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DJIBOUTI

Recent Economic Developments

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DJIBOUTI - Basic Data

Area, population, and GDP per capita

Area	23,200 square kilometers
Population: Total (1980)	450,000 (government estimate)
Natural growth rate	2.5 per cent
GDP per capita	SDR 560

<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>(In millions of Djibouti francs)</u>			

<u>Gross domestic product</u> (at current market prices)	42,433	50,716	58,272	63,450
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(In per cent of GDP)

<u>Gross domestic expenditure</u>	127.1	128.1	132.6	132.7
Consumption	117.7	111.6	115.1	114.9
Investment	9.4	16.5	17.5	17.8
Resource gap	27.1	28.1	32.6	32.7
<u>Consumer prices (per cent change)</u>	19.7	15.0	12.1	5.7

Central government financial operations
(January-December)

(In millions of Djibouti francs)

Total receipts	21,779	27,094	28,049	28,452
Budgetary revenue	10,556	12,564	14,780	16,916
Foreign grants	11,223	14,530	13,269	11,536
Total expenditures	19,384	25,003	24,480	25,186
Budgetary	9,550	11,402	12,136	15,701
Extrabudgetary	9,834	13,601	12,344	9,485
Net lending	-11	99	150	1,317
Overall surplus	2,406	1,992	3,419	1,949
Overall deficit (without grants)	-8,828	-12,439	-9,700	-8,270
Financing				
Foreign borrowing (net)	-46	-50	-52	-40
Domestic banks (net)	-2,667	-1,863	-3,499	-2,044
Changes in cash balances and errors and omissions	307	-79	132	135

Money and credit (end of December)

Foreign assets (net)	14,996	18,563	23,057	25,425
Domestic credit	-1,794	-912	-1,889	-1,612
Claims on Government (net)	-6,430	-8,293	-11,792	-13,836
Claims on private sector	4,636	7,381	9,903	12,224
Money and quasi-money	14,814	18,299	19,882	21,238

DJIBOUTI - Basic Data (concluded)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	<u>(In millions of SDRs)</u>			
<u>Balance of payments</u>				
Exports, f.o.b., including re-exports	74.9	61.6	82.9	97.1
Imports, f.o.b.	-111.2	-123.8	-146.1	-174.9
Trade balance	-36.3	-62.2	-63.2	-77.8
Services (net)	11.8	4.8	15.6	20.3
Unrequited transfers (net)	51.3	62.9	57.3	54.0
Of which: official	(51.4)	(63.0)	(57.4)	(54.1)
Current account balance	26.8	5.5	9.7	-3.5
Capital account, including valuation adjustment and errors and omissions	-4.9	3.3	8.4	8.4
Overall surplus	21.9	8.8	18.1	4.9
<u>External public debt</u> (including public enterprises)				
Disbursed outstanding debt (at the end of period)	7.9	8.7	7.2	5.4
Debt service	0.7	0.8	1.3	1.1
<u>Selected indicators</u>	<u>(In per cent of GDP)</u>			
Overall surplus of Central Government	5.7	3.9	5.9	3.1
Trade deficit	19.0	28.2	25.1	25.7
External current account surplus	14.1	2.5	3.9	-1.1
Disbursed public external debt	4.3	4.0	2.8	1.8
<u>Exchange rates</u>				
Djibouti francs per SDR (end of period)	231.53	234.12	226.67	206.86
Nominal effective exchange rate (import-weighted; 1977=100; decline denotes appreciation)	108.1	111.6	112.2	98.2

I. Domestic Economy

1. Background

Djibouti is a small arid country, bordered by Ethiopia on the south, west, and north; by the Red Sea on the northeast; and by Somalia on the southeast. Proven natural resources are limited and include salt in Lake Assal and limestone, gypsum, and other raw materials for making cement. Moreover, because of lack of water and harsh weather conditions, only a small area (about 50 hectares) is cultivated. This makes the country heavily dependent on imports of food and other items. Over three fourths of gross domestic product (GDP) at factor cost originates in the tertiary sector and derives from activity associated mainly with the port of Djibouti, the railway to Ethiopia, the international airport of Djibouti, the private banking sector, which handles some offshore business, and the presence of a sizable number of French military and civilian personnel. The contributions of the primary and secondary sectors to GDP have been relatively small, averaging less than 7 per cent and 9 per cent, respectively (Table 1).

During the years immediately following independence, economic performance was weak. Real GDP declined at an average rate of 6 per cent per annum over the 1977-79 period (Appendix Table I). This rather unsatisfactory economic performance was due to a number of factors. First, soon after independence a large number of foreigners left, apparently fearful of Djibouti's future political stability. Second, bunkering activity in the port of Djibouti declined noticeably due to increased competition from ports in neighboring countries, technological improvements in shipping, and increased reliance on pipelines for transportation of Middle Eastern oil to the Mediterranean shores, which has tended to reduce the number of tankers calling at the port of Djibouti. Third, traffic on the Ethiopian railway declined owing to the unsettled situation in the Ogaden coupled with Ethiopia's own decision to channel an increasing amount of its foreign trade through its own port of Assab. Finally, unusually dry weather conditions led to big losses in livestock.

Djibouti's population in 1980 is officially estimated at 450,000. Since the last population count in 1961, there has not been a census. The natural growth rate is estimated at 2.5 per cent. Steady immigration from neighbouring countries is believed to have added substantially to population growth over the last years.

2. Recent overall developments

In more recent years there has been a moderate recovery in economic activity. The abatement, since 1979, of hostilities in the Ogaden has permitted a partial resumption of transit trade with Ethiopia. Moreover, renewed private sector confidence appears to have provided impetus for investment and growth, especially in the construction and commercial sectors.

Table 1. Djibouti: Gross Domestic Product by Industrial Origin, 1975-79
(In millions of Djibouti francs, at current prices)

	1975	1976	1977	1978	1979
Agriculture, livestock, and fishing	1,016	1,194	1,418	3,144	2,974
Manufacturing	2,014	2,116	2,419	3,481	3,756
Electricity and water	1,061	1,143	1,282	1,388	1,467
Construction and public works	2,170	3,402	2,878	1,370	2,089
Transport, storage, and communications	11,560	12,702	14,267	10,154	11,887
Commerce, hotels, bars, and restaurants	1,650	1,737	2,019	3,355	3,746
Banking, insurance, and real estate	2,863	3,435	3,197	3,663	3,979
Public administration	4,001	5,374	5,832	9,799	13,332
Other services	627	776	868	870	1,326
GDP at factor cost	26,962	31,879	34,180	37,224	44,556
Net indirect taxes	3,165	4,048	4,546	5,209	6,160
GDP at market prices	30,134	35,927	38,726	42,433	50,716

Source: Data provided by the Djibouti authorities. The 1975-77 and 1979 figures were estimated by an expert from the United Nations Economic Commission for Africa (UNCEA). The 1978 figures were prepared by a technical mission from the French Ministry of Cooperation, which visited Djibouti in 1980.

These developments, coupled with improved weather conditions in 1981 and with increased spending in the public sector, have contributed toward an estimated average growth of real gross domestic product (GDP) of about 3 per cent per annum during the two years 1980-81, compared with an average annual decline of 2.7 per cent during the 1978-79 period. However, population is believed to have increased at a substantially higher rate, and, as a result, real per capita income has probably been on a down trend since independence. In nominal terms, GDP at current market prices rose by an estimated 15 per cent and 9 per cent in 1980 and 1981, respectively. The GDP deflator increased by an estimated 12 per cent in 1980 and then slowed down considerably to about 6 per cent in 1981. Total investment, the bulk of which has been undertaken in the public sector, rose to the equivalent of 18 per cent of nominal GDP in 1980-81. Thus, with total consumption in the economy consistently exceeding nominal GDP by a sizable margin, the traditionally large resource gap widened to nearly one third of GDP during the 1980-81 period (Table 2).

3. Major sectoral developments

a. Agriculture and livestock

Less than a quarter of one per cent of the total area of Djibouti is considered suitable for agriculture. At present the area under cultivation, comprising small irrigated garden plots, is estimated at about 50 hectares. Annual output averages 200-250 tons, most of which consists of tomatoes, potatoes, eggplant, and maize. In its efforts to promote agriculture, the Government has encouraged experimentation with crops and practices suitable to the harsh climatic conditions of Djibouti. Among ongoing projects, there is one at Atar, financed by the European Community, which is intended to develop a nucleus of model farmers. Another project at Maloud, costing DF 22.5 million, groups refugees with previous agricultural experience in neighboring countries. Although in the years ahead there is some scope for further expansion of agricultural output, the availability of water is expected to be a major constraint.

Livestock is raised for subsistence by about 120,000 nomads sparsely scattered around the country side. According to estimates prepared in 1978, there were 500,000 goats, 400,000 sheep, 50,000 cattle, 40,000 camels and 7,000 donkeys. Following severe droughts in the years 1979 and 1980, the livestock population appears to have declined substantially, reflecting deliberate intensification of offtake or outright loss related to the drought.

The Government's long-term development strategy for the nomadic sector is still unclear. Over the medium term the objective is to improve the living conditions of the nomads by increasing the availability of water and by improving sanitary conditions for the nomads as well as their livestock. The Government has also been advising the nomads to be more favorably disposed toward selling their livestock in order to avoid overgrazing and to

Table 2. Djibouti: Gross Domestic Product and Expenditure, 1978-81

	1978	1979	1980	1981
<u>(In millions of Djibouti francs, at current prices)</u>				
Gross domestic product	42,433	50,716	58,272	63,450
Gross domestic expenditure	53,939	64,970	77,271	84,226
Consumption	49,937	56,588	67,046	72,918
Investment	4,002	8,382	10,225	11,308
Resource gap	11,506	14,254	18,999	20,776
<u>(Annual change in per cent)</u>				
Gross domestic product	9.57	19.50	14.90	8.90
Gross domestic expenditure	...	20.40	18.93	8.99
<u>(As per cent of GDP)</u>				
Consumption	117.68	111.57	115.05	114.92
Of which: public sector	(54.65)	(50.75)	(46.93)	(44.93)
Investment	9.43	16.52	17.54	17.82
Resource gap	27.11	28.10	32.60	32.74

Sources: Data provided by the Djibouti authorities; and staff estimates.

minimize losses in periods of drought. Various infrastructural improvements that will facilitate livestock movements from place to place in search of food are also under way.

Total slaughterings through controlled channels are shown in Appendix Table II. The number of head slaughtered rose markedly in the drought years, 1979 and 1980, as the offtake was accelerated in order to cut losses. Total meat availability has fallen substantially short of domestic requirements, however, entailing heavy reliance on imports. Despite the inability to satisfy domestic demand for meat, Djibouti does export a relatively small number of live animals to Saudi Arabia and Yemen. It is believed that these animals originate in neighboring countries.

b. Fishing

Fishing, confined almost entirely to the Red Sea, is undertaken by fishermen organized in a cooperative venture. The cooperative provides the fishermen with fishing equipment, subsidized gasoline, and free repairs, and makes contributions, on behalf of the fishermen, to the social welfare fund. In return, the fishermen are expected to sell their catch through the cooperative. The resources of the cooperative come from financial grants, food aid, which is sold to the fishermen to generate a revolving fund, and profits realized in marketing the fishermen's catch.

At present only 170 out of 300 fishermen have been equipped. It is anticipated that by 1983 all fishermen will be fully equipped. The total catch, which in 1980 amounted to 500 tons, is expected to double in 1983. Over the foreseeable future fish production is expected to fall short of domestic requirements, especially if allowance is also made for increased substitution for higher-cost imported meat. To facilitate domestic distribution of fish, there are plans to raise total refrigeration capacity, which is presently estimated at 100 cubic meters, to 328 cubic meters by end-1982. A number of other projects are also envisaged, including the construction of an ice-making unit and nine fish markets and the purchase of several relatively large boats to be used during the kamsim period, when the sea is too rough for small boats.

c. Manufacturing

The manufacturing sector includes a number of small-scale establishments producing food, beverages, furniture, building materials, and bottled gases. The sector also covers a variety of workshops specializing in electrical repairs and installations, air conditioning and cooling services, and mechanical repairs and engineering. In 1981 a mineral water bottling factory started production. Another factory for transforming perlite into light-weight construction material will soon commence full-scale production. Studies are under way for various projects, including a dairy, a flour mill, a large bakery, a tannery, the manufacturing of glass, a cement factory, and an oil refinery.

Hitherto the manufacturing sector has catered largely to the domestic market. Some of the projects currently being studied are also intended to satisfy domestic demand. In order to avoid the constraint of the smallness of the market and also strengthen the export base, the Government is, however, placing greater emphasis on production for regional export markets. Projects being examined in this context include the tannery, the cement factory, and the oil refinery.

The Government intends to enlist greater private sector involvement in the manufacturing sector. To this end, a special unit created in the Ministry of Industry concentrates on preliminary identification of economically feasible projects. The investment code, which was introduced in 1973 prior to independence, is also being reviewed with the objective of strengthening incentives for private investment. Under the revised code, expected to be approved by the Government in the course of 1982, limited tax exemptions for industrial raw materials, semifinished products, and equipment and other fiscal incentives, including temporary relief from income tax, will be provided. In order to facilitate the financing of projects, several institutional innovations, including the introduction of a rediscount facility for medium- and long-term credit and the establishment of a development bank, are also being considered.

d. Energy

Djibouti's fuelwood resources and hydroelectric potential are severely limited by the dry weather. Accordingly, the country depends heavily on imported petroleum products for its energy requirements. At present such products account for about 10 per cent of total import payments. Information on the consumption of petroleum products in Djibouti is shown in Appendix Table III. In more recent years the consumption of most products has risen moderately, more or less in line with the recovery in overall economic activity. Production and consumption of electricity has likewise risen at a modest pace (Table 3).

Table 3. Djibouti: Production and Consumption of Electricity, 1977-81

(In megawatt hours)

	1977	1978	1979	1980	1981
Production	<u>89,070</u>	<u>92,800</u>	<u>102,500</u>	<u>113,658</u>	<u>...</u>
Total consumption	<u>73,793</u>	<u>75,938</u>	<u>88,786</u>	<u>94,174</u>	<u>97,500</u>
Industry	39,688	41,466	47,662	47,091	48,800
Household	34,105	34,472	41,124	47,083	48,700

Source: Data provided by the Djibouti authorities.

