1.2	1.5	26.1	5.4
Urban development	20.7	22.5	13.4	9.8	9.5	11.3	66.5	13.8
Education, youth and sports	4.5	8.7	16.0	17.3	15.8	6.4	64.2	13.3
Health	5.3	1.5	1.0	3.5	3.9	-	9.9	2.2
<b>Total</b>	<b>88.2</b>	<b>107.0</b>	<b>117.8</b>	<b>115.9</b>	<b>90.8</b>	<b>50.3</b>	<b>481.8</b>	<b>100.0</b>
<u>New projects<sup>2/</sup></u>								
Water	-	3.5	3.3	1.0	-	-	7.8	2.5
Agriculture and forestry	0.1	1.6	2.4	1.0	0.4	0.4	5.8	1.9
Stockraising and fishing	-	5.4	8.8	5.8	1.1	-	21.1	6.8
Energy and research	-	9.8	7.4	6.6	3.5	5.5	32.8	10.6
Manufacturing industry	-	1.4	5.2	17.4	13.7	13.4	51.1	16.4
Tourism	-	0.9	1.7	0.6	-	-	3.2	1.0
Transportation <sup>1/</sup>	-	2.7	10.3	21.9	22.4	6.2	63.5	20.4
Telecommunications	-	1.0	7.1	7.3	0.6	0.9	16.9	5.4
Urban development	-	8.7	12.5	9.8	3.8	-	34.8	11.2
Education, youth and sports	-	8.3	16.0	17.3	15.8	6.4	63.8	20.5
Health	-	1.5	1.0	3.5	3.9	-	9.9	3.3
<b>Total</b>	<b>0.1</b>	<b>44.8</b>	<b>75.7</b>	<b>92.2</b>	<b>65.2</b>	<b>32.8</b>	<b>310.7</b>	<b>100.0</b>
Projects in execution <sup>3/</sup>	88.1	62.2	42.1	23.7	25.6	17.5	171.1	-
of which: (Djibouti-Tadjourah highway)	(-)	(5.6)	(16.9)	(16.9)	(16.9)	(5.6)	(61.9)	(-)

1/ Roads, airport and port. Railway not included.

2/ Projects for which financing has not been obtained.

3/ Projects for which financing has been secured or promised.

Source: Document prepared for the Donors' Conference (Volume II, pp. 33-39).

Table 6.2                      List and cost of projects in the investment  
program 1984-88 requiring further study

(US\$ millions; 1983 prices)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1984-88</u>
Hydro-agricultural development	-	0,3	0,7	0,6	0,4	0,4	2,4
Fishing pier	-	0,2	2,5	2,7	-	-	5,4
Brick works	-	0,1	1,0	0,9	-	-	2,0
Cement Plant	-	1,0	-	13,7	13,7	13,4	41,8
Djibouti-Tadjourah highway	-	5,6	16,9	16,9	16,9	5,6	61,9
Airport expansion	-	-	1,4	6,5	10,1	6,2	24,2
Pier No. 14 - Port	-	-	1,1	5,5	8,4	-	15,0
Television equipment	1,4	1,1	1,7	1,2	0,3	0,9	5,6
Sports facilities <sup>1/</sup>	-	-	0,6	6,0	5,9	4,1	16,6
Total	<u>1,4</u>	<u>7,3</u>	<u>25,9</u>	<u>54,0</u>	<u>55,7</u>	<u>30,6</u>	<u>174,9</u>

<sup>1/</sup> Sports facilities in Djibouti and the interior, excluding the swimming pool in Djibouti which undoubtedly should be built without delay.

Source: Document prepared for the Donors' Conference.

