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Investment Policy Review of Djibouti

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Monsieur le Ministre du commerce,
Excellence, Monsieur l'Ambassadeur de Djibouti,
Excellences, Mesdames et Messieurs les Ambassadeurs,
Représentants du secteur privé,
Distingués participants,

C'est un honneur de vous souhaiter la bienvenue au Palais des Nations et d'accueillir à Genève une délégation de haut niveau pour cette présentation de l'Examen de la politique d'investissement Djibouti.

[It is an honour to welcome a high-level delegation to the Palais des Nations in Geneva for today's presentation of the investment policy review of Djibouti.]

Allow me to continue in English.

The purpose of today's event is to present and discuss the main findings and recommendations of the investment policy review (IPR) of Djibouti with UNCTAD member States, representatives of the private sector and international partners. The event also offers an opportunity to the Government of Djibouti to share with us its vision for investment policy in the country and its perspectives regarding the implementation of the IPR recommendations.

The presence of a high-level delegation from the Government of Djibouti is a strong sign of the country's interest in UNCTAD's investment policy review programme. As you may know, UNCTAD started conducting investment policy reviews in the late 1990s. Since then, it has become one of our core technical assistance programmes, with over 35 IPRs undertaken across the world.

Assessing the impact of UNCTAD's facilitation in investment policymaking is challenging. Nevertheless, there is clear evidence that UNCTAD's IPR process has achieved significant results. For instance, many IPR beneficiary countries, including African countries, have experienced dramatic foreign direct investment (FDI) inflows after the review and follow-up technical assistance. They have moved up international rankings with respect to their investment environment, after implementing IPR recommendations. Furthermore, as exemplified by today's participation in this presentation, IPRs have systematically benefited from high-level country commitment and endorsement of their recommendations.

Excellencies,
Ladies and gentlemen,

Djibouti is strategically located on a major trade route, at the point where the Indian Ocean merges with the Red Sea. It also provides access to landlocked countries in East Africa. This potentially offers the country a number of economic advantages. Djibouti has always tried to make the most out of its strategic location and, today, port activities drive the economy of Djibouti. Doraleh Container Terminal is one of the most technologically advanced ports

on the continent, in part thanks to foreign investment. About 50 per cent of FDI to Djibouti during the period 2004-2011 flowed to port related projects.

Excellencies,
Distinguished participants,

The Government of Djibouti requested UNCTAD to undertake an Investment Policy Review (IPR) in support of the country's objective to become one of the leaders in port activities in East Africa. The Government also expressed its desire to put in place a strategy to increase the contribution of FDI to the country's development. Such a strategy should seek to attract higher levels of FDI from more diversified sources, and strengthen their economic and social impact.

Indeed, Djibouti's economy has performed relatively well in recent years, with a growth rate close to 5 per cent in 2012 and per capita FDI flows among the highest in Africa. At the same time however, the country has struggled to translate this performance into sustainable socio-economic development. As in many other LDCs, poverty and unemployment remain high. In addition, low levels of human capital and infrastructure development limit the country's competitiveness.

Against this background, the IPR of Djibouti provides a detailed review of the legal, regulatory and institutional framework for investment. The Report encourages the Government to clarify its vision of the role of investment, and FDI in particular, in Djibouti's development plan. In this regard, the forthcoming adoption of the country's long term development plan, *Vision 2035*, could provide an excellent opportunity to articulate FDI policy objectives within a broader development strategy.

Through its diagnostic orientation the IPR identifies weaknesses and proposes remedial actions. These are laid out in a multidimensional strategy to attract FDI, based on the guidelines elaborated in UNCTAD's Investment Policy Framework for Sustainable Development. The strategy includes a number of key policy actions. I will briefly refer to a selected number of them here, before my colleague Joerg Weber provides you with a comprehensive overview.

Firstly, the IPR identifies the overhaul of the existing investment code in order to better align it with global best practices. The new code should provide clear conditions of entry, establishment and treatment of foreign investors, as well as guarantees of protection.

Secondly, with regard to the wider business environment, the overall message of the IPR is to concentrate efforts on providing a more transparent and efficient environment for businesses to prosper. UNCTAD's experience with many developing countries, in particular those not endowed with mineral resources, has highlighted domestic private sector development as an important pre-requisite for FDI attraction. Chief among the policy actions recommended in this area is the need to simplify administrative procedures across investment-related

regulations and to revise the fiscal regime to make it friendlier to small- and medium-sized enterprises.

Thirdly, the IPR provides options for better targeting investment promotion efforts at the sectoral level, including a review of existing fiscal incentives to improve coherence and focus. Regarding the institutional set up for investment attraction, the IPR recommends that the newly established mechanism —the High National Council of Public-Private Dialogue — be quickly operationalized. The existing institutional framework for FDI attraction should also be strengthened, including by enhancing the role of the National Investment Promotion Agency, as the coordinator of investment attraction efforts.

And finally, the monitoring and evaluation of reforms should be given a central role to ensure that the Government's policy objectives meet expected outcomes. In this regard, the report suggests that the secretariat of the recently established High National Council of Public-Private Dialogue plays a key role in coordinating efforts and monitoring progress with investment-related reforms.

Excellencies,
Distinguished participants,

I would like to warmly thank the Government of Djibouti, and in particular the Ministry of Economy and Finance, the National Investment Promotion Agency, as well as Djibouti's Permanent Mission in Geneva, for their invaluable cooperation in carrying out this review. I am also grateful to the UNDP Country Office in Djibouti for their support throughout this exercise.

Thanks also go to the Governments of France, Ireland, Norway, Sweden and Switzerland which contributed to a multi-donor trust fund that financed the review.

Before I finish my statement, I would like to emphasise that the completion of the Report is, in fact, only a first step towards the objective of increased FDI that contributes to the country's socio-economic development. Indeed, much of the value of the IPR lies in the implementation of its recommendations and this can be a challenging task in itself. We at UNCTAD therefore stand ready to accompany and support the Government in its efforts to put the Report's recommendations into action over the coming years. In this regard, I also make a plea to donor countries to join us in assisting the Government of Djibouti's efforts to improve its business environment and increase FDI for the benefit of its people.

Excellencies,
Distinguished participants,

I believe that the IPR of Djibouti will eventually help strengthen the country's investment framework and policies, and ultimately attract high-quality FDI that contributes to sustainable development. As with past IPRs, I expect today's session to provide a useful exchange of experiences and best practices as a first step along that path.

I thank you for your kind attention.