According to available projections, electricity consumption is expected to outstrip installed production capacity in the very near future. To avoid shortages, the electricity authority is actively seeking financing for two 15,000 kilowatt generators for the city of Djibouti. Further additions to thermal electric generating capacity are also envisaged over the medium term. In the long run, there is hope that Djibouti will be able to meet more of its energy requirements from geothermal and solar sources. Three separate drillings at Lake Abbe, Atar, and in the Plain of Hanle yielded satisfactory geothermal results, and follow-up tests are planned. Some experimentation with solar energy is also envisaged.

The pricing policy for energy products has been influenced by a number of considerations. Because of the paucity of fuelwood resources, the nomads and other lower-income groups depend heavily on kerosene for their lighting and cooking energy requirements. Further, the low density of the population outside the city of Djibouti gives diesel oil added importance as a source of energy for essential transportation. Moreover, given the exceptionally hot weather, air conditioning and other house cooling devices tend to be regarded as essential in industrial establishments, government offices, and residential housing. Because of these considerations, the Government has tried to limit the passing through of increased import costs for petroleum products by subsidizing selected products with financial assistance from Saudi Arabia. During 1980 and 1981 such assistance totaled US\$5 million annually. The bulk (more than three fourths) of this amount was used to subsidize electricity; the balance was earmarked for subsidies on kerosene and diesel oil. Besides the relief associated with the Saudi Arabian assistance, prices of kerosene and diesel oil have also benefited from cross subsidies associated with the pricing structure for petroleum products. In particular, since January 1980 pump prices for gasoline, both ordinary and super, have included a substantial implicit tax to finance subsidies on kerosene and diesel oil (Table 4). At that time, prices of all petroleum products were nonetheless raised substantially in order to pass through the 1979-80 increases in world prices of petroleum products.

e. Water

Water is extremely scarce in Djibouti; there is not a single permanent fresh water source above ground and the entire water supply is obtained from subterranean aquifers. The Government's priority in the development of water resources is to satisfy consumption needs for the human and livestock populations.

Table 4. Djibouti: Evolution of the Prices of Petroleum Products, 1977-81 1/
(In Djibouti francs per liter)

	1977	1978	1979	1980		1981
				Jan.	Aug.	
Fuel oil	12.10	12.10	20.42	39.48	39.48	39.48
Gas oil	19.65	19.65	23.91	42.37	49.79	49.79
Diesel oil	19.65	19.65	23.91	49.79	49.79	49.79
Gasoline						
Ordinary	20.72	20.72	24.15	110.00	110.00	110.00
Super	22.19	22.19	25.92	125.00	125.00	125.00
Kerosene, lamp oil	21.84	21.84	25.80	44.72	53.15	53.15
Gasoline for aviation	27.08	27.08	54.50	70.62	70.62	59.00

Source: Data provided by the Djibouti authorities.

1/ Prices in effects at the end of period.

Water is provided by two parapublic enterprises--the Génie Rural and the Régie des Eaux. The Génie Rural is responsible for drilling wells and installing the waterpipe network, while the Régie des Eaux is responsible for the supply of water in the district of Djibouti and in the four district towns of Tadjoura, Obock, Dikhil, and Ali-Sabieh. Water supply has increased steadily, broadly in line with consumption requirements. The total consumption of water can only be estimated, since most household water meters, and also the main meters at the wells, have been malfunctioning since about 1977, owing to old age and problems caused by the high temperature of water in the pipes, especially during the hot season. The last exact measurement of consumption, dating back to 1977, was 16,000 cubic meters per day. It is assumed that consumption has increased at an annual rate of about 1,000 cubic meters per day to about 21,000 to 23,000 cubic meters per day at present.

f. Transportation

The transportation sector, which contributes about 9 per cent to GDP, consists of (1) an international sea port with a substantial capacity for handling transit trade and bunkering activity, (2) a single-line railway extending some 780 kilometers from the port of Djibouti to Addis Ababa, of which about 100 kilometers are in Djibouti, (3) domestic and international air services linking the city of Djibouti with 18 landing fields within the country and with the outside world, and (4) a road network of about 1,600 kilometers, of which 270 kilometers are paved. The port and the airport are managed by separate public enterprises. Another public enterprise, Air Djibouti, operates domestic and international flights. (For more details on these enterprises, see Appendix II.)

(1) The port

More recently the port has experienced a partial recovery in the flow of traffic and in bunkering activity (Table 5). Compared to performance in the mid-sixties, the number of ships visiting the port and tonnage of required bunkering are presently about one third lower, while the overall volume of merchandise traffic has declined by about 60 per cent. The port's current reduced level of activity underscores the continuing importance to Djibouti of competitiveness of other ports in the region; technological developments which have reduced frequency of bunkering for ships; and the diversion, to the port of Assab, of a significant share of Ethiopia's foreign trade.

In order to strengthen the port's performance and enhance its competitiveness in the region, various projects are under way or envisaged. Moreover, in June 1981 the port was made administratively autonomous in order to facilitate the implementation of decisions and increase its flexibility in tending to urgent needs. The most important of the projects under way is an international container terminal. It is estimated that this project, expected to be completed in 1983, will cost about DF 2.4 billion, to be financed by West Germany, Kuwait, and the Arab Fund for Economic and Social Development. Two other projects also under way are the expansion of cold storage capacity and reactivation of a slip-way (at a cost of DF 300 million, financed by Saudi Arabia), both of which are slated for completion in 1982. Projects envisaged over the medium term include the construction of a park for live animals (for export) and further improvements in the free trade zone.

Table 5. Djibouti: Port Traffic, 1978-81

	1978	1979	1980	First Half	
				1980	1981
Ships visiting	1,267	1,174	1,179	509	580
Dhows visiting	1,008	841	734	345	336
Passengers	2,283	2,101	3,002	1,335	1,781
(In thousands of tons)					
Total merchandise	395.3	370.1	395.9	688.0	236.4
Loaded	124.8	120.3	114.5	286.0	76.2
Unloaded	270.5	249.8	281.4	402.0	160.2
Transshipment	54.6	15.8	24.7	4.0	35.5
Oil	764.1	872.6	860.9	424.0	...
Unloaded	424.4	509.0	513.7	263.0	312.5
Loaded (bunkering)	302.0	343.5	337.2	151.0	145.4
Re-export	37.7	20.1	10.0	10.0	...
Water supplied to ships	146.9	116.9	130.8	66.0	77.3

Source: Data provided by the Djibouti authorities.

The port's competitive advantage compared to other ports in the region is in its tariff rates, which are estimated to be substantially less than those of most other ports on the Red Sea. In contrast to the tariffs, other costs in the port, especially handling and storage charges levied by private merchants, are much higher than elsewhere. As a result, the total cost of using the port of Djibouti exceeds that of most other ports on the Red Sea. Partly because of the low tariffs, the port has incurred operating losses since 1978, which have been financed out of its own reserves and a government subsidy of DF 100 million in 1981.

The port is presently reviewing its tariffs. Moreover, to improve its finances, the port is planning to reduce featherbedding gradually through a freeze on hiring and through a program of retiring employees early.

(2) The railway

The railway is managed by the Compagnie de Chemins de Fer Franco-Ethiopienne à Addis Abeba (CFE). Of the total capital of the CFE, which is registered under Ethiopian law, 50 per cent was subscribed by the Government of Ethiopia, 27 per cent by the Government of France, and 23 per cent by French private interests. After independence, Djibouti replaced France in the ownership of the railway and acquired France's share free of charge. Djibouti intends to raise its share to 50 per cent by acquiring the remaining 23 per cent of the shares held privately. Discussions on the compensation for these share are expected to take place soon.

Following the 1977/78 interruption of traffic on the railway, Ethiopia diverted a part of its foreign trade to its own port of Assab. Although the abatement of hostilities in the Ogaden has led to resumption of traffic on the railway, the present level of traffic of 150,000 tons per year is about 60 per cent below capacity. Because of the relatively low volume of traffic, the financial position of the railway has been weak, and the CFE has not been able to undertake necessary maintenance and replacement. As a result of a recent agreement with the Ethiopian Government, a rehabilitation program for the railway will be undertaken shortly. Initial investments in rail tracks and wagons, costing ECU 10 million, will be financed by the European Community and France. Moreover, understandings have been reached with Ethiopia on the sharing of operating losses or profits and on ensuring a profitable volume of traffic.

(3) Air transport

Djibouti has the largest and most modern airport on the southern part of the Red Sea. The evolution of air traffic is shown in Table 6. The number of planes landing, which previously had averaged about 4,000 annually, declined by about 6 per cent in 1980 and probably fell further in 1981. This is explained by the reduction, according to mutual agreement, of Air France passenger flights through Djibouti and by frequent interruptions of traffic with North Yemen in 1981. The total of arriving, departing, and transit passengers increased moderately between 1979 and 1980. In 1981 freight loaded and unloaded appears to have increased slightly following the drastic decline of tonnage in 1980, owing to the cessation of coffee shipments from Uganda.

Table 6. Djibouti: Air Traffic, 1977-80

	1977	1978	1979	1980
Planes (landing only)	4,109	4,088	4,057	3,773
Passengers				
Arrival	52,470	54,799	58,821	61,242
Departure	56,747	59,233	58,137	61,141
In transit	117,006	141,960	117,852	118,393
Freight (in tons)				
Loaded	16,172	33,085	19,188	7,763
Unloaded	5,566	6,131	1,446	1,087
	10,606	27,954	17,742	6,076

Source: Data provided by the Djibouti authorities.

II. Prices, Wages, and Employment

1. Prices

The only published aggregate price index in Djibouti is the consumer price index of expatriate families. Prices of selected items consumed by low-income groups and of certain commodities used in construction and public works are also compiled. Because of the overwhelming dependency on imports, price developments in Djibouti are dominated by movements in import prices. Moreover, prices of food and other items are generally much higher in Djibouti than in the neighboring countries.

The domestic rate of inflation, according to the expatriate consumer price index, slowed down from 15 per cent in 1979 to 12.1 per cent in 1980 and 5.7 per cent in 1981 (Table 7). The more pronounced deceleration in the rate of inflation in 1981 reflects the impact of the effective appreciation of the Djibouti franc in that year. Fragmentary information on prices of the individual selected items suggests that these prices have generally moved in tandem with the expatriate consumer price index.

The Government maintains price controls on a number of essential commodities, notably wheat flour, bread, sugar, petroleum products, and electricity, and on port tariffs. Because of the control on the price of bread, the sale of wheat flour through the public enterprise, Office Nationale de Commerce et Provision, has entailed subsidies financed out of proceeds from the sale of food aid from the European Community. Price controls on kerosene, diesel oil, and electricity, on the other hand, have led to subsidies financed largely by Saudi Arabia.

Table 7. Djibouti: Evolution of Consumer Price
Index for Expatriates, 1979-81
(October 1978 = 100)

	Weight	1979	1980	1981
Food	50.3	112.3	119.2	124.2
Restaurant	9.2	116.5	144.3	127.6
Water, gas, electricity	13.1	102.5	116.1	148.2
Domestic help	6.4	100.4	131.3	133.6
Household items	0.3	105.4	117.2	123.0
Health articles	1.2	115.6	129.1	132.1
Toilet articles	1.4	101.5	119.4	131.4
Pharmaceuticals	1.0	87.1	91.2	119.6
Clothing	1.7	110.4	121.4	132.1
Miscellaneous	15.4	112.5	130.3	130.8
Overall index	100.0	110.3	123.6	130.6
Percentage change		15.0	12.1	5.7

Sources: Direction Nationale de la Statistique, Annuaire statistique, 1977-80; and data provided by the Djibouti authorities.

2. Wages

Since the general increase in January 1976, wages and salaries have remained unchanged except for a partial adjustment in 1980 confined to those earning less than DF 40,000 per month. Starting around mid-1980 the minimum wage rate (SMIG) was increased by 15 per cent to DF 528.8 per day of 6.4 hours for general laborers and to DF 532.88 per day of 8 hours for agricultural workers. For other workers, increases of 2-18 per cent were granted, with smaller increases being awarded to higher-income groups. Considering the rate of inflation since January 1976, there has been a substantial erosion, in real terms, of individual wages and salaries. In 1981 the average annual salary in the public sector (US\$6,450) was higher than that of neighboring countries. The total real wage bill for employees in the public as well as the private sector, however, has increased noticeably, reflecting mainly the expansion in employment (Table 8).

Table 8. Djibouti: Evolution of Real Wages and Salaries, 1978-81

(In billions of Djibouti francs)

	1978	1979	1980	1981
Total wages and salaries	11.95	12.62	12.05	13.05
Public	4.97	4.85	4.63	5.40
Private	6.98	7.68	7.42	7.65 <u>1/</u>

Source: Data provided by the Djibouti authorities.

1/ Estimated.

3. Employment

Information on wage employment in the private and government sectors is summarized on Table 9. Figures for the private sector, which were obtained from social security records, understate actual employment because some employers and employees try to avoid contributions to social security. The available information suggests that the private sector accounts for about 60 per cent of wage employment. In 1980, the latest year for which records are available, commerce provided about 23 per cent of private wage employment, while manufacturing, construction and public works, transportation,

Table 9. Djibouti: Employment by Sector, 1978-81

(Number of persons)

	1978	1979	1980	1981
Private sector	<u>6,445</u>	<u>6,942</u>	<u>9,037</u>	<u>...</u>
Agriculture, fishing, and livestock	75	76	83	...
Manufacturing	873	972	1,206	...
Electricity	433	525	536	...
Construction and public works	738	740	1,256	...
Transportation	1,048	1,272	1,221	...
Commerce and services	3,278	3,357	4,735	...
Commerce	1,203	1,018	2,117	...
Banks, insurance	559	733	690	...
Hotels and restaurants	518	657	684	...
Household help	998	949	1,244	...
Government sector	<u>4,947</u>	<u>5,307</u>	<u>6,060</u>	<u>6,156</u>
Civil servants	1,226	1,513	1,667	1,800
Others	3,721	3,794	4,394	4,393
Total employment	11,392	12,249	15,097	...