Table 6.3

Investment program, 1983-88

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(In DF millions)

<u>Projects</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1984-88</u>
A. Projects for which financing has been secured or promised							
1. Water	150	50	50	-	-	-	100
Well equipment and maintenance	50	-	-	-	-	-	-
Water supply Randa-Dorra							
Additional rural engineering equipment	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Water	250	50	50	-	-	-	100
2. Agriculture - Forestry							
Kaninle agricultural zone	300	-	-	-	-	-	-
Coastal zone reforestation	110	50	50	150	-	-	250
Irrigation	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Agriculture - Forestry	460	50	50	150	-	-	250
3. Stockraising - Fishing							
Animal health	80	80	40	-	-	-	120
Small-scale fishing	<u>250</u>	<u>150</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
Total Stockraising - Fishing	330	230	190	-	-	-	420
4. Energy - Research							
Lake Assal geothermal development	50	50	250	340	450	-	1090
Study of construction materials	-	10	50	150	-	-	210
Study of solar and wind energy	200	200	300	-	-	-	500
Small plant - EDD	-	-	-	-	-	-	-
Expansion of large plant - EDD	<u>3000</u>	<u>2600</u>	<u>2500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5100</u>
Total Energy - Research	3250	2860	3100	490	450	-	6900
5. Industry							
Dairy industry	700	200	-	-	-	-	200
Printing industry	200	160	-	-	-	-	160
Development of industrial zone	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Industry	1000	360	-	-	-	-	360
6. Tourism							
Maison du Peuple	<u>1500</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Total Tourism	1500	500	-	-	-	-	500

Table 6.3

Investment program, 1983-88

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(In DF millions)							
	1983	1984	1985	1986	1987	1988	1984-1988
<b>7. Transportation</b>							
Djibouti - Tadjourah-highway	-	1000	3000	3000	3000	1000	11000
Tadjourah - Randa highway	200	-	-	-	-	-	-
Road maintenance	340	400	450	450	-	-	1300
Airport pavement study	-	20	80	-	-	-	100
Reinforcement of runway fringes	100	450	-	-	-	-	450
Fire protection - airport	50	130	-	-	-	-	130
Port and terminal improvements	2000	1500	-	-	-	-	1500
<b>Total Transportation</b>	<b>2690</b>	<b>3500</b>	<b>3530</b>	<b>3450</b>	<b>3000</b>	<b>1000</b>	<b>14480</b>
<b>8. Telecommunications</b>							
Equipment and training - postal service	150	-	-	-	-	-	-
Expansion of telephone exchange	-	300	-	-	-	-	300
Panaftel-Meradabtel program	50	350	300	-	-	-	650
Telecommunications equipment	-	100	100	100	100	100	500
Doralé transmitter	300	-	-	-	-	-	-
Television building	250	200	-	-	-	-	200
<b>Total Telecommunications</b>	<b>750</b>	<b>950</b>	<b>400</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1650</b>
<b>9. Urban Development</b>							
Cité Cheik Osman	1300	900	-	-	-	-	900
Housing - National Army	800	200	-	-	-	-	200
Housing - Government	680	200	-	-	-	-	200
Sites and services	100	-	-	-	-	-	-
Central Market	250	200	-	-	-	-	200
Water supply, rehabilitation	200	250	120	-	-	-	370
Sanitation - utilization of wastewater							
General sanitation - wastewater	-	50	50	-	1000	2000	3100
<b>Total Urban Development</b>	<b>3680</b>	<b>2450</b>	<b>170</b>	<b>-</b>	<b>1000</b>	<b>2000</b>	<b>5620</b>
<b>10. Education-Youth-Sports</b>							
School buildings	200	-	-	-	-	-	-
CFPA - commercial section	200	-	-	-	-	-	-
EDD training center	100	-	-	-	-	-	-
Gymnasium - Ambouli	300	60	-	-	-	-	60
<b>Total Training-Youth-Sports</b>	<b>800</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>
<b>11. Health</b>							
Hospital	800	-	-	-	-	-	-
Maternal care center	100	-	-	-	-	-	-
Dispensaries	50	-	-	-	-	-	-
<b>Total Health</b>	<b>950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total projects with financing secured</b>	<b>15660</b>	<b>11010</b>	<b>7490</b>	<b>4190</b>	<b>4550</b>	<b>3100</b>	<b>30340</b>

Table 6.3

Investment program, 1983-88

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(In DF millions)

