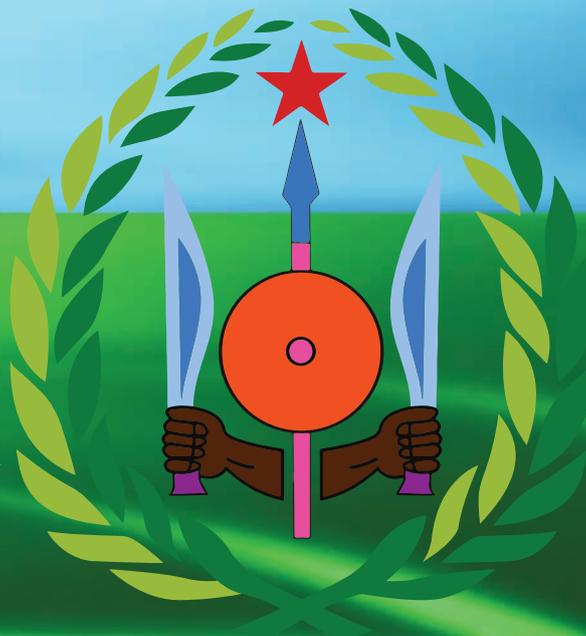




AFRICAN UNION

APRM

AFRICAN PEER REVIEW MECHANISM



REPUBLIC OF DJIBOUTI

KEY ISSUES OF PANEL REPORT NO. 18
FOR DISCUSSION DURING THE PEER REVIEW

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REPUBLIC OF DJIBOUTI



COUNTRIES PARTICIPATING IN THE PEER REVIEW MECHANISM (PRM) AND THE PANEL OF EMINENT PERSONS

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1. INTRODUCTION:

1. The Republic of Djibouti voluntarily joined the Memorandum of Understanding of the African Peer Review Mechanism (APRM) dated 1st of July 2007, thus demonstrating the commitment made by the political leaders of Djibouti towards their population and the international community to comply with the principles of democracy, of good political governance, of proper economic and corporate governance, through the periodical assessment by their African peers.
2. This membership was followed by the appointment of the Minister of Foreign Affairs and International Cooperation as the Focal Point, and by the creation of a National Commission in charge of implementing the APRM by the Government of Djibouti. Subsequently, a workshop that focused on the launching of the process was held in January 2010, and saw the participation of the South African Institute of International Affairs (SAIIA), the Oslo Governance Centre of the UNDP and the Research Institute for Development (or Institut de Recherche pour le Développement - IRD). Once it had become operational, the APRM National Commission organised a series of awareness raising workshops for stakeholders in the regions:
 - the first regional workshop that was held on the 31st of April 2010 in Tadjourah, brought together stakeholders of the Obock and of the Tadjourah regions,
 - whereas the second regional workshop was held on the 5th of April 2010 in Ali-Sabieh and gathered stakeholders of the Dikhil and Ali-Sabieh regions,
 - the third awareness raising workshop, organised on the 21st of June 2010, coincided with the establishment of the APRM National Commission and the setting up of the four sub-committees.
3. The APRM National Commission also initiated visits outside of the country, thus giving the APRM team in Djibouti the opportunity to take part in the African Union Summits, which were successively held in Kampala on the 23rd of July 2010 and in Addis Ababa on the 27th of January 2011. In conjunction with the above, the Djibouti APRM continued putting the implementation tools for the APRM process in place, notably by instating the National Secretariat in fully equipped premises made available by the Government.
4. Between December 2010 and February 2011, the Djibouti APRM welcomed two support missions led by Mrs Julienne Ondziel Gnelenga, a lawyer and a member of the APRM Panel of Eminent Persons in charge of Djibouti, whose last mission led to the signing of the Memorandum of Understanding relating to the APRM between the President of the Republic and Head of Government, H.E. Ismaël Omar GUELLEH and the Panel Eminent Person in charge of Djibouti.
5. It should be noted that although it took a relatively lengthy time for Djibouti to commit to the APRM process because of financial constraints, hence delaying the recruitment of the Technical Research Institutions (TRI), the renewed commitment of the President of the Republic in favour of the APRM allowed Djibouti to finalise its National Self-Assessment Report and its preliminary Plan of Action. In accordance with the APRM procedures, a copy of the report was sent by the Focal Point on the 5th of August 2014 to the Acting Chief Executive Officer of the APRM in Midrand, Johannesburg, South Africa.



6. The Country Review Mission (CRM) took place from the 5th to the 19th of August 2015, and visited the entire country. The CRM met with numerous official institutions of Djibouti, including the National Assembly, the Constitutional Court, the Office of the Mediator of the Republic, the Central Bank, the Planning High Commission in charge of Statistics, the Ministry of Interior, the Ministry of Higher Education and Research, the Ministry of Finance, the Ministry of Energy and Natural Resources, the Ministry of Communication in charge of Post and Telecommunications, the Ministry of Habitat, the Ministry of Urban Development and Environment, the Ministry of the Promotion of Women and Family Planning, the Ministry of Agriculture, the Ministry of Fishing, the Ministry of Livestock and Fisheries, the Office of the Under-Secretary in charge of housing and the Office of the Under-Secretary for National Solidarity. Moreover, the APRM Delegation visited the Ports of Djibouti and of Doraleh in order to better understand the centrality of the port infrastructures within the growth model of Djibouti. The highlight of Review Mission was, indubitably, its visit to the 5 regions (Arta, Ali-Sabieh, Dikhil, Tadjourah and Obock) and Djibouti-Ville where the members of the team had a chance to interact with the driving forces of the country, i.e. its women, youth, farmers, cattle breeders, traders, private sector businesses, national and local elected officials, unions as well as the representatives of the registered political parties.