Source: Data provided by the Djibouti authorities.

and household services each accounted for about 13 per cent. In 1981 civil servants with permanent status (fonctionnaires) represented 30 per cent of the total employment in the government sector; the rest (conventionnés) were employed under temporary status. The share of the permanent workers, who are generally better paid, has risen steadily, reflecting a deliberate government policy of reducing salary gaps between the two groups of workers.

Data furnished by the labor exchange indicate that the recent recovery in economic performance has generated substantial employment in the private sector, especially in commerce and construction and public works. At the same time, however, registered unemployment intensified, owing to immigration from neighboring countries and a steady entry into the labor market of school leavers and of unskilled workers from the rural areas as a result of the extreme droughts in 1979-80 (Appendix Table IV).

III. Public Finance

1. The structure of the public sector

The public sector of Djibouti consists of the Central Government, 5 district councils (Ali Sabieh, Dikhil, Djibouti, Obock, and Tadjourah), and about 14 public entities. Cash receipts and expenditure of the Central Government and the districts are controlled by the Treasury; the districts, however, are permitted to hold some petty cash. Most of the public entities are financially autonomous and derive the bulk of their resources from service charges or particular levies. For all entities in the public sector, the fiscal or financial year corresponds to the calendar year, and there is, in the case of the Central Government, a complementary period of three months. Supplementary appropriations are often introduced to the Government's budget in the course of the fiscal year.

The Government's budget provides for both current and capital accounts, which are published. Budgetary revenue is reported on a cash basis, while expenditure is recorded on the basis of checks issued. Revenue comprises tax and nontax receipts and foreign budgetary aid. Current expenditure includes outlays of the National Assembly, the ministries, and the districts, and contributions to some public entities. For all spending units, personnel appropriations that remain unspent as of December 31 revert to the reserve fund. In contrast, other appropriations can be disbursed during the complementary period, that is, until March 31 of the following year. Current budgetary appropriations are released in installments under quarterly warrants. The capital budget covers only part of total investments, since a relatively large share of investment is financed directly from foreign sources or through special local accounts. The capital budget is strictly on a calendar year basis; there is no complementary period. Receipts for the capital budget include mainly transfers from the current budget and accumulated cash balances and foreign budgetary grants. There are also extrabudgetary accounts, which include, on the receipts side, a substantial

amount of foreign grants, mainly from the European Development Fund, France, West Germany, Saudi Arabia, Libya, Kuwait and other Arab countries. On the expenditure side, the extrabudgetary accounts cover outlays, including spending on the national army, financed out of the foreign grants.

Budgetary control is exercised by the Service de Dépense Engagée (SDE) in the Ministry of Finance and in the Treasury. The SDE verifies specific expenditure requests to ensure that they are within approved appropriations. Vehicles are purchased by the Ministry of Finance. All other purchases are made by individual ministries upon approval from the Ministry of Finance in accordance with budgetary control procedures and delegated presidential authority. Disbursements for projects are authorized periodically as the project progresses.

2. Central government financial operations

a. Overall developments, 1978-80

The overall financial operations of the Central Government registered surpluses averaging DF 2.6 billion per annum, or about 5 per cent of GDP, during the three-year period 1978-80 (Table 10). The favorable performance during this period reflects the Government's ability to raise revenue, especially through taxation of consumption, to control current expenditure, and to mobilize large amounts of foreign grants. The surpluses enabled the Government to maintain a strong net creditor position with the domestic banking system and to increase its holdings of foreign assets. During the period 1978-80 about 57 per cent of all government expenditure was financed out of foreign grants. If these grants are not taken into consideration, the consolidated financial operations of the Government show overall deficits averaging DF 10.4 billion, or 21 per cent of GDP.

(1) Revenue

Excise duties are by far the leading source of budgetary revenue (Table 11 and Appendix Table V). Their share in total budgetary revenue rose steadily from 52 per cent in 1978 to about 61 per cent in 1980. Receipts from taxes on income and property averaged 18 per cent annually over the same period, while revenue from license stamp duties and other minor taxes declined slightly as a share of total budgetary revenue, from 11 per cent in 1978 to less than 10 per cent in 1980. In relative terms, nontax revenue also declined in importance during the period, with its contribution dropping from slightly less than 20 per cent in 1978 to about 14 per cent in 1980. A large share (53 per cent) of nontax receipts derived from interest earnings on cash balances with domestic and foreign banks.

Table 10. Djibouti: Central Government Financial Operations, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981 Pre- liminary	1982 Budget
Total receipts	<u>21,779</u>	<u>27,094</u>	<u>28,049</u>	<u>28,452</u>	<u>27,283</u>
Budgetary revenue	10,556	12,564	14,780	16,916	18,173
Foreign grants	11,223	14,530	13,269	11,536	9,110 <u>1/</u>
Total expenditure	<u>19,384</u>	<u>25,003</u>	<u>24,480</u>	<u>25,186</u>	<u>26,343</u>
Current expenditure	<u>17,480</u>	<u>19,500</u>	<u>19,440</u>	<u>19,217</u>	<u>20,920</u>
Of which: budgetary	8,091	8,983	9,926	11,554	13,920
extrabudgetary <u>2/</u>	9,389	10,517	9,514	7,663	7,000
Capital expenditure	1,904	5,503	5,040	5,969	5,423
Of which: budgetary	1,459	2,419	2,210	4,147	3,623
extrabudgetary <u>2/</u>	445	3,084	2,830	1,822	1,800
Net lending	<u>-11</u>	<u>99</u>	<u>150</u>	<u>1,317</u>	--
Overall surplus	<u>2,406</u>	<u>1,992</u>	<u>3,419</u>	<u>1,949</u>	<u>940</u>
Financing	<u>-2,406</u>	<u>-1,992</u>	<u>-3,419</u>	<u>-1,949</u>	<u>-940</u>
Foreign borrowing (net)	-46	-50	-52	-40	-44
Domestic banks (net)	-2,667	-1,863	-3,499	-2,044	...
Changes in cash balances and errors and omissions	307	-79	132	135	...

Sources: Ministry of Finance, Compte Définitif du Budget de l'Etat, 1978-80, Budget de l'Etat, 1981 and 1982; and data provided by the Djibouti authorities.

1/ Staff estimates. Includes DF 310 million of budgetary grants from France. Budgetary grants from other countries are excluded. Such grants averaged about DF 1,300 million annually during the period 1978-81.

2/ Financed by foreign grants.

Table 11. Djibouti: Central Government Budgetary Revenue, 1978-81 1/

	1978	1979	1980	<u>1981</u> Prel.
	(In per cent of total revenue)			
1. Tax revenue	80.2	86.7	86.4	83.9
Taxes on income and property	17.2	20.6	15.8	15.2
Excise duties	52.0	55.2	60.9	57.8
Licenses, stamp duties, and other taxes	11.0	10.9	9.7	10.9
2. Nontax revenue	19.8	13.3	13.6	16.1
Total (1 plus 2)	100.0	100.0	100.0	100.0
<u>Addendum:</u>				
Tax buoyancy	2.37	1.48	1.57	1.29
Tax revenue as percentage of GDP	19.9	21.5	21.9	22.4
Grants as percentage of GDP	26.4	28.6	22.8	18.2
Grants as percentage of budgetary revenue	106.3	115.6	89.8	68.2

Sources: Appendix Table V; and staff estimates.

1/ Excluding foreign grants.

At 23 per cent, the average annual growth of tax revenue over the years 1978-80 was much larger than that of GDP. The buoyancy of tax revenue with respect to GDP, which in 1978 was about 2.4, averaged 1.5 over the ensuing two-year period. To a large extent, this impressive buoyancy was associated with repeated discretionary increases in excise duties. If allowance is made for receipts from all new tax measures over these years, the built-in elasticity of the tax system with respect to GDP is noticeably

lower than the estimated buoyancy. This reflects the continued importance of taxation on a specific rather than an ad valorem basis. Besides, a relatively large proportion of value added of the tertiary sector, which has accounted for most of the growth in GDP, has been nontaxable.

Djibouti has been receiving a large amount of foreign grants since independence. Such grants rose from DF 11.2 billion in 1978 to DF 14.5 billion, or 116 per cent of total budgetary revenue, in 1979 and then declined to DF 13.3 billion in 1980. About 60 per cent and 25 per cent, respectively, of the grants were provided by France and Saudi Arabia. Other donors included West Germany, the EC, Kuwait, Libya, and other Arab countries.

(2) Expenditure

Over the three-year period 1978-80 total budgetary expenditure increased at an average rate of 18 per cent annually. Current expenditure accounted, on balance, for some 82 per cent of total budgetary expenditure, and capital expenditure for the remainder. Current expenditure increased at an average annual rate of 13 per cent. Wages and salaries, which accounted for about three fifths of current expenditure, rose at an average yearly rate of about 10 per cent, owing to normal promotions and increased employment (Table 12 and Appendix Table VI). Outlays for goods and services accounted for nearly one third of current expenditure, and subsidies and current transfers to annexed budgets and public entities for the bulk of the remainder. Reflecting the small size of the public debt, interest payments represented less than 1 per cent of current expenditure.

On a functional basis, expenditures on general public services have absorbed the largest share (66 per cent) of current expenditure, while social services have accounted for an average of 22 per cent of the total (Appendix Table VII). Health and education alone represented 94 per cent of the spending on social services. Expenditure on economic services, amounting to an average of 9 per cent of current expenditure, included mainly outlays on agriculture, public works, and maintenance. Budgetary capital expenditure increased from DF 1.5 billion in 1978 to DF 2.2 billion in 1980, and covered mainly improvement of infrastructure, especially roads.

Detailed information on extrabudgetary expenditure is not readily available, but indications are that extrabudgetary grants have been largely spent during the year they were received. Military expenditure, including mostly wages and salaries, accounted, on average, for about 60 per cent of all extrabudgetary current expenditure.

Table 12. Djibouti: Economic Classification of Central Government
Budgetary Expenditure, 1978-81

	1978	1979	1980	1981 Prel.
	(In per cent of total budgetary expenditure)			
1. Current expenditure	84.7	78.8	81.8	73.6
Goods and services	27.1	25.1	27.2	27.7
Wages and salaries	52.1	47.7	46.9	39.2
Subsidies and others	5.5	6.0	7.7	6.7
2. Capital expenditure	15.3	21.2	18.2	26.4
Total (1 plus 2)	100.0	100.0	100.0	100.0

Addendum:

	(In per cent of estimated GDP at current market prices)			
Total budgetary expenditure	22.5	22.5	20.8	24.7
Current expenditure	19.1	17.7	17.0	18.2
Capital expenditure	3.4	4.8	3.8	6.5
Extrabudgetary expenditure	23.2	26.8	21.8	15.0

Source: Appendix Table VI.

(3) Financing

The repeated surpluses have enabled the Government to build up balances, held mostly in foreign assets, to DF 11.8 billion, or 97 per cent of budgetary expenditure, at end-1980. Although a few concessionary loans were negotiated over the years 1978-80, there were no disbursements. Amortization payments on the disbursed outstanding foreign debt have been small, averaging DF 49 million annually, or 0.4 per cent of budgetary revenue.

b. The fiscal year 1981

Provisional results for 1981 indicate that there was another budgetary surplus of DF 1.9 billion, equivalent to 3 per cent of GDP. If foreign grants are excluded, there was an overall deficit of DF 9.6 billion, equal to 15 per cent of GDP.

Budgetary revenue increased by 15 per cent while foreign grants declined by 13 per cent, and total revenue increased marginally. The rise in budgetary revenue was largely attributable to a general expansion of the tax bases, especially imports, which significantly influence revenue from excise duties. Receipts from income taxes rose moderately. Nontax revenue increased substantially by 37 per cent as interest earnings on dollar-denominated deposits rose in line with the high level of interest rates abroad. Interest earnings in 1981 were also bolstered by a more extensive use, by importers, of the tax credit system. In that year receipts from interest earnings alone accounted for 11 per cent of budgetary revenue. Foreign grants, on the other hand, declined by 13 per cent to DF 11.5 billion, or 68 per cent of total budgetary revenue in 1981.

Total expenditure increased by only 3 per cent to DF 25.2 billion in 1981. Current budgetary expenditure rose by 16 per cent, partly due to increased outlays on defense financed from domestic sources. Capital spending nearly doubled, reflecting the Government's continuing efforts to improve the infrastructure and to support the public entities. Extrabudgetary spending, in contrast, fell by 30 per cent in keeping with the decline in foreign grants.

c. The 1982 budget

The 1982 budget provides for revenue (excluding grants) of DF 18.2 billion, an increase of 7 per cent over the 1981 outturn. Nearly half of the increase is expected to come from taxes on goods and services, and about one third from nontax revenue. New tax measures include an extension, beginning January 1982, of the 5 per cent surtax to imports (except food-stuffs) originating from EC countries. The expected yield from this measure is DF 350 million. In addition, a new surtax of 26 per cent on the c.i.f. value of imported mineral water was introduced at the same time, mainly to protect the recently established mineral water plant in Tadjourah. This tax is anticipated to yield DF 16 million in 1982.

Total budgetary expenditure is estimated to rise to DF 17.5 billion, or 12 per cent above the 1981 outturn. Wages and salaries are budgeted to rise by 10.8 per cent, and goods and services by 5.9 per cent. Capital expenditure is budgeted at DF 3.6 billion, or 14 per cent lower than the actual outcome for 1981. Additional investment expenditure is provided mainly for construction and town planning. An overall surplus of DF 0.9 billion, or about half the surplus of 1981, is envisaged.