B. New projects for which financing is to be sought

1. Water							
Operation drillings	-	156	79	-	-	-	235
Exploration drillings	-	176	308	154	-	-	638
Water supply - Holl Holl	-	30	29	-	-	-	59
Basic rural engineering - Tadjourah	-	50	40	-	-	-	90
Installation of solar pumps	-	40	30	30	-	-	100
Study - Djibouti aquifer	-	180	100	-	-	-	280
<b>Total Water</b>	-	<b>632</b>	<b>586</b>	<b>184</b>	-	-	<b>1402</b>
2. Agriculture - Forestry							
Support for small farmers	-	45	65	65	-	-	175
Hydro-agricultural development	-	60	120	120	70	70	440
Micro-dams	-	116	94	-	-	-	210
Reforestation-Day	15	66	144	-	-	-	210
<b>Total Agriculture - forestry</b>	15	<b>287</b>	<b>423</b>	<b>185</b>	<b>70</b>	<b>70</b>	<b>1035</b>
3. Stockraising - fishing							
Rehabilitation of palm plantations	-	20	90	-	-	-	110
Improvement of animal production	-	120	100	100	80	-	400
Livestock feed plant	-	255	35	50	120	-	460
Slaughterhouse	-	440	445	-	-	-	885
Tannery	-	20	330	350	-	-	700
Poultry farming	-	75	110	45	-	-	230
Fishing pier	-	35	450	485	-	-	970
<b>Total Stockraising - Fishing</b>	-	<b>965</b>	<b>1560</b>	<b>1030</b>	<b>200</b>	-	<b>3755</b>
4. Energy - Research							
Geothermal development - Lac Abbé	-	1430	1180	1180	630	980	5400
Export assessment	-	50	50	-	-	-	100
ISERST headquarters	-	270	90	-	-	-	360
<b>Total Energy - Research</b>	-	<b>1750</b>	<b>1320</b>	<b>1180</b>	<b>630</b>	<b>980</b>	<b>5860</b>
5. Industry							
Wood processing facility	-	20	175	-	-	-	195
Paper plant	-	10	200	80	-	-	290
Food pastas - biscuits	-	15	155	40	-	-	210
Soap factory	-	15	230	380	-	-	625
Brick works	-	15	170	165	-	-	350
Cement plant	-	180	-	2430	2430	2390	7430
<b>Total Industry</b>	-	<b>255</b>	<b>930</b>	<b>3095</b>	<b>2430</b>	<b>2390</b>	<b>9100</b>

Table 6.3

Investment program, 1983-88

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(In DF millions)

6. Tourism							
Hostels	-	90	90	-	-	-	180
Farés	-	65	97	98	-	-	260
Tourist center - Musha	-	-	107	-	-	-	107
Total Tourism	-	155	294	98	-	-	547
7. Transportation							
Improvement - dirt roads	-	445	725	440	440	-	2050
Urban passenger station	-	5	115	-	-	-	120
Access roads - airport	-	-	20	750	-	-	770
Meteorological telecommunications - airport	-	-	5	90	-	-	95
Aeronautical communications	-	-	20	180	240	-	440
Airport expansion	-	-	250	1150	1800	1100	4300
Improvement of free zone - port	-	30	500	320	-	-	850
Pier No. 14	-	-	190	970	1500	-	2660
Total Transportation	-	480	1825	3900	3980	1100	11285
8. Telecommunications							
Telephone exchange - Balbala	-	20	300	360	-	-	680
Submarine cable	-	100	650	650	-	-	1400
Telephone exchanges - interior	-	-	10	60	60	-	130
Expansion of TV coverage	-	50	-	-	-	-	50
Television equipment	-	-	300	220	49	166	735
Total Telecommunications	-	170	1260	1290	109	166	2995
9. Urban Development							
Improvement of urban management	-	220	100	70	35	-	425
Housing credit	-	-	100	100	-	-	200
Improvement of old districts	-	300	450	450	300	-	1500
Infrastructures - Balbala	-	180	320	220	-	-	720
Salines Ouest	-	300	570	420	-	-	1290
Utilization of local materials	-	150	80	120	150	-	500
Improvement of Route d'Arta	-	200	210	-	-	-	410
Protection of Ambouli wadi	-	-	150	150	-	-	300
Residential waste collection	-	155	200	-	-	-	355
Maintenance support - ONED	-	50	38	-	-	-	88
Reservoir - Salines Ouest	-	-	-	130	130	-	260
Expansion of water supply network	-	-	-	80	65	-	145
Total Urban Development	-	1555	2218	1740	680	-	6193