2. STRENGTHS AND CHALLENGES

7. The main strengths and challenges of Djibouti's governance and socio-economic development are the following:

2.1 THE STRENGTHS

8. The greatest strengths of Djibouti are:

- The repeated commitment and the strong engagement of the President of the Republic in favour of the APRM;
- The reputation of the Republic of Djibouti as a stable, peaceful haven enjoying relative prosperity in an otherwise turbulent region;
- The culture of peace and the population's peace-loving nature that are deeply rooted in its traditions;
- The ratification and/or the promulgation of most international conventions by Djibouti that has only been independent since 1977, which is a lot more than some countries that achieved independence since the 1960's;
- The clear legislative headway made by Djibouti in favour of women, notably the laws instituting quotas (at least 10% of women in elective office, and 20% in senior official positions);
- A relatively strong and sustained growth of Djibouti's GDP, accompanied by a contained inflation;
- A different approach to financing the fiscal deficit. The Government of Djibouti does not resort to what is extensively observed in several countries on the African continent where the Central Bank prints money to finance the fiscal deficit, thus accelerating inflation in the country;

- The organisation of a national conference on taxation to build a strong foundation for a genuine tax reform, one that fosters the mobilisation of those national revenues that are indispensable to tackle the major challenges the economy faces.

2.2 THE CHALLENGES

9. The following challenges are amongst those that are of concern to Djibouti:

- Poverty, unemployment and social inequalities. In view of the sudden progression of the phenomenon, it must be said that the results of the fight against poverty are clearly disappointing. Close to 23 % of the population lives under the absolute poverty threshold and 40.80 % live under the threshold of relative poverty. The eradication of extreme poverty, one of the pillars of the Millennium Development Goals (MDG) is far from being achieved. Poverty comes with an intensification of spatial inequalities both in terms of living standards and gender. The number of those who are excluded, for one reason or another, is on the rise. To break free of the spiral of poverty, unemployment and exclusion, various strategies, public policies and sectorial programs have been implemented, more or less successfully, over the last ten years. At the initiative of the Office of the Under-Secretary for Solidarity, several targeting tools such as the single file of beneficiaries or building the composite poverty index, were introduced. The Country Review Mission (CRM) was able to note the close link between poverty and indigence, on the one hand, and unemployment on the other. The latter has reached an alarming level (48.40 % of the active population) and particularly affects young people without any professional qualifications. People living in precarious conditions are overexposed to unemployment and to poverty. The Government set two objectives to reverse the unemployment curve (Djibouti 2035): growth between 7.5 % and 10 % during the next 2 decades and an unemployment rate reduced to 10 % by 2035;
- Decentralisation exists thanks to the Government's will to allow citizens to engage in the management of public affairs that involve them. Although the structures are in place, the decentralisation process is still clearly in its embryonic stage. It is characterised by the lack of transfer of skills and of appropriate financial resources in a context of tax and fiscal decentralisation to the Regional Councils;
- Local governance, is weak overall because of the lack of institutional and financial capacity at the Regional Council level;
- The Constitution, the Supreme Law of the State, is undermined by successive amendments;
- The Electoral Code. An Electoral Code that would allow a better understanding of electoral issues is lacking; in its stead is a disparate legislation relating to electoral matters that requires an analysis of multiple instruments;
- The National Electoral Commission. The CRM notes that the formation of this democratic institution is imbalanced since only the majority that is in power is represented. This lack of pluralism cannot be said to facilitate the access of all the political stakeholders to electoral competition;



- The mechanisms of checks and balances of powers are still powerless in view of the pre-eminence of the Executive branch, with the President of the Republic remaining the dominant authority as a result of his combining the functions of Head of State, Head of Government, Commander in Chief of the Armed Forces and Chairperson of the Higher Council of the Judiciary;
- The constitutional role and prerogatives of the National Assembly are poorly fulfilled. The National Assembly exercises its constitutional prerogatives of government oversight on account of its weak capacity. Consequently, the National Assembly develops very few draft laws and the bulk of the laws stem from projects launched by the Executive branch;
- The public monopoly of national Media bodies. A public monopoly of the Media (television, radio and newspapers) and the lack of regulation governing journalists as well as their needed protection limit the rights relating to access to information and freedom of speech;
- Inefficient public services at the decentralised level. The citizens in the regions enjoy little or no public services as a result of the recent nature of decentralisation, of the resistance to change of the prefectural authorities, of the weak resources of these structures to carry out their missions, the absence of a local taxation and the weak capacities of local elected officials in the area of development administration;
- Under-representation of women. Within the Government (15% i.e. only 3 women out of 20 ministers), at the National Assembly (10.7% of all the deputies, or 7 women out of 65 deputies) and the representation at the regional level varies from one region to the other while remaining close to the aforementioned realities. It is worth noting that the challenges women face in the economic and the political arena