3. Financial operations of public entities

Djibouti has about 14 public entities, each of which is under the supervision of a designated technical ministry. There is no central body charged with overall coordination of policies or activities of these entities. In their legal status, they vary from autonomous or relatively independent enterprises with their own boards of directors to departmental entities with separate accounting systems. The financial year for the public entities is the calendar year. Receipts of public entities are composed of receipts from sales of goods and services, loans from domestic or foreign sources, and, to a much lesser extent, subsidies from the Central Government. Loans are obtained directly by the entities; however, government authorization is required for foreign borrowing, since the foreign debts are guaranteed by the Government. The public enterprises service their debts directly. In general, the public enterprises are required to cover their operating costs, including debt service and depreciation, from their own operating receipts.

Consolidated financial accounts for the seven major entities are summarized in Table 13. These entities realized operating surpluses averaging DF 0.6 billion over the 1978-80 period. Another, though smaller, operating surplus of about DF 0.3 billion appears to have been realized in 1981. For 1982 an operating surplus of more or less the same order of magnitude as in 1981 is in prospect. During the years 1978-79 nonoperating receipts substantially exceeded nonoperating expenses. Starting in 1980, however, nonoperating expenses, consisting largely of new investments, have been larger than nonoperating receipts. Accordingly, the overall financial position, which registered surpluses averaging DF 1.1 billion in 1978-79, registered a small deficit in 1980 and was practically in balance in 1981. Only a minor improvement in the overall position is envisaged in 1982.

Although new foreign loans were negotiated in 1980 and 1981, only one drawing, totaling DF 270 million, was made in 1979. In contrast to the earlier years, when the enterprises were able to build up some cash balances, starting in 1980 the enterprises have been running down the balances in order to meet financing requirements for new investments and amortization.

Only rough inferences can be made regarding the overall financial situation of all public enterprises. In general, it would appear that the overall financial position registered deficits averaging some DF 0.5 billion annually during the 1980-81 period. This performance, which is much weaker than that of the seven enterprises discussed above, is due to operating losses incurred by the enterprises dealing with petroleum products and wheat flour, the prices of which are controlled.

Table 13. Djibouti: Consolidated Financial Operations of the Seven Major Public Entities, 1978-82 1/

(In millions of Djibouti francs)

	1978	1979	1980	1981 Prel.	1982 Budget
Operating receipts	6,237	6,896	8,593	9,641	11,018
Operating expenses	5,712	6,238	7,911	9,292	10,655
Operating surplus	525	658	682	349	363
Nonoperating receipts	1,149	1,331	1,835	1,735	2,606
Nonoperating expenses	722	737	2,743	2,073	2,909
Overall surplus/deficit (-)	952	1,252	-226	11	60
Financing	-952	-1,252	226	-11	-60
Foreign (net)	-55	197	-137	-129	-140
Drawing	--	270	--	--	--
Amortization	-55	-73	-137	-129	-140
Other	-897	-1,449	363	118	80
<u>Addendum:</u>					
External debt					
External debt outstanding (at the beginning of the year)	1,178	1,277	1,524	1,229	837
Interest payments	26	33	82	44	41
Principal payments	55	73	137	129	140
Disbursements	--	270	--	--	--
New commitments	--	--	400	859	...
Deposits of all public entities with the Treasury (end of December figures)	1,553	2,046	1,989	930	...

Sources: Data supplied by the Djibouti authorities.

1/ This table covers the financial operations of the following public entities: 1) Aéroport de Djibouti; 2) Caisse des Prestations Sociales; 3) Electricité de Djibouti; 4) Office des Postes et Télécommunications; 5) Port Autonome International de Djibouti; 6) Régie des Eaux; and 7) Service Médical Interentreprises. Other public entities not included above are: Chambre Internationale de Commerce et d'Industrie, Etablissement Public des Hydrocarbures, Office de Développement du Tourisme, Office National d'Approvisionnement et de Commercialisation, Société Hôtelière d'Etat, and Société Nationale Air Djibouti.

IV. Money and Banking

The financial system of Djibouti consists mainly of the Treasury, a central bank (the Banque Nationale de Djibouti), which is still not fully operational, and six foreign commercial banks.

1. The Treasury

Since January 1, 1978 the Treasury of Djibouti has been acting as a currency board issuing the Djibouti franc. The notes are fully covered by a deposit in U.S. dollars kept with the French American Banking Corporation in New York. To facilitate its operations, the Treasury keeps an account with each of the commercial banks. The exchange of Djibouti francs and U.S. dollars between the banks and the Treasury takes place by crediting or debiting the Treasury's account with the French American Banking Corporation in New York with U.S. dollars. The Treasury seldom sells U.S. dollars to banks, but purchases them several times during the month. During the years 1978-80 the Treasury on average kept an excess of U.S. dollars of 8 per cent over the legal monetary cover. The excess for 1981 was about 15 per cent of the notes issued.

Besides its U.S. dollar deposits, the Treasury has large additional foreign asset holdings, placed either directly abroad or through the intermediation of local banks. These foreign assets averaged 51.4 per cent and 51.3 per cent, respectively, of total foreign assets of the Government during 1978-80 and 1981.

The Treasury also keeps a part of the deposits of the public enterprises; however, it does not accept deposits from the private sector.

2. The central bank

An executive law dated December 3, 1977 established the legal framework of the central bank (for details, see SM/80/265, pp. 26-27).

In April of 1979 the statutes of the bank were issued. However, the national bank has not yet started operations, and progress in this direction has been limited. Only 30 per cent of the bank's initial capital has been released in order to meet its limited day-to-day operations. The central bank is presently operating in a few rooms of a government building with a handful of staff. As a result of these constraints, the activities of the bank have been limited to the setup of an administrative nucleus with minimal central banking functions. Recently the Government has directed the central bank to examine the possibility of introducing a rediscounting facility, aimed primarily at facilitating the financing of medium- and long-term development projects.

3. Commercial banks

At present there are six foreign commercial banks concentrated in the city of Djibouti (for details, see SM/80/265, p. 27). Djibouti's free system of international trade and payments provides a suitable environment for offshore banking. As a result, Djibouti's commercial banks have flourished, partly by attracting deposits from and providing credit to non-residents, mainly in neighboring countries. Since at present commercial banks have no recourse to the Treasury or the central bank, there is active interbank cooperation, which also involves the exchange of U.S. dollars into Djibouti francs and vice versa.

The commercial banks are supplemented by professional money exchangers, who work even during nonbanking hours. They mostly exchange foreign currencies for Djibouti francs at a slightly less favorable rate than the commercial banks.

4. The development bank

The establishment of the development bank is in the planning stages. The draft statutes of the bank are presently being amended and will soon be presented to the Cabinet for approval. A major objective of the bank will be to provide medium- and long-term loans for the financing of development projects. The equity capital of the bank is presently set at DF 500 million, to be subscribed 51 per cent by the Government and 49 per cent by other potential investors. So far only the French Caisse Centrale de Coopération Economique (CCCE) has agreed to contribute to the initial share capital; the commercial banks have shown no interest.

5. Overall monetary developments

Monetary statistics provided to the Treasury by the commercial banks distinguish neither between resident and nonresident transactions nor between demand and time deposits. Government deposits as reported by the banks include only those deposits that are denominated in Djibouti francs; it is not entirely clear how the banks account for government deposits denominated in foreign currency. Because of these shortcomings, monetary developments, as reflected in the monetary statistics, should be interpreted with caution.

Between December 1978 and December 1980 the money supply, broadly defined, rose at an average annual rate of 16.1 per cent (Table 14). Over 90 per cent of the increase was in deposits, mostly short term, which increased at a yearly rate of 17.9 per cent. The rapid expansion of the money supply was paralleled by favorable developments in the balance of payments, mirrored in rising net foreign assets of both the Government and the commercial banks (Appendix Tables VIII and IX). Total net foreign assets over the same two-year period increased by 53.8 per cent and at end-1980 were equal to 160 per cent of the money supply broadly defined.

Money supply expanded at a reduced rate of 6.8 per cent in 1981, owing to a decline in the rate of growth of deposits to 7.6 per cent. The deceleration in the growth of the money supply was accompanied by a slowdown in the growth of foreign assets to 10.3 per cent, with the net foreign assets of the Government declining by 2.3 per cent. Currency outside banks accounted, on average, for about 28 per cent of money supply during the period 1978-81, compared to 34 per cent at the end of 1976.

Table 14. Djibouti: Monetary Survey, 1978-81

(In millions of Djibouti francs; end of period)

	1978	1979	1980	1981
Foreign assets (net) ^{1/}	14,996	18,563	23,057	25,425
Monetary authorities	(9,688)	(11,859)	(15,576)	(15,224)
Deposit money banks	(5,308)	(6,704)	(7,481)	(10,201)
Domestic credit	-1,794	-912	-1,889	-1,612
Claims on Government (net)	(-6,430)	(-8,293)	(-11,792)	(-13,836)
Claims on private sector	(4,636)	(7,381)	(9,903)	(12,224)
Money	14,814	18,299	19,882	21,238
Currency outside banks	(4,458)	(4,769)	(5,646)	(5,922)
Deposits with commercial banks	(8,823)	(11,484)	(12,247)	(14,386)
Deposits with Treasury	(1,533)	(2,046)	(1,989)	(930)
Other items (net)	-1,612	-648	1,286	2,575

Source: Data provided by the Djibouti authorities.

^{1/} The net foreign assets may be overstated because they may not entirely reflect the foreign liabilities of the commercial banks.

Domestic credit developments have been dominated by the Treasury surpluses, which permitted substantial accumulation of government deposits with the banking system. Over the three-year period 1979-81 government deposits with the banking system rose at a yearly rate of 29.5 per cent. Thus, although credit to the private sector rose from DF 4,636 million at end-1978 to DF 12,224 million at the end of 1981, (an average increase of 38.9 per cent per annum), outstanding net domestic credit has been negative.

6. Distribution of credit

The bulk of private sector credit is directed toward commerce. Between end-1978 and mid-1980 the share of private sector credit absorbed by commerce declined from 83 per cent to 68 per cent (Table 15). During the same period the percentage shares of private credit directed toward the financial and construction sectors more than doubled, to 7 per cent and 10 per cent, respectively, and are estimated to have increased further in 1981.

Table 15. Djibouti: Distribution of Commercial
Bank Credit to the Private Sector, 1978-80

(In percentage of total)

	1978	1979		1980
	End-Dec.	End-June	End-Dec.	End-June
Industry	1.0	0.9	0.6	0.6
Commerce	82.8	78.8	77.5	68.2
Construction	4.2	4.4	5.4	9.7
Transport	1.1	1.4	1.3	1.9
Financial sector	3.3	4.2	4.9	7.3
Other	<u>7.6</u>	<u>10.3</u>	<u>10.3</u>	<u>12.3</u>
Total	100.0	100.0	100.0	100.0

Source: Data supplied by the Banque Nationale de Djibouti.

According to available partial information, approximately two thirds of private sector credit is short term; the remainder is almost entirely medium term. The commercial banks' preference for short- and medium-term credit operations reflects to a large extent the fact that virtually all bank deposits are short term with a maximum maturity of one year. Approximately 60 per cent of the deposits are payable on demand.

7. The structure of interest rates

The Commercial Bankers' Association determines the structure of interest rates for transactions in Djibouti francs as well as the margins applied on Eurocurrency rates for transactions in U.S. dollars and other foreign currencies. The structure of interest rates was modified in 1981, after having remained unchanged since 1977. The previous interest rate structure, together with the full convertibility of the Djibouti franc and the recent dramatic increases in Eurodollar rates, had provided arbitrage opportunities. It was possible to borrow Djibouti francs at a relatively low rate of interest and to convert the proceeds into foreign currency for deposit at a much higher rate of interest.

Appendix III describes the present structure of bank interest rates, which came into effect in 1981. As in the past, fixed rates of interest are applied on credit and deposit operations in Djibouti francs. Rates on credit consist of a base rate to which margins varying according to type of credit and borrower (individuals or enterprises) are added. Previously the base rate had been 8.5 per cent, while the margins ranged from 2.5 to 5 percentage points. In 1981 the base rate was raised to 12.5 per cent, while the range of margins was narrowed to 1 to 3 percentage points. This represents an overall increase in the lending rate of 2 to 2.5 percentage points and significantly reduces the previous arbitrage opportunities. Rates on deposits have remained unchanged, ranging from zero on demand deposits to 3 per cent on savings deposits and up to 7.25 per cent for time deposits, depending on the duration of the deposit.

Credit and deposit operations in foreign currencies are tied to the rates prevailing on the Eurocurrency market. The base rate is fixed monthly by the Bankers' Association, on the basis of the average of rates which banks receive from their correspondents. The base rate is binding for all banks. For credit operations, a margin ranging from 1 to 3 percentage points is added (the previous range had been 2.5 to 5 percentage points). Deposit rates vary slightly depending upon the foreign currency. Demand deposits earn no interest for amounts of less than the equivalent of US\$50,000, but larger amounts earn an interest of 3 per cent below the base rate. Time deposits earn an interest slightly below or equal to the base rate.

The Commercial Bankers' Association also fixes banking fees. A general fixed commission is charged for each transfer except for transfers by individuals in French francs. The commission for transactions in Djibouti francs and foreign exchange is DF 300 and DF 500, respectively. Further commissions at various rates are charged for different kinds of local or foreign transactions.

V. External Sector

1. Balance of payments

The balance of payments data are largely estimated by the staff. Except for foreign trade and monetary statistics, official data on external transactions are not compiled. Trade statistics are available only until the end of 1979.

a. Overview

For the period 1978-80 the balance of payments was characterized by large trade deficits that were substantially offset by surpluses on services and unrequited transfers (Table 16 and Appendix Table X). Accordingly, the current account balance was in surplus. With the capital account also registering surpluses in 1979 and 1980, overall balance of payments surpluses averaging SDR 13.4 million annually were realized.

The high propensity to import and the virtual nonexistence of domestic merchandise exports have accounted for the large trade deficits. The surpluses on services are attributable to relatively large expenditures of the French military base in Djibouti and to receipts of the port, Air Djibouti, and the airport. Grants from friendly countries, mainly France and Saudi Arabia, have accounted for the positive balance on unrequited transfers. The foreign indebtedness of Djibouti is very small; the capital account is therefore dominated by private capital movements. Except for 1978, when a general uncertainty following Djibouti's independence led to a net outflow, private capital movements have on balance been positive.