Table 6.3

Investment program, 1983-88

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(In DF millions)

10. Education - Youth - Sports							
Vocational training school	-	65	560	720	855	-	2200
CES - Balbala	-	355	556	449	-	-	1340
School facilities	-	546	433	-	-	-	979
General College	-	-	140	110	210	70	530
CES - Obock	-	-	140	146	-	-	286
CFPA - Balbala	-	40	265	330	385	-	1020
Management training	-	4	116	-	-	-	120
Technical training	-	20	30	-	-	-	50
Regional schools	-	-	182	146	173	173	674
Cultural development	-	54	18	18	-	-	90
Maison des Jeunes	-	-	-	54	54	108	216
Museum and park	-	15	50	50	70	70	255
Sports complex							
Swimming pool	-	384	280	-	-	-	664
stadium	-	-	70	700	520	530	1820
sports arena	-	-	-	320	300	-	620
field house	-	-	-	-	180	140	320
Regional sports centers	-	-	30	40	55	50	175
Total Education - Youth - Sports	-	1483	2850	3083	2802	1141	11359
C. Health							
Health Center - Djibouti Ouest	-	82	-	-	-	-	82
Health training center	-	85	65	-	-	-	150
Health stations - interior	-	100	16	-	-	-	116
Pharmacy	-	-	90	620	690	-	1400
Total Health	-	267	171	620	690		1748
Total New Projects	15	7999	13437	16405	11591	5847	55279
Grand Total, Investment Program		<u>15675</u>	<u>19009</u>	<u>20927</u>	<u>20595</u>	<u>16141</u>	<u>8947</u>
							<u>85619</u>

Source: Document prepared for the Donors' Conference (Volume II, Pages 33-39).

Table 7.1      Consolidated statement of condition of commercial banks

(In DF millions; end of period)

<u>Item</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Apr. 1983</u>
Quick assets	5702	7465	7909	10711	4272	4456
(Banknotes and coins)	(394)	(761)	(428)	(510)	(550)	(746)
(Foreign currency)	(5308)	(6704)	(7481)	(10201)	(3722)	(3710)
Credit to the economy <sup>1/</sup>	4636	7381	9903	12224	16947	18279
Miscellaneous (balance)	79	-1200	-2966	-3147	-1339	-4587
Assets = Liabilities	<u>10417</u>	<u>13646</u>	<u>14846</u>	<u>19788</u>	<u>19880</u>	<u>18148</u>
Customers' deposits <sup>2/</sup>	8823	11484	12247	14387	18079	16582
Treasury deposits	1594	2162	2599	5401	1801	1566
Memorandum item: Deposits in the Treasury (correspondents)	1533	2046	1989	930	2139	1361

<sup>1/</sup> Credit to the economy includes only bank loans in Djibouti francs. Loans in foreign currency have been reported since 1983, and amounted to DF 2.000 million at the end of April 1983.

<sup>2/</sup> Customers' deposits (private and public enterprises) include only deposits in DF. Foreign currency deposits have been reported since 1983; at the end of April they totaled DF 16.896 million.

Source: Treasury.