In 1981 the current account recorded a deficit of SDR 3.5 million, owing mainly to an increase in import payments and a decline in official unrequited transfers. Even though net capital inflow declined, the balance of payments registered a modest surplus of SDR 4.9 million, owing mainly to a substantial gain in valuation adjustments on official foreign asset holdings. The repeated overall surpluses have permitted the authorities to accumulate steadily external reserves. At end-1981 gross external official reserves stood at SDR 73.6 million, equivalent to 5 months of imports, f.o.b.

b. Merchandise trade

Official foreign trade statistics, available only until the end of 1979, were provided by the Ministry of Commerce. The data exclude transit trade which takes place in the free trade zone, but include re-exports to neighboring countries. Figures for exports and imports during 1980 and 1981 were estimated by the staff.

Table 16. Djibouti: Balance of Payments, 1978-81

(In millions of SDRs)

	1978	1979	1980	1981
Trade balance	-36.30	-62.23	-63.17	-77.81
Exports, f.o.b.	74.93	61.61	82.88	97.10
Imports, f.o.b.	-111.23	-123.84	-146.05	-174.91
Services (net)	11.84	4.87	15.58	20.35
Freight and insurance	-19.63	-21.85	-25.77	-30.86
Other transportation	4.21	3.97	6.80	9.53
Investment income	1.10	2.20	6.56	9.24
Other	26.16	20.55	27.99	32.44
Unrequited transfers (net)	51.29	62.90	57.28	53.98
Private (workers' remittances)	-0.07	-0.08	-0.12	-0.14
Official	51.36	62.98	57.40	54.12
Current account balance	26.83	5.54	9.69	-3.48
Capital movements (net)	-2.68	3.92	6.37	1.80
Government	-0.21	-0.22	-0.22	-0.19
Public enterprises	-0.25	0.86	-0.59	-0.62
Private, including net errors and omissions	-2.22	3.28	7.18	2.61
Of which: monetary capital	(-8.40)	(-6.08)	(-3.36)	(-12.98)
Valuation adjustment	-2.28	-0.65	2.01	6.56
Overall surplus/deficit (-)	21.87	8.81	18.07	4.88
Changes in reserves	-21.87	-8.81	-18.07	-4.88
Monetary authorities	-21.87	-7.97	-17.55	-4.51
Reserve position in the Fund	--	-0.08	-0.05	--
Special Drawing Rights	--	-0.76	-0.47	-0.37

Source: Appendix Table X.

Imports (in SDR terms) increased at an annual average rate of 14.6 per cent during 1979-80, reflecting both an increase in volume and prices. In 1981 imports increased by 19.8 per cent. The relatively large increase is attributable to increased demand associated with continuing economic recovery and the appreciation of Djibouti's currency. In 1978 and 1979, the latest years for which information is available, foodstuffs accounted for about one fifth of imports, while tobacco and related products and machinery and electrical equipment were each responsible for about one seventh of total import payments (Table 17).

Table 17. Djibouti: Merchandise Imports, c.i.f., 1978-79
(In millions of Djibouti francs; and in per cent of total value)

	1978		1979	
	Value	Per cent of total	Value	Per cent of total
Foodstuffs	5,929	20.4	6,335	18.9
Alcoholic beverages, tobacco, and khat	3,861	13.3	5,467	16.3
Other consumption goods	1,765	6.1	1,843	5.5
Energy-related products	833	2.9	1,420	4.3
Textiles	4,046	13.9	2,351	7.0
Machinery and electrical equipment	4,335	14.9	5,375	16.1
Raw materials and semimanu- factured goods	1,515	5.1	2,132	6.4
Other imports	6,833	23.4	8,531	25.5
Total	29,117	100.0	33,454	100.0

Source: Data provided by the Djibouti authorities.

Practically all exports are re-exports to the French military base, other nonresidents, and neighboring countries. Nonresidents' consumption of imported products was estimated at about 52.2 per cent of imports, f.o.b., during 1979-81. Domestic exports are extremely small and include hides, skins, and live animals. Total exports declined by 17.8 per cent in 1979 as a result of a sudden decline in re-exports to the French military base. In 1980 exports rebounded by 34.5 per cent and continued to rise by 17.6 per cent in 1981. Domestic exports consist mostly of foodstuffs and textiles (Table 18).

Table 18. Djibouti: Domestic Merchandise Exports, f.o.b., 1978-79 1/

(In millions of Djibouti francs, and in percent of total value)

	1978		1979	
	Value	Per cent of total	Value	Per cent of total
Foodstuffs	300	44.8	104	39.6
Alcoholic beverages, tobacco, and khat	1	0.1	19	7.2
Other consumption goods	53	7.9	8	3.0
Textiles	110	16.4	85	32.3
Machinery and electrical equipment	96	14.3	27	10.3
Raw materials and intermediate goods	97	14.5	10	3.8
Other imports	13	2.0	10	3.8
Total	670	100.0	263	100.0

Source: Data provided by the Djibouti authorities.

1/ Excludes military equipment and personal effects being returned to France, as well as re-exports to nonresidents in Djibouti.

c. Direction of trade

The geographic distribution of Djibouti's foreign trade through 1979 is shown in Appendix Tables XI and XII. For the period 1978-79 the EC was Djibouti's major trading partner, accounting for about of 63 per cent of imports and 22 per cent of domestic merchandise exports. France, which alone accounted for an average of 46 per cent and 7 per cent of imports and exports, respectively, was by far the leading trading partner. Other major trading partners were the Red Sea countries (in particular Ethiopia) and the Far East countries (in particular Japan), which accounted for about 9 per cent and 16 per cent, respectively, of Djibouti's imports. The Red Sea countries together purchased 28 per cent of Djibouti's exports in 1978 and 57 per cent in 1979.

d. Services and unrequited transfers

The surpluses on the services account are primarily attributable to the large expenditures of the French military base in Djibouti. Investment income has been positive, owing largely to interest earned abroad on the foreign reserves of the monetary authorities. In 1981, for instance, interest earned on the foreign reserves was equal to 47 per cent of the surplus on the service account. The contribution of the port was positive during the period, notwithstanding the decline in transit trade since 1977 and competition from ports in the region. Freight and insurance have increased in line with imports.

Official foreign grants, mainly from France and Saudi Arabia, have accounted for the surpluses on unrequited transfers. In 1980 and 1981 the grants declined by 8.5 per cent and 13.8 per cent, respectively. As a percentage of imports, f.o.b. the foreign grants fell from 51.5 per cent in 1979 to 31.5 per cent in 1981.

e. Capital movements

Official capital flows have consisted mostly of amortization payments. Nonmonetary private capital appears to have increased in more recent years, probably as a result renewed confidence in the economy. In 1981, however, the overall position on the private sector capital account weakened, owing to increased outflow of monetary capital prompted in part by widening differentials between domestic and foreign interest rates.

2. External public debt

Djibouti's disbursed public debt is small. It fell from DF 1.7 billion at the beginning of 1978 to DF 1.1 billion (1.8 per cent of GDP) at the end of 1981. Over the period there was only one loan disbursement, for the port, of DF 270 million in 1979 (Table 19). Since 1979 the Government has contracted loans totaling DF 1.7 billion. The lenders have been the African

Development Fund, CCCE, OPEC, and FAO. Since 1980 the public enterprises have contracted DF 1.3 billion of loans, over 60 per cent of which were for the electric company. The lenders have been the CCCE, the European Investment Bank, and the Islamic Development Bank.

Table 19. Djibouti: Government and Public Enterprises' External Debt, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981	1982
Total outstanding debt (disbursed at the beginning of period)	<u>1,703</u>	<u>1,819</u>	<u>2,034</u>	<u>1,634</u>	<u>1,116</u>
Government	525	542	510	405	279
Public enterprises	1,178	1,277	1,524	1,229	837
Debt service (interest and amortization)	<u>157</u>	<u>185</u>	<u>298</u>	<u>232</u>	<u>245</u>
Interest	56	62	109	63	61
Government	30	29	27	19	20
Public enterprises	26	33	82	44	41
Amortization	101	123	189	169	184
Government	46	50	52	40	44
Public enterprises	55	73	137	129	140
Disbursements	--	270	--	--	...
Government	--	--	--	--	...
Public enterprises	--	270	--	--	...
New commitments	--	856	1,063	1,021	...
Government	--	856	663	162	...
Public enterprises	--	--	400	859	...

Sources: Data provided by the Djibouti authorities.

3. Exchange and trade system

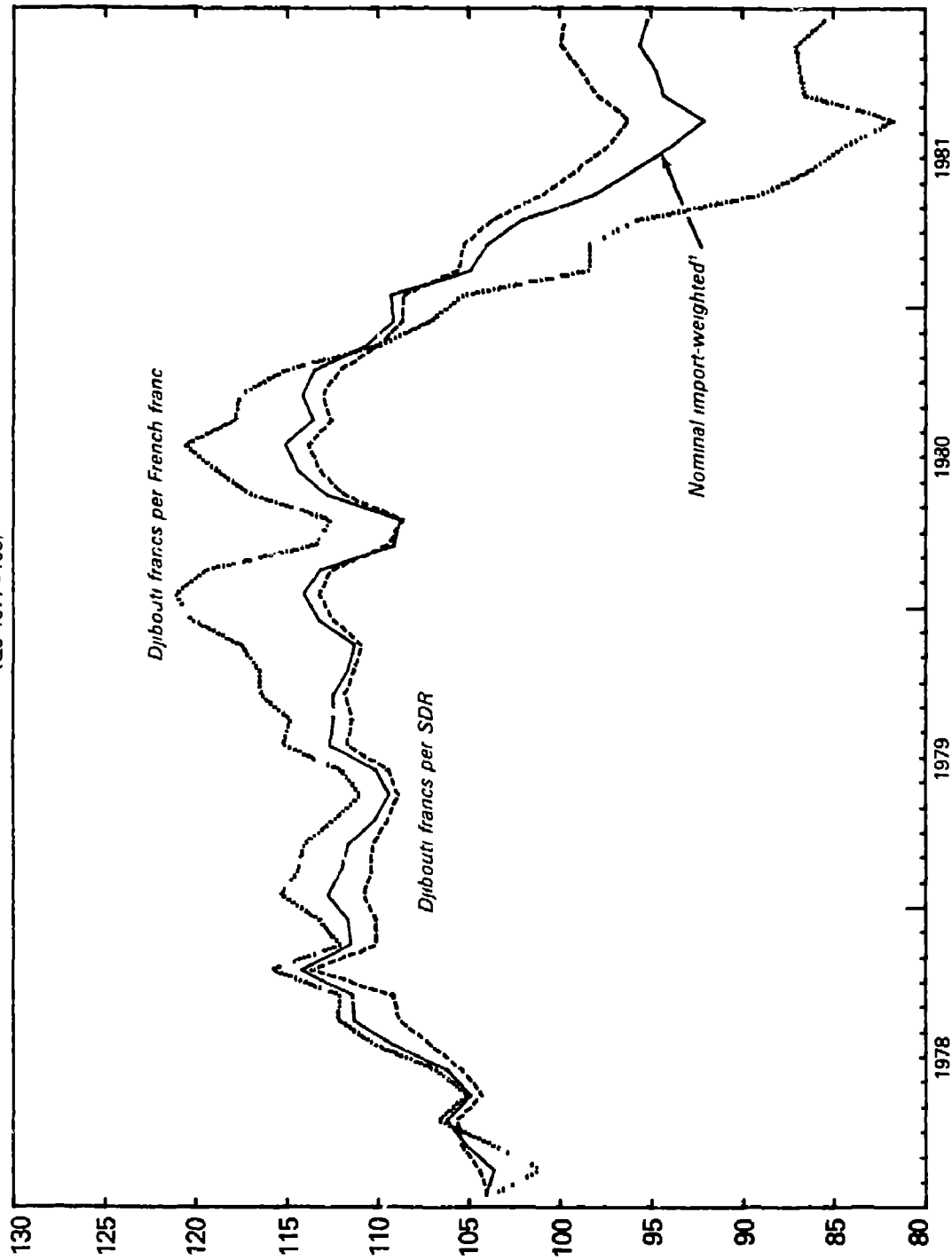
Djibouti's currency is pegged to the U.S. dollar, the intervention currency, at DF 177.721 = US\$1. The buying rate for the U.S. dollar is DF 176.84 and the selling rate is DF 179.48. The nominal import-weighted effective exchange rate depreciated by 11 per cent between January 1978 and

July 1980 and then appreciated by 17.3 per cent by the end of 1981 (Chart I and Appendix Table XIII). There is no exchange control and no prescription of currency. The Djibouti franc is issued by the Djibouti Treasury which stands ready to issue and redeem it in exchange for U.S. dollars.

Djibouti has a free trade zone in the port. No customs duties are charged on imports; instead, consumption taxes are levied. Since January 1, 1980, the rate of the general consumption tax has been 26 per cent for luxury goods and 23 per cent for most other products. Certain commodities, including alcoholic beverages, petroleum products, khat, and tobacco, are also subject to surtaxes at various rates. Beginning January 1, 1982, the supplementary surtax of 5 per cent, which had been levied only on goods originating from countries outside the EC, has been extended to most products originating from the EC countries. Exempted from this 5 per cent surtax are certain essential food imports, periodicals and photographic films for noncommercial use. A new surtax of 26 per cent on imported mineral water was also introduced, effective January 1, 1982, in order to protect a newly established local water bottling plant. All economic relations with South Africa and Israel are prohibited. Otherwise, there are virtually no restrictions on imports, exports, or capital transactions.

Djibouti has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement.

CHART 1
DJIBOUTI
EXCHANGE RATE INDICES, 1978-81
(Q3 1977 = 100)



Sources: IMF *International Financial Statistics* and staff estimates

¹The weights were derived on the basis of the shares of Djibouti's major partner countries in foreign trade in 1979. The selected major partners were France, the United States, Japan, Ethiopia, Kenya, Belgium, Denmark, West Germany, Italy, the Netherlands, the United Kingdom, Hong Kong, Pakistan, Cyprus and Bahrain. An increase (decrease) in the index reflects a depreciation (recapitalization) of the Djibouti franc.