Table 7.2                      Summary statement of condition of the Treasury

(In DF millions)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Apr. 1983</u>
Foreign exchange holdings:	9688	11859	15576	15224	15286	12319
Currency coverage	4673	5343	5913	6154	6271	6808
Issue authority	417	536	301	905	364	369
Miscellaneous holdings	4598	5782	9053	7808	8294	4785
Positions with IMF <sup>1/</sup>	-	178	279	254	254	254
SDR holdings <sup>1/</sup>	-	20	30	103	103	103
Reserve currency:	4852	5530	6074	6432	6458	7068
In public circulation:	4458	4769	5646	5922	5908	6321
(Banknotes)	(4269)	(4579)	(5393)	(5674)	(5649)	(6055)
(Coins)	(189)	(190)	(253)	(248)	(259)	(266)
Held in banks	394	761	428	510	550	747
(Banknotes)	(368)	(705)	(412)	(462)	(502)	(699)
(Coins)	(26)	(56)	(16)	(48)	(48)	(48)
Government deposits	4836	6131	9193	8435	8471	5251
As counterpart of:						
Currency coverage	4673	5343	5913	6154	6271	6808
Issue authority	417	536	301	905	364	369
Miscellaneous holdings	4598	5782	9053	7808	8294	4785
In public circulation	-4458	-4769	-5646	-5922	-5908	-6321
Held in Banks	-394	-761	-428	-510	-550	-747
Miscellaneous (balance)	-	198	309	357	357	357
MI: Held in Treasury <sup>2/</sup>	36	359	108	18	120	54

<sup>1/</sup> In the absence of information, the actual amounts for the end of 1981 have been carried forward to the end of 1982 and end of April 1983.

<sup>2/</sup> Banknotes issued and held temporarily by the Treasury.

Source: Treasury.

Table 7.3

Money supply and counterparts

(In DF millions; end of period)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Apr. 1983</u>
Money supply:	14814	18299	19882	21239	26126	24264
In public circulation	4458	4769	5646	5922	5908	6321
Customer deposits in banks	8823	11484	12247	14387	18079	16582
Correspondents' deposits in Treasury	1533	2046	1989	930	2139	1361
Counterparts:						
Foreign claims, net	14996	17735	22748	25068	18651	15672
(Treasury)	(9688)	(11661)	(15267)	(14867)	(14929)	(11962)
(Commercial banks) <sup>1/</sup>	(5308)	(6074)	(7481)	(10201)	(3722)	(3710)
Domestic credit	-1794	-912	-1889	-1612	6675	11462
(Claims on Government)	(-6430)	(-8293)	(-11792)	(-13836)	(-10272)	(-6817)
(Claims on private sector)	(4636)	(7381)	(9903)	(12224)	(16947)	(18279)
Miscellaneous (balance)	1612	1476	-977	-2217	800	-2870

<sup>1/</sup> This item is probably underestimated because it does not include all foreign currency obligations of banks.

Source: Treasury.

Table 7.4

Changes in Money Supply and counterparts

(in DF millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Money supply:	3485	1583	1357	4887
In public circulation	311	877	276	-14
Customer deposits in banks	2661	763	2140	3692
Correspondents' deposits in Treasury	513	-57	-1059	1209
Counterparts				
Foreign claims, net	2739	5013	2320	-6417
(Treasury)	(1973)	(3606)	(-400)	(62)
(Commercial banks)	(766)	(1407)	(2720)	(-6479)
Domestic credit	882	-977	277	8287
(Claims on Government)	(-1863)	(-3499)	(-2044)	(3564)
(Claims on private sector)	(2745)	(2522)	(2321)	(4723)
Miscellaneous (balance)	-136	-2453	-1240	3017

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Source: Table 5.3.

Table 7.5

Structure of interest rates at end of 1981<sup>1/</sup>

I. RATES PAID ON DEPOSITS

<u>1. Operations in Djibouti francs</u>	<u>Rate</u>	<u>Remarks</u>
Demand deposits	0%	(Public or semi-public, 0.25% maximum)
Savings deposits	3%	(Only for persons born in Djibouti)
Time deposits	3%	1 month
	5%	3 months
	6%	6 months
	7.25%	1 year (minimum balance DF 100.000)
 <u>2. Operations in foreign currency</u>		
Demand deposits	0%	On deposits equivalent to US\$50.000
	3% above Eurodollar rate	On deposits equivalent to between US\$50.000 and US\$100.000
	No fixed rate	On larger deposits
Savings deposits		There are no foreign foreign currency savings deposits
Time deposits: Accounts in US\$	Base rate reduced by 1% for deposits of US\$10.000 or less, and by 0.5% for deposits between US\$10.000 and US\$100.000; no fixed rate for larger deposits <sup>2/</sup>	The minimum amount required for deposits is the equivalent of US\$1.000

Table 7.5

Structure of interest rates at end of 1981<sup>1/</sup>

Accounts in pounds sterling	Base rate reduced by 1% for deposits equivalent to US\$10.000 or less, and by 0.5% for deposits equivalent to US\$10.000 - US\$100.000; no fixed rate for larger deposits.
Accounts in French francs	See accounts in US\$

II. LENDING RATES

Interest rates on loans are the sum of a base rate (BR) and a variable spread.