Djibouti Summary of the Tax System, January 1982

Tax	Nature of tax	Exemptions and deductions	Income bracket and rates														
Taxes on income, profits, and property																	
1 <u>Taxes on income and profits</u> <u>Impôt Général de Solidarité</u>	Instituted in 1975, the <u>Impôt Général de Solidarité</u> is the general head for income and property taxes comprising taxes on wages and salaries, taxes on professional earnings, taxes on profits of unincorporated enterprises, and taxes on corporate profits.	<u>Exemptions</u> International organizations, diplomatic and consular agents, charitable and welfare organizations, and religious institutions <u>Credit</u> Undistributed profits reinvested by individual establishments or corporations															
1 1 <u>Taxes on wages and salaries</u>	Levied monthly and progressively on all income earned in or pension received from Djibouti. The tax, payable by the employer, is collected by withholding from wages and salaries		<table><tr><th>Monthly taxable income</th><th>Rate (Per cent)</th></tr><tr><td>Up to DF 30,000</td><td>2</td></tr><tr><td>DF 30,000 to DF 200,000</td><td>6</td></tr><tr><td>200,001 to 400,000</td><td>8</td></tr><tr><td>400,001 to 600,000</td><td>10</td></tr><tr><td>600,001 to 800,000</td><td>12</td></tr><tr><td>Above DF 800 000</td><td>15</td></tr></table>	Monthly taxable income	Rate (Per cent)	Up to DF 30,000	2	DF 30,000 to DF 200,000	6	200,001 to 400,000	8	400,001 to 600,000	10	600,001 to 800,000	12	Above DF 800 000	15
Monthly taxable income	Rate (Per cent)																
Up to DF 30,000	2																
DF 30,000 to DF 200,000	6																
200,001 to 400,000	8																
400,001 to 600,000	10																
600,001 to 800,000	12																
Above DF 800 000	15																
1 2 <u>Taxes on professional earnings</u>	Levied on earnings of professionals (e.g., doctors, dentists), fees (e.g., of notaries), and similar earnings		15 per cent of earnings														
1 3 <u>Taxes on profits of unincorporated enterprises</u>	The tax rate is applied to profits from unincorporated commercial, industrial, or artisanal enterprises located in Djibouti		Flat annual rate of 15 per cent														
1 4 <u>Taxes on corporate profits</u>	This tax is applied to taxable profits of incorporated enterprises, joint stock companies, cooperatives, and partnerships		20 per cent of taxable profit														
2 <u>Taxes on property</u>																	
2 1 <u>Immovable property</u>	Based on the annual rental value of the property, commencing the sixth year after completion of building. Buildings may be exempted from the tax for up to ten years after completion of the structure	<u>Exemptions</u> Public buildings, places of worship, air raid shelters, industrial buildings granted exemption under the investment code <u>Deductions</u> Rental value less 20 per cent for expenditures relating to amortization, repairs, insurance, etc	21 per cent of rental value														
2 2 <u>Movable property</u>	Applied to temporary structures that are exempted from immovable property tax and certain structures in rural areas	<u>Exemptions</u> Public buildings, schools, sport complexes, and buildings put up by charitable organizations	21 per cent of rental value														
2 3 <u>Nonvalued property tax</u>	Levied on property not yet valued for tax purposes as of the first of January, or property abandoned for more than five years	Public buildings, structures forming part of another building, and adjoints to gardens	5 % of capital value-1st year 10 % of capital value-2nd year 15 % of capital value-3rd year 20 % of capital value-4th year 25 % of capital value-5th year 30 % of capital value-6th year														
2.4 <u>Capital gain tax on immovable property</u>	Levied on immovable property when transfer of ownership takes place		5 per cent of capital gain.														

Djibouti: Summary of the Tax System, January 1982 (continued)

Tax	Nature of tax	Exemptions and deductions	Income bracket and rates
Taxes on goods and services			
3 Excise tax			
3 1 <u>General consumption tax</u>	Levied on all goods imported into and consumed in Djibouti, and all tobacco and alcohol entering Djibouti without customs or other appropriate declarations regarding final destination outside Djibouti	<u>Exemptions</u> Goods (other than those stated at left) that are held in bondage for re-export, certain specified goods (mainly cereals, fresh fruits, and photographic material) personal effects, a large number of public sector goods, and construction material for new investment	23 per cent of value, c i f
3 1 1 <u>General surtax on luxury goods</u>	Levied in addition to the general consumption tax on luxury imports like tobacco, alcohol, khat, petroleum products, radios, etc	As above	3 per cent of value, c i f
3 2 <u>Surtax on tobacco</u>	Levied on all tobacco imported for local consumption	<u>Exemptions</u> Goods duly certified as re-exports, whether landed or held on the importing vessel or carrier	40 per cent of value, c i f
3 3 <u>Surtax on alcohol</u>	Levied on methylated spirit, alcoholic beverages, perfumes, and related products	As above	Ordinary wines - DF 25 per liter Other wines - 42 per cent of value, c i f Other alcoholic beverages - DF 250 per liter Toiletries - DF 180 per liter Perfumes - 25 per cent of value, c i f Pure alcohol - DF 1,250 per liter
3 3 1 <u>Additional surtax</u>	Levied on all alcoholic products (for the Office du Tourisme)	As above	25 per cent of the surtax on alcohol
3 4 <u>Surtax on khat</u>	Levied on all khat imported for local consumption	As above	DF 250 per kilogram (gross weight)
3 5 <u>Surtax on petroleum products</u>	Levied on imported petroleum A special highway tax is also levied on gasoline		Ordinary and super-DF 17 per liter Gas oil-DF 3 per liter Other petroleum products-DF 2 per liter
3 5 1 <u>Special tax on petroleum products</u>	Levied on all petroleum products (for the Road Fund)		DF 4 5 per liter
3 6 <u>Surtax on goods originating from countries outside the EC</u>	Levied on all goods from outside the EC Beginning January 1982 includes also imports from EEC countries	<u>Exemptions</u> Certain essential food items, periodicals, and photographic films for noncommercial use	5 per cent of value, c i f
3 7 <u>Surtax on imported mineral water</u>			26 per cent of value, c i f
4 Licenses and stamp duties			
4 1 <u>Patent fees</u>	Payable by all individuals operating industrial or commercial establishments. The latter are classified into ten classes. One tax is payable annually on the rental value of premises, the other is an annual lump sum payable by the individual for the conduct of his profession or business	<u>Exemptions</u> Under the investment code, new establishments are exempted from this tax during period of installation of equipment and five years thereafter. The latter may be extended to ten years. Public servants' wages and salaries and earnings of artists, scientists, several other professional earnings are exempt. Investments of a minimum of DF 10 million in agriculture or DF 30 million in other activities are also exempt	Various lump sum and ad valorem rates apply. For example Activity Specific Ad valorem Financial DF 5 mil. 30 per cent agents (except banks) Mechanics and DF 80 20 per cent repairers of automobiles and electrical appliances Medical DF 25,000 20 per cent clinic An additional 5 per cent tax is levied to finance the Chamber of Commerce
4 2 <u>License fees</u>	Payable by all persons authorized to sell beverages. The tax is levied according to the type of establishment, hours of operation and place of business. The tariff is broken down into eight classes on basis of these criteria		Class Rate 1 (A) DF 350,000 1 (B) DF 290,000 2 (A) DF 230,000 2 (B) DF 190,000 3 DF 120,000 4 DF 100,000 5 DF 100,000 6 DF 15,000 7 DF 1,500 8 DF 120,000
4.3 <u>Registration and stamp duties</u>			
Registration fees	Levied ad valorem on specified documents		Rates vary from 2 5 per cent to 4 0 per cent
Stamp duties	Levied on all legal documents		Rate depends on type of document.

Djibouti Summary of the Tax System, January 1982 (concluded)

Tax	Nature of tax	Exemptions and deductions	Income bracket and rates	
5 Other taxes				
5 1 <u>Motor vehicle taxes</u>	Levied on all motor vehicles	Government vehicles	Levied according to size of vehicle	
			Up to 4 CV	DF 6,000
			5 to 9 CV	9,000
			10 to 20 CV	12,000
			Above 20 CV	15,000
5 2 <u>Driver's licenses</u>	Driver's licenses, transfer permits, and registration permits carry different charges		<u>Document</u>	<u>Rate</u>
			Driver's license	DF 5,000
			Transfer permit	3,000
			Registration permit	50,000
5 3 <u>Trash collection fees</u>	Collected annually from property owners	Industrial establishments, public service buildings, and buildings not serviced by the public trash collection system	3 per cent of rental value	
5 4 <u>Tax on non-EC goods</u>	Introduced in 1980, the tax applies to all imports originating from sources outside the European Community	None	5 per cent of the value, c i f	
5 6 <u>Market tax</u>	Relates to permit to retail in a market place	None.	<u>retailing in</u>	<u>Rate</u>
			Covered market	DF 10 per day
			Covered stall	DF 260 per month
			Pavilion (full place)	DF 2,000 per month
			Pavilion (half place)	DF 1,000 per month
5 7 <u>Inspection tax</u>	For inspection of meat and animal products		<u>Service</u>	<u>Tax rate</u>
			Meat, fish, etc	DF 10 per kg
			Milk eggs, etc	DF 5 per kg
			Sanitation certificate	DF 300
			Veterinary certificate	DF 1,200

Sources: Ministère des Finances, Code Général des Impôts, Note relative à la fiscalité en usage 1^{er} Janvier 1978, Budget de l'Exercice 1980, and data provided by the Djibouti authorities

Public Entities

1. Airport of Djibouti

The Airport of Djibouti, as a public enterprise, was established in June 1977. At the end of 1981 it had a staff of 265. Total fixed assets (buildings and installations) are estimated at slightly above DF 1.5 billion. A summary of its financial operations during the 1978-82 period is shown below:

Table 1. Djibouti: Summary of Financial Operations of the
Airport of Djibouti, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	<u>1981</u> Prel.	<u>1982</u> Budget
Operating receipts	415	435	477	374	461
Nonoperating receipts	<u>89</u>	<u>94</u>	<u>94</u>	<u>147</u>	<u>106</u>
Total	504	529	571	521	567
Operating expenses	386	435	486	432	461
Nonoperating expenses	<u>41</u>	<u>67</u>	<u>95</u>	<u>147</u>	<u>106</u>
Total	427	502	581	579	567
Operating surplus/deficit (-)	29	--	-9	-58	--
Overall surplus/deficit (-)	77	27	-10	-58	--

Source: Data provided by the Djibouti authorities.

Operating receipts and expenses declined in 1981 as compared to the previous three years, mainly due to the reduced level of traffic. By mutual agreement, Air France passenger flights which used to land in Djibouti have been reduced. Nonoperating receipts increased in 1981, since it was the first year that receipts from the Fonds d'Aide et Coopération were included.

2. Caisse des Prestations Sociales

The Caisse des Prestations Sociales (CPS) manages three schemes covering family allowances, workman's compensation for accidents, and pensions. All employers and employees, except civil servants with permanent status (fonctionnaires), are required to register with the CPS. Annual contributions of employees are 2.0 per cent of salary earned; employers pay 15.7 per cent of salary.

The CPS was established in 1976 and has a staff of 167 at present. Its working capital is held as demand deposits with the Treasury and the commercial banks. A summary of its financial operations during the period 1978-82 is given in Table 2.

Table 2. Djibouti: Summary of Financial Operations of the
Caisse des Prestations Sociales, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	<u>1981</u> Budget	<u>1982</u> Budget
Operating receipts	850	999	1,022	943	1,193
Nonoperating receipts	<u>118</u>	<u>31</u>	<u>21</u>	<u>44</u>	<u>58</u>
Total	968	1,030	1,043	987	1,251
Operating expenses	937	786	964	992	1,131
Nonoperating expenses	<u>8</u>	<u>1</u>	<u>420</u>	<u>10</u>	<u>7</u>
Total	945	787	1,384	1,002	1,138
Operating surplus/deficit (-)	-87	213	58	-49	62
Overall surplus/deficit (-)	23	243	-341	-15	113

Source: Data provided by the Djibouti authorities.

In 1980 the CPS provided a large loan (which is reflected in non-operating expenses) to the state-owned hotel company. More recently the financial position of the pensions scheme has been weak, as the number of beneficiaries with relatively few years of contribution to the scheme has increased substantially. This problem will be reviewed shortly.

3. Electricité de Djibouti

The electricity company of Djibouti is the largest public enterprise. The company, which is financially autonomous, provides electricity, mainly to the city of Djibouti, from thermal (diesel) power stations. At the end of 1980, it employed a staff of 547 and had a total capital of DF 3.2 billion and medium-term and long-term debts of DF 2.2 billion. A summary of its financial operations is shown below.

Table 3. Djibouti: Summary of Financial Operations of
Electricité de Djibouti, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	<u>1981</u> Prel.	<u>1982</u> Budget
Operating receipts	2,241	2,484	3,649	4,539	5,166
Nonoperating receipts	<u>455</u>	<u>519</u>	<u>1,449</u>	<u>1,060</u>	<u>2,148</u>
Total	2,696	3,003	5,098	5,599	7,314
Operating expenses	2,138	2,418	3,649	4,530	5,787
Nonoperating expenses	<u>317</u>	<u>366</u>	<u>1,340</u>	<u>1,109</u>	<u>1,943</u>
Total	2,455	2,784	4,989	5,639	7,730
Operating surplus/deficit (-)	103	66	--	9	-671
Overall surplus/deficit (-)	241	219	109	-40	-416

Source: Data provided by the Djibouti authorities.

The financial position weakened in more recent periods, especially starting in 1980. In that year fuel prices rose sharply; however, there was no adjustment of electricity tariffs, and the company was given a subsidy of DF 200 million financed by a grant from Saudi Arabia. Another subsidy of DF 596 million (again financed by Saudi Arabia) was received in 1981, notwithstanding a partial adjustment of tariffs in June of that year. For 1982 it is envisaged that there will be an operating loss of DF 671 million.