1. The base rate for loans in Djibouti francs is 12.5%.
2. The base rate for loans in foreign currency is tied to the three-month rate in the Euromarket. It is set each month by the Association of Commercial Banks on the basis of the average of rates paid by their correspondents on deposits.

a. Credit to firms

Credit in the form of discount	BR + 1.75%
Credit in the form of discount with installment payments	BR + 2.50%
Overdrafts	BR + 2.50%
Overdrafts with a counterpart in currency	BR + 1.00%
Discounting of financial instruments	BR + 2.50%
Staggered advances for construction and public works	BR + 1.50%

Table 7.5      Structure of interest rates at end of 1981<sup>1/</sup>

Imports

Opening of letter of credit	1% each quarter (DF 1.500 minimum)
Credit extended after opening of letter of credit	BR + 1.50%

Exports

Advances on instruments	BR + 1.75%
Discounted instruments	BR + 1.75%
Free export against check or traveler's check for 25 days.	Commission of 0.5% of the BR

b. Credit to individuals

Overdrafts	BR + 3%
Discounts	BR + 3%
Housing credit, medium term	BR + 2%

III. COMMISSIONS

A general commission is charged on each transfer:

1. Transfers in Djibouti francs: DF 300
2. Transfers in foreign currency: DF 500 or US\$3.

No commission is charged on transfers made by individuals in French francs. Variable commissions are charged for different types of local and foreign operations.

- 
- 1/ The interest rates charged by all banks are fixed by the Association of Commercial Banks.
  - 2/ The base rate is set each month on the basis of the average interest rate on deposits received by the banks from their correspondents in the Eurodollar market. Each bank deducts, from this monthly rate, a small percentage which it determines itself.

Source: Statistical Yearbook of Djibouti, 1981 data.

Table 8.1                      Stockraising: Slaughterings and stock  
in the Republic of Djibouti

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981<sup>1/</sup></u>	<u>1982<sup>1/</sup></u>
<b>A. <u>Controlled slaughterings (number)</u></b>					
Beef cattle	6270	8746	11596	15322	14182
Sheep and goats	172590	213547	219576	149596	128896
Camels	<u>45</u>	<u>75</u>	<u>787</u>	<u>451</u>	<u>140</u>
Total	178905	222368	231959	165369	143218
<b>B. <u>1979 Census of stock (head)<sup>2/</sup></u></b>					
Goats	500.000				
Sheep	350.000				
Camels	50.000				
Beef cattle	40.000				
Donkeys	<u>6.500</u>				
Total	946.500				

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<sup>1/</sup> City of Djibouti slaughterhouse only.

<sup>2/</sup> No official census after 1979. However, various estimates would indicate that the drought has destroyed nearly 30% of herds since that year.

Source: Office of Stockraising.

Table 8.2                      Fishing: Tons caught and number of fishermen  
and vessels of the Cooperative  
Association of Fishermen

(Estimate)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Tons caught	312.6	251.1	385.3	500.0
Number of fishermen				
Fish	61	64	102	108
Lobster	33	33	45	..
Shrimp	6	6	6	..
Squid	2	2	2	2
Crab	16	16	16	..
Total	<u>118</u>	<u>121</u>	<u>171</u>	<u>152</u>
Number of Vessels				
Dhows	4	5	6	7
Luggers	23	23	52	54
Miscellaneous	<u>2</u>	<u>2</u>	<u>2</u>	<u>13</u>
Total	29	30	60	74

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Source: Fishermen's Cooperative.