The electricity company is negotiating with a group of Arab organizations, under the chairmanship of the Kuwait Development Fund, for a loan of DF 5.6 billion for the purchase of two new generators.

4. Office des Postes et Télécommunications (OPT)

The Post and Telecommunications Office was set up as a public enterprise with its own budget in 1958. At present it employs a staff of 320. At the end of 1980 the fixed investments of the OPT were DF 1.3 billion. Its working capital is kept with the Treasury and with local and foreign banks. A summary of OPT's financial operations is shown below.

Table 4. Djibouti: Summary of Financial Operations of the
Office des Postes et Télécommunications, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981 Budget	1982 Budget
Operating receipts	1,037	1,163	1,396	1,508	1,698
Nonoperating receipts	<u>39</u>	<u>321</u>	<u>66</u>	<u>85</u>	<u>95</u>
Total	1,076	1,484	1,462	1,593	1,793
Operating expenses	798	889	1,120	1,389	1,517
Nonoperating expenses	<u>95</u>	<u>120</u>	<u>315</u>	<u>419</u>	<u>329</u>
Total	893	1,009	1,435	1,808	1,846
Operating surplus	239	274	276	119	181
Overall surplus/deficit (-)	183	475	27	-215	-53

Source: Data provided by the Djibouti authorities.

The operations of OPT expanded substantially from 1976 to 1981. During this period telephone lines increased from 1,000 to 3,000, and about 125 telex machines were installed. The OPT has realized repeated operating surpluses. To finance its capital investment, in 1975 the OPT received a loan of F 6.6 million from the CCCE. In 1981 a soft loan of DF 350 million was also obtained from Saudi Arabia.

5. Port Autonome International de Djibouti

The port became an autonomous public enterprise in June 1981. It employs a staff of 480 and about 500-1,000 dockers. Since the escalation of the Ethiopian-Somali conflict in 1977-78, the port has experienced financial difficulties. After the conflict a significant proportion of Ethiopia's foreign trade was channeled through its own port of Assab, rather than through the port of Djibouti. Even though the port has been sustaining losses for a number of years, it received subsidies from the Government only in 1981. Instead, the port has been drawing down its reserves to finance the losses. In 1981 it received a subsidy of DF 100 million from the Government so that it would not increase its tariff rates to uncompetitive levels. Labor costs amount to about 70 per cent of the port's operating costs, partly owing to featherbedding. The port's management has been urged not to lay off workers in view of the unemployment situation in the country. The management hopes to reduce labor costs over a period of time through a freeze on new hiring and through an early retirement scheme.

6. Régie des Eaux

The water authority is an autonomous public entity responsible for supplying water to the whole country. In early 1982 it employed a staff of 236. Its financial operations are shown below.

Table 5. Djibouti: Summary of Financial Operations of the
Régie des Eaux, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981 Prel.	1982 Budget
Operating receipts	328	361	526	602	560
Nonoperating receipts	<u>265</u>	<u>198</u>	<u>109</u>	<u>145</u>	<u>127</u>
Total	593	559	635	747	687
Operating expenses	377	438	417	535	437
Nonoperating expenses	<u>162</u>	<u>97</u>	<u>165</u>	<u>121</u>	<u>127</u>
Total	539	535	582	656	564
Operating surplus/deficit (-)	-49	-77	109	67	123
Overall surplus	54	24	53	91	123

Source: Data provided by the Djibouti authorities.

In the earlier years water charges were kept low, and the Government paid subsidies to the water authority. The last subsidy of DF 43 million was received in 1978. Thereafter, water charges were adjusted frequently to cover operating expenses and a small part of capital outlays. In the circumstances, the water authority obtained one loan from the Central Government and two foreign loans from the CCCE totaling DF 2.2 billion to carry out urgent replacements of equipment. Despite this, maintenance and replacement of pumps, the water pipe system, and water meters have lagged behind. In all, it is estimated that about DF 2 billion is needed for necessary maintenance and replacement.

7. Service Médical Interentreprise (SMI)

The SMI provides medical insurance for all employees in the private sector and the public sector, except for civil servants with permanent status (fonctionnaires) who are covered through the Caisse Nationale de Retraite. The SMI was established as a public entity in 1972, and received two initial long-term loans from the CCCE amounting to DF 1.5 billion. In

addition, the SMI obtained a long-term loan of DF 93 million from the CPS. About 40 per cent of the CCCE loan and 85 per cent of the CPS loans were repaid by the end of 1981. The SMI has a staff of 250. A summary of its financial operations is shown below.

Table 6. Djibouti: Summary of Financial Operations of the Service Médical Interentreprise, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981 Prel.	1982 Budget
Operating receipts	569	679	804	692	910
Nonoperating receipts	<u>24</u>	<u>95</u>	<u>32</u>	<u>144</u>	<u>52</u>
Total	593	774	836	836	962
Operating expenses	417	535	482	566	617
Nonoperating expenses	<u>13</u>	<u>20</u>	<u>329</u>	<u>158</u>	<u>52</u>
Total	430	555	811	724	669
Operating surplus	152	144	319	126	293
Overall surplus	163	219	25	112	293

Source: Data provided by the Djibouti authorities.

The SMI gets its receipts from quarterly payments by employers amounting to 7.2 per cent of the salary of the ensured employee. It is collected by the CPS and then transferred to the SMI. The SMI has realized repeated surpluses which have permitted accumulation of a sizable reserve fund. The relatively large nonoperating expenses in 1980 and 1981 comprise a loan given to the state-owned hotel company.

8. Other entities

Only sketchy information is available on other public entities.

a. The Office de Développement du Tourisme receives earmarked funds from a special surtax on alcohol.

b. The Société Hôtelière d'Etat received loans from the CPS, the SMI, and the Government to complete its first hotel in late 1981. Initial occupancy and receipts from this source appear promising.

c. Air Djibouti, a former private enterprise, became a public enterprise in 1980, when the Government took over about 90 per cent of its equity totaling DF 456 million. The remaining shares are held by Air France and private individuals. At present a staff of 234 is employed. Since 1980 Air Djibouti has been sustaining losses. In 1981 its losses were financed by the Government.

Djibouti: Structure of Interest Rates, 1/ as of End-1981

I. Rates on deposits

	<u>Rate</u>	<u>Details</u>
(1) <u>Operations in Djibouti francs</u>		
Demand deposits	0 per cent	(Public or semipublic Maximum 0.25 per cent)
Savings deposits	3 per cent	(Only for persons born in Djibouti)
Time deposits	3 per cent 5 per cent 6 per cent 7.25 per cent	For 1 month deposit For 3 months deposit For 6 months deposit For 1 year deposit (Minimum balance DF 100,000)
(2) <u>Operations in foreign currencies</u>		
Demand deposits	0 per cent	For deposits equivalent to US\$50,000
	3 per cent below Euro- dollar rate	For deposits equivalent to US\$50,000 to US\$100,000
	No fixed rate	For higher deposits
Savings deposits		There are no foreign currency savings deposits.

Djibouti: Structure of Interest Rates, 1/ as of End-1981 (continued)

Time deposits

U.S. dollar accounts	Base rate less 1 per cent for deposits up to US\$10,000; less 1/2 per cent for deposits up to US\$100,000; no fixed rate for higher deposits. <u>2/</u>	The minimum required deposit is equivalent to US\$1,000.
Sterling accounts	Base rate less 1 per cent for deposits up to an equivalent of US\$10,000; less 1/2 per cent for deposits up to an equivalent of US\$100,000; no fixed rate for higher deposits.	
French franc accounts	Same as U.S. dollar accounts.	

II. Rates on credit operations

All interest rates on credits consist of a base rate (BR) to which a variable margin is added.

1. For credits in DF the base rate is 12 1/2 per cent.
2. For foreign exchange credits the base rate is dependent on the three-month Eurocurrency rate; it is fixed monthly by the Commercial Bankers' Association on the basis of the average of rates which banks receive on their deposits from their correspondents.

a. Credit to enterprises

Discount credit	BR + 1 3/4 per cent
Discount credit in installments	BR + 2 1/2 per cent
Overdraft credit	BR + 2 1/2 per cent
Overdraft covered by currency	BR + 1 per cent
Discount of financial paper	BR + 2 1/2 per cent
Gradual advances for construction work	BR + 1 1/2 per cent

Djibouti: Structure of Interest Rates, 1/ as of End-1981 (concluded)

Imports

Opening of letter of credit	1 per cent each quarter (minimum DF 1,500)
Credit provided after opening letter of credit	BR + 1 1/2 per cent

Exports

Advances against documents	BR + 1 3/4 per cent
Discount of documents	BR + 1 3/4 per cent
Free export against checks or travelers' checks	Commission 1/2 per cent of BR during 25 days

b. Credit to individuals

Overdraft credit	BR + 3 per cent
Discount credit	BR + 3 per cent
Medium-term housing credit	BR + 2 per cent

III. Commissions

A general commission is charged for each transfer:

1. In DF = DF 300
2. In foreign exchange = DF 500 or US\$3.00

Transfers by individuals in French francs are free of commission.
Further commissions at various rates are charged for different kinds of
local or foreign transactions.

Source: Data provided by the Djibouti representatives.

- 1/ Common interest rates are established by the Commercial Bankers' Association.
- 2/ The base rate is fixed monthly on the basis of the average of the interest rates on deposits which each bank receives from its Eurodollar market correspondent. From these monthly rates a variable small percentage is deducted at the discretion of each bank.

Table I. Djibouti: Gross Domestic Product by Industrial Origin, 1975-79

(In millions of Djibouti francs, at 1970 prices)

	1975	1976	1977	1978	1979
Agriculture, livestock, and fishing	751	743	615	1,046	892
Manufacturing	1,411	1,302	1,205	1,357	1,146
Electricity and water	777	704	754	831	717
Construction and public works	1,293	2,074	1,241	786	1,076
Commerce, hotels, bars, and restaurants	8,101	7,817	7,105	5,118	4,663
Banking, insurance, and real estate	1,156	1,106	1,006	1,277	1,279
Transport and communications	2,006	2,114	1,592	1,835	1,560
Public administration	2,804	3,307	2,909	3,504	4,179
Other services	439	441	431	400	306
GDP at factor cost	18,738	19,608	16,858	16,154	15,818
Net indirect taxes	1,399	2,274	2,208	2,136	2,230
GDP at market prices	20,137	21,882	19,066	18,290	18,048

Source: Data provided by the Djibouti authorities. The deflators used to derive figures on this table are comparable to those prepared by the UNECA expert in connection with GDP estimates for 1975-78 and 1979.

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Table II. Djibouti: Controlled Slaughter, 1977-80

(Number of head)

	1977	1978	1979	1980
Cattle	6,385	6,270	8,746	11,599
Sheep and goats	147,544	172,590	213,547	219,576
Camels	68	45	75	438

Source: Direction Nationale de la Statistique, Annuaire Statistique, 1977-80.

Table III. Djibouti: Local Petroleum Consumption, 1977-81

(In metric tons)

	1977	1978	1979	1980	1981
Fuel oil	23,834	26,066	26,864	27,159	29,295
Gas oil	14,909	12,095	19,087	21,458	24,248
Gasoline	13,032	18,585	14,249	14,145	14,841
Ordinary	6,794	12,270	6,065	5,612	5,974
Super	6,238	6,315	8,184	8,533	8,867
Gasoline for aviation, kerosene, lamp oil	5,529	5,047	7,246	7,592	7,956
Total	57,304	55,478	67,446	70,354	76,340

Source: Data provided by the Djibouti authorities.

Table IV. Djibouti. Job Seekers and Placement by Economic Activity, 1980-81

	Job Seekers			Placement			
	1981			1980		1981	
	Male	Female	Total	Male	Female	Male	Female
Clerical	760	399	1,159	226	113	295	173
Commerce	248	172	420	182	70	73	87
Construction	809	--	809	904	--	310	23
Health	48	94	142	20	9	5	38
Industry	470	--	470	211	--	194	--
Porterage	396	--	396	18	--	87	--
Hotel	277	294	571	213	66	100	82
Miscellaneous	824	548	1,372	678	196	617	68
Total	3,832	1,507	5,339	2,452	454	1,681	471

Source: Data provided by the Djibouti authorities.

Table V. Djibouti Central Government Current Revenue, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981		1982
				Budget	Preliminary	Budget
1. Tax revenue	8,461	10,896	12,775	13,604	14,243	15,741
Taxes on income and property	1,816	2,589	2,330	2,485	2,579	3,132
Income tax (impôt général de solidarité)	1,644	2,182	2,067	2,168	2,251	2,715
Wages and salaries	(1,087)	(1,218)	(1,096)	(1,202)	(...)	(1,500)
Professional earnings	(24)	(37)	(41)	(25)	(...)	(30)
Industrial and commercial earnings	(232)	(512)	(372)	(440)	(...)	(550)
Corporate earnings	(301)	(415)	(558)	(501)	(...)	(625)
Capital gains on real estate	-	-	-	-	-	(10)
Property taxes	172	407	263	317	328	417
Immovable property	(161)	(237)	(254)	(300)	(304)	(375)
Movable property	(11)	(170)	(9)	(17)	(24)	(42)
Domestic taxes on goods and services	6,645	8,307	10,445	11,119	11,664	12,609
Excise duties	5,484	6,934	9,005	9,300	9,820	10,373
General consumption tax	3,905	4,857	6,236	6,600	6,865	7,056
Surtax	1,579	2,077	2,679	2,700	2,955	3,317
on tobacco	(607)	(725)	(715)	(838)	(690)	(650)
khat	(312)	(543)	(503)	(550)	(639)	(687)
alcohol	(353)	(431)	(366)	(370)	(407)	(371)
gasoline	(250)	(319)	(335)	(310)	(328)	(325)
special surtax on gasoline	(57)	(59)	(57)	(57)	(52)	(51)
products outside EC 1/	(--)	(--)	(703)	(575)	(839)	(1,217)
mineral water	(--)	(--)	(--)	(--)	(--)	(16)
Licenses and stamp duties	964	1,144	1,330	1,385	1,564	1,690
Patents and licenses	724	921	836	925	1,003	1,155
Patents	(693)	(905)	(835)	(900)	(980)	(1,125)
Licenses	(31)	(16)	(1)	(25)	(23)	(30)
Registration and stamp duties	240	223	494	460	561	535
Other taxes	197	229	110	434	28^	546
2. Nontax revenue	2,095	1,668	2,004	1,469	2,736	2,742
Of which						
Income from property	21	56	48	80	95	106
Immovable property	(18)	(46)	(41)	(53)	(60)	(61)
Movable property	(3)	(10)	(7)	(27)	(35)	(45)
Administrative fees and charges	635	1,612	1,796	1,026	2,428	2,004
District administration	(43)	(54)	(44)	(54)	(54)	(56)
Miscellaneous services	(114)	(230)	(210)	(214)	(196)	(241)
Other 2/	(478)	(1,338)	(1,542)	(758)	(2,178)	(1,707)
Total (1 and 2)	10,556	12,564	14,779	15,073	16,979	18,483

Sources Ministry of Finance, Compte Définitif du Budget de l'Etat, 1978-80, Budget de l'Etat, 1981 and 1982, and data provided by the Djibouti authorities.

1/ Beginning January 1, 1982 most goods originating from the EEC are also subject to this tax.

2/ Includes also revenue derived from sale of government property.

Table VI. Djibouti: Economic Classification of Central Government Expenditure, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981		1982
				Budget	Preliminary	Budget
Total budgetary expenditure	9,550	11,402	12,136	14,898	15,701	17,543
Current expenditure	8,091	8,983	9,926	12,874	11,554	13,920
Goods and services	2,589	2,862	3,303	4,562	4,345	4,829
Wages and salaries	4,973	5,434	5,697	7,062	6,153	7,823
Subsidies and other current transfers	467	627	874	1,206	1,012	1,224
Interest payments	62	60	52	44	44	44
Foreign	(30)	(29)	(27)	(23)	(19)	(20)
Domestic	(32)	(31)	(25)	(21)	(25)	(24)
Capital expenditure	1,459	2,419	2,210	2,024	4,147	3,623
Acquisition of fixed assets	1,275	1,726	1,648	1,549	2,248	3,394
Works and supplies	(400)	(766)	(769)	(619)	(793)	(1,029)
Construction	(479)	(477)	(409)	(537)	(741)	(1,299)
Acquisition of buildings	(--)	(--)	(12)	(...)	(51)	(--)
Acquisition of other physical assets	(396)	(483)	(458)	(393)	(663)	(1,066)
Capital transfers	92	252	562	475	749	229
Participation and capitalization (domestic)	(77)	(74)	(360)	(--)	(36)	(--)
Other development projects	(15)	(178)	(202)	(475)	(713)	(239)
Transfers to other levels of Government	92	441	--	--	1,150	--
Addendum:						
Total extra budgetary expenditure	9,833	13,601	12,344	...	9,485	8,800 ^{1/}
Current expenditure	9,389	10,517	9,514	...	7,663	7,000
Goods and services ^{1/}	6,399	6,929	5,151	...	3,260	3,230
Wages and salaries ^{1/}	2,990	3,588	3,474	...	3,514	3,770
Foreign subsidies ^{2/}	--	--	889	...	889	...
Capital expenditure ^{3/}	445	3,084	2,830	...	1,822	1,800

Sources: Ministry of Finance, Compte Définitif du Budget de l'Etat, 1978-80, Budget de l'Etat, 1981 and 1982; and data provided by the Djibouti authorities.

^{1/} Staff estimates. The figures on goods and services include modest amounts of subsidies on flour.
^{2/} Refers to fuel subsidies only; excludes subsidies for flour since no detailed information is available.

^{3/} Information on the breakdown of these expenditures is not available.

Table VII. Djibouti: Functional Classification of Central Government
Current Expenditure, 1978-82

(In millions of Djibouti francs)

	1978	1979	1980	1981	1982	
				Budget	Budget	
				Preliminary		
Current budgetary expenditure	<u>8,091</u>	<u>8,983</u>	<u>9,926</u>	<u>12,874</u>	<u>11,554</u>	<u>13,920</u>
General public services	<u>4,859</u>	<u>5,560</u>	<u>7,598</u>	<u>9,956</u>	<u>8,664</u>	<u>11,295</u>
National assembly	170	157	162	193	169	198
Presidency	522	607	561	837	800	984
Prime Minister	57	63	63	17	75	87
Justice and Moslem affairs	177	106	99	160	104	152
Interior	1,572	1,484	1,578	1,926	1,738	2,094
Foreign affairs	183	271	177	466	284	590
Finance	392	577	484	562	582	638
Civil service commission	41	40	42	52	44	58
Miscellaneous <u>1/</u>	1,805	2,255	2,369	3,105	2,679	3,499
Defense <u>2/</u>	<u>7</u>	<u>7</u>	<u>274</u>	<u>510</u>	<u>810</u>	<u>514</u>
Social services	<u>1,825</u>	<u>1,884</u>	<u>2,063</u>	<u>2,583</u>	<u>2,189</u>	<u>2,995</u>
Education <u>3/</u>	547	624	721	1,056	860	1,277
Health	1,143	1,145	1,224	1,369	1,211	1,543
Youth and sport <u>3/</u>	28	--	--	--	--	--
Labor	107	115	118	158	118	175
Economic services	<u>820</u>	<u>942</u>	<u>762</u>	<u>1,149</u>	<u>876</u>	<u>1,326</u>
Agriculture and rural development	162	174	173	236	184	288
Industry	6	6	5	16	11	19
Commerce, transport, and tourism	23	30	35	43	44	53
Public works	278	271	285	378	295	409
Port	9	--	--	--	--	--
Maintenance	342	461	264	476	342	557
Other <u>4/</u>	<u>580</u>	<u>590</u>	<u>1,292</u>	<u>1,259</u>	<u>1,204</u>	<u>1,215</u>
<u>Addendum</u>						
Extrabudgetary current expenditure	9,389	10,517	9,514	...	7,663	7,000
Of which. military expenditure	(4,900)	(5,494)	(5,690)	...	(5,750)	(5,000)

Sources: Ministry of Finance, Compte Définitif du Budget de l'Etat, 1978-80, Budget de l'Etat, 1981 and 1982, and data provided by the Ministry of Finance.

1/ Includes mainly outlays out of a common fund maintained by the Ministry of Finance for official travel, health and social insurance, utility payments, and housing of staff. Expenditure out of this fund sometimes relates to social and economic services, to the extent this is true, the totals shown for each of these two categories of expenditure may be understated.

2/ Beginning 1980 includes increasing domestic contributions to the National Army.

3/ Beginning 1979 "youth and sport" is included in "education."

4/ Includes mainly contributions and subsidies.

Table VIII. Djibouti: Summary Accounts of the Monetary Authorities,
1978-81

(In millions of Djibouti francs; end of period)

	1978	1979	1980	1981
Foreign assets	9,688	11,859	15,576	15,224
Monetary cover ^{1/}	4,673	5,343	5,913	6,154
Excess over monetary cover	417	536	301	905
Other foreign assets	4,598	5,782	9,053	7,808
Reserve position in IMF	--	178	279	254
SDR holdings	--	20	30	103
Reserve money	4,852	5,530	6,074	6,432
Currency outside banks	4,458	4,769	5,646	5,922
Notes	4,269	4,579	5,393	5,674
Currency	189	190	253	248
Currency in banks	394	761	428	510
Notes	368	705	412	462
Currency	026	056	016	48
Government deposits	4,836	6,131	9,193	8,435
Counterentries of:				
Monetary cover	4,673	5,343	5,913	6,154
Excess monetary cover	417	536	301	905
Other foreign assets	4,598	5,782	9,053	7,808
Currency outside banks	-4,458	-4,769	-5,646	-5,922
Currency in banks	-394	-761	-428	-510
Other items (net)	--	198	309	357

Source: Data provided by the Djibouti authorities.

^{1/} Notes outside banks plus notes in banks do not add up to the monetary cover. The small discrepancy is due to the existence of some notes in the Treasury.

Table IX. Djibouti: Summary Accounts of Deposit Money Banks, 1978-81

(In millions of Djibouti francs; end of period)

	1978	1979	1980	1981
Reserves	394	761	428	510
Foreign assets	5,308	6,704	7,481	10,201
Claims on private sector	4,636	7,381	9,903	12,224
Demand and time deposits	8,823	11,484	12,247	14,386
Government deposits	1,594	2,162	2,599	5,401
Other items (net)	-79	1,200	2,966	3,148
Related items:				
Treasury: public entities' deposits	1,533	2,046	1,989	930

Source: Data provided by the Djibouti authorities.

Table X. Djibouti: Balance of Payments, 1978-81

(In millions of Djibouti francs)

	1978	1979	1980	1981
Trade balance	-8,076	-14,289	-14,611	-16,306
Exports, f.o.b.	16,673	14,147	19,171	20,348
Imports, f.o.b.	-24,749	-28,436	-33,782	-36,654
Services (net)	2,635	1,118	3,605	4,265
Freight and insurance	-4,368	-5,018	-5,961	-6,468
Other transportation	938	913	1,573	1,998
Investment income	244	505	1,518	1,937
Other	5,821	4,718	6,475	6,798
Unrequited transfers (net)	11,412	14,443	13,250	11,312
Private (workers' remittances)	-16	-18	-27	-29
Official	11,428	14,461	13,277	11,341
Current account balance	5,971	1,272	2,244	-729
Capital movements (net)	-595	899	1,473	377
Government	-46	-50	-52	-40
Public enterprises	-55	197	-137	-129
Private including net errors and omissions	-494	752	1,662	546
Of which:				
monetary capital ^{1/}	(-1,869)	(-1,396)	(-777)	(-2,720)
Overall surplus or deficit (-)	5,376	2,171	3,717	-352
Changes in reserves	-5,376	-2,171	-3,717	352
Monetary authorities	-5,376	-1,973	-3,606	400
Reserve position in the Fund	--	-178	-101	25
Special Drawing Rights	--	20	-10	-73
<u>Addendum:</u>				
Gross official reserves				
in months of imports, c.i.f.	4.0	4.3	4.7	4.2

Sources: Data provided by the Djibouti authorities; and staff estimates.

^{1/} Monetary capital may be subject to a margin of error since net foreign assets of the commercial banks may not entirely reflect their foreign liabilities.

Table XI. Djibouti: Direction of Trade, Imports, c.i.f., 1978-79

(In per cent of total)

	1978	1979
European Community	64.0	61.8
Of which:		
France	48.5	44.0
Italy	2.3	1.7
Germany, Fed. Rep. of	2.0	1.3
Benelux countries	4.4	4.9
United Kingdom and Ireland	6.2	7.9
Denmark	0.6	0.6
COMECON	0.2	0.3
Other Central European countries	0.8	1.0
Iberian countries	0.4	0.3
Other Mediterranean countries	1.6	0.5
North America	4.6	2.3
Ethiopia	5.5	9.5
Other Red Sea countries	1.2	0.9
Africa	2.7	1.4
Persian Gulf States	0.2	0.2
Japan	7.7	7.2
Other Far East countries	8.2	9.0
Other countries	<u>2.9</u>	<u>5.6</u>
Total	100.0	100.0
Value (in millions of Djibouti francs)	29,117	33,454

Source: Annuaire Statistique, 1977-1980.

Table XII. Djibouti: Direction of Trade, Domestic Exports, f.o.b.,
1978-79 1/

(In per cent of total)

	1978	1979
European Community	22.2	20.8
France	13.7	0.8
Italy	7.1	14.6
Germany, Fed. Rep. of	1.4	0.8
Benelux countries	--	0.8
United Kingdom and Ireland	--	3.8
Central European countries	1.4	5.4
Mediterranean countries	3.3	3.1
North America	1.4	--
Ethiopia	3.8	3.1
Other Red Sea countries	24.5	53.8
Africa	2.4	2.3
Persian Gulf States	--	1.5
Other countries	<u>41.0</u>	<u>10.0</u>
Total	100.0	100.0
Value (in millions of Djibouti francs)	670.0	263.0

Source: Annuaire Statistique, 1977-1980.

1/ Excludes military equipment and personal effects being returned to France as well as re-exports to nonresidents in Djibouti.

Table XIII. Djibouti: Exchange Rates for the Djibouti Franc, 1978-81

	<u>Per SDR</u> <u>Period average</u>	<u>Per SDR</u> <u>End of period</u>	<u>Per FF</u> <u>Period average</u>	<u>Per FF</u> <u>End of period</u>	Nominal import- weighted <u>1/</u> (3rd quarter, 1977 = 100)
1978	222.51	231.53	39.38	42.52	108.08
I	216.92	219.78	37.36	38.80	104.19
II	217.96	220.29	38.59	39.48	105.59
III	224.71	227.67	40.51	41.03	110.58
IV	230.71	231.53	41.31	42.52	112.38
1979	229.62	234.12	41.77	44.21	111.58
I	229.08	228.69	41.64	41.36	111.98
II	226.63	229.46	40.63	41.48	109.78
III	231.49	234.19	41.97	43.34	112.38
IV	231.30	234.12	42.92	44.21	111.88
1980	231.31	226.67	42.05	39.35	112.18
I	231.64	222.36	42.83	39.68	111.98
II	230.55	235.37	42.19	43.48	111.68
III	234.53	233.25	43.12	42.32	114.27
IV	220.86	226.67	40.19	39.35	110.88
1981	209.56	206.86	31.09	30.92	98.20
I	220.86	218.33	36.57	35.85	105.89
II	210.00	204.49	32.80	31.08	98.50
III	201.50	203.42	30.60	31.92	93.21
IV	206.38	206.86	31.45	30.92	95.18

Sources: IMF, International Financial Statistics; and staff estimates.

1/ The weights were derived on the basis of the shares of Djibouti's major trading partner countries in 1979. The selected major partners were France, the United States, Japan, Ethiopia, Kenya, Belgium, Denmark, West Germany, Italy, the Netherlands, the United Kingdom, Hong Kong, Pakistan, Cyprus, and Bahrain. An increase (decrease) in the index reflects a depreciation (appreciation) of the Djibouti franc.

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