Table 8.3                      Energy: Consumption of hydrocarbons and data on electricity in the Republic of Djibouti

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Hydrocarbons consumed (cubic meters)	55478	67447	70354	75004	77893
Electricity production (thousands of KWh)	92800	102500	116696	123437	130891
Electricity consumption (thousands of KWh)	75928	88786	94138	99996	...
Thermal plant equipment (installed capacity, KW)	30546	30546	34776	34776	...
Maximum available power (maximum power, KW)	26410	26410	33850	33850	...

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.. Not available.

Sources: Petroleum companies;  
Electricité de Djibouti.

Table 8.4

Transportation, 1978-82

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<b>Air traffic</b>					
Paying passengers (number)	255992	234810	240776	221119	263685
Paying freight (metric tons)	33085	19188	7758	9153	8854
<b>Maritime traffic</b>					
Ship arrivals (number)	1267	1182	1114	1122	1031
Dhow arrivals (number)	1008	796	734	631	534
Cargo (thousands of tons)	1306	1357	1377	1341	1376
<b>Railway traffic</b>					
Freight (thousands of tons)	71	187	194	154	140
<b>Highway transportation</b>					
Vehicles registered (number)	1266	1444	1259	1353	1642
- Private automobiles	863	951	896	1031	1056
- Light trucks	208	189	286	273	393
- Heavy trucks	195	304	77	49	193
Motorcycle registrations (number)	76	74	162	182	172

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Source: Statistical Yearbook of Djibouti, 1981 data.

Table 9.1

Public education: Recapitulation

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Primary education					
Number of schools	37	37	40	42	43
Number of classrooms (Div.)	315	317	350	419	444
Number of teachers	341	361	375	416	423
Number of students	13021	13742	15322	17355	18930
Academic secondary education (Lycée and CES)					
Number of schools	5	5	6	6	6
Number of classrooms (Div.)	...	100	115	121	125
Number of teachers	...	152	166	171	183
Number of students	2528	2954	3626	3859	4187
Vocational secondary education (LEP)					
Number of schools	1	1	1	1	1
Number of classrooms (Div.)	43	43	48	47	47
Number of teachers	56	68	68	66	68
Number of students	848	927	948	981	976
Secondary education (Teacher training)					
Number of schools	1	1	1	1	1
Number of classrooms	4	4	2	5	5
Number of teachers	9	9	11	13	15
Number of students	67	66	65	90	19
Higher education	...	127	150	170	184
Number of fellowship students					

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Source: Directorate of National Education.

Table 9.2

Private Education: Recapitulation

<u>Type</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
<b>Primary Education</b>					
Number of schools	5	5	5	5	5
Number of classrooms (Div.)	42	43	44	44	44
Number of teachers	42	43	44	44	44
Number of students	1722	1485	1519	1541	1503
<b>Secondary education</b>					
Number of schools	2	2	2	2	2
Number of classrooms (Div.)	6	6	7	7	8
Number of teachers	10	10	13	20	17
Number of students	169	190	186	217	242
<b>Domestic education</b>					
Number of schools	5	5	5	5	5 <sup>1/</sup>
Number of classrooms (Div.)	20	20	20	20	20 <sup>1/</sup>
Number of instructors	24	27	30	31	31
Number of students	277	300	331	395	431 <sup>2/</sup>
<b>Commercial education</b>					
Number of schools	1	1	-	-	-
Number of classrooms	2	2	-	-	-
Number of teachers	2	2	-	-	-
Number of students	35	35	-	-	-

Note: Private Catholic schools do not provide recognized vocational education at the secondary level. They include only:

(1) Five social centers serving girls with little formal education, or even illiterate, providing a four-year program of training in domestic skills and sewing, together with the usual subjects of reading, writing and arithmetic. The usual form of recognition for these four years is a certificate of domestic training.

(2) At Ali Sabieh, Brother Hilaire (Capuchin) operates a woodworking shop where he trains three or four apprentices for two or three years. The apprentice takes an examination in woodworking. In general, the private Catholic schools provide no vocational training above the 6th or 5th level, but rather vocational training at Ali Sabieh and "social assistance" training at the five social centers, where the training is given by instructors and not by teachers, although some trained teachers do serve as instructors.

<sup>1/</sup> Excluding 1 training workshop at the Ali Sabieh mission.

<sup>2/</sup> Excluding 4 trainees (boys) at the Ali Sabieh woodworking shop.

Source: Private Catholic schools and Directorate of National Education.

Table 9.3

Public Health: Social Indicators 1983

(Provisional)

Number of physicians (excluding French forces and aid personnel)

- Public Health	42
- SMI	10
- National Army	5
- Private	4
Dentists	4 (1 private)
Pharmacies	3

Number of hospital beds (1983 estimates)

- Peltier	587
- Paul Faure	141
- Preventive center	39
- New maternal center	24

Total District of Djibouti 791

- Ali Sabieh	90
- Dokhil	108
- Tadjourah	84
- Obock	<u>66</u>

Grand Total 1139

French military hospital 100

Graduate nurses

- Public Health	171
- SMI	25 (E)
- Graduate midwives	13

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Source: Ministry of Public Health and Social Affairs.

Table 10.1      Average annual price index for European expatriate consumption

(Base: October 1978 = 100)

	<u>Weight</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Food	50.3	122.3	119.2	125.1	117.1
Restaurants	9.2	116.5	145.3	127.6	123.6
Energy	13.1	102.5	116.1	148.2	154.7
Domestic service	6.4	100.4	131.3	144.9	145.5
Equipment	0.3	105.4	117.6	123.1	124.8
Maintenance products	1.2	116.6	129.1	132.2	123.2
Hygiene	1.4	101.5	119.0	131.4	141.6
Pharmacy - medical care	1.0	87.1	91.2	102.3	106.4
Clothing	1.7	110.4	123.4	132.1	118.6
Miscellaneous	<u>15.4</u>	<u>112.5</u>	<u>130.2</u>	<u>131.5</u>	<u>134.8</u>
Total	100.0	110.3	123.6	130.7	127.5
Average annual change (%) with respect to preceding year		+ 15.0%	+ 12.1%	+ 5.7%	- 2.4

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Because of the replacement of the previous price index (base: July 1969 = 100) by the new one (base: October 1978 = 100), the comparison of the average movement of the price index is limited to the years 1979, 1980, 1981 and 1982. However, the relationship between the previous and new indexes is given by the multiplier 2.657.

Source: Statistical Yearbook of Djibouti, 1981 datas.

Table 10.2      Structure of prices of automobile gasoline and fuel oil in 1981

	(DF per liter)		
	<u>Premium Gasoline</u>	<u>Regular Gasoline</u>	<u>Fuel Oil</u>
CIF price + port costs	48.17	48.17	49.79
Costs (storage, import distributor's markup + resale)	24.54	20.83	13.95
Domestic excise tax and surtax	34.98	34.98	16.94
Adjustments	<u>17.31</u>	<u>6.03</u>	<u>-30.68</u>
Selling price at pump	125.00	110.00	50.00
Domestic excise tax (28% of import price)	13.48	13.48	13.94
Surtax	21.50	21.50	3.00
Indirect taxes	0.86	0.56	0.24
Industrial and commercial profits margin (20%)	17.31	6.03	- 30.68
Financial costs (including domestic excise tax)	125.00	110.00	50.00
Economic cost (excluding taxes)	69.51	66.35	72.26
Foreign exchange cost	47.95	47.95	49.71

Source: Bureau Central d'Outre Mer.

Table 10.3

Business Sales

(In DF millions)

A. Sales by sector

	<u>1979</u>	<u>1980</u>	<u>1981</u>
Manufacturing industries	2475	2579	2641
Construction and public works	1544	2937	3576
Trade, hotels, bars and restaurants	35047	43430	47027
Transportation	3245	3275	4064
Banking and other business services	<u>4906</u>	<u>6825</u>	<u>9689</u>
Total	47217	59046	66997

B. Insurance

Number of companies	5	6	6
Premiums issued (in DF millions)	(264)	580 <sup>1/</sup>	649
Claims paid	(227)	272	362
Number of claims	1605	..	..

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.. = Not available.

() = Includes only four companies and automobile insurance.

<sup>1/</sup> Premiums purchased for two companies.

Source: Statistical Yearbook of Djibouti, 1981 data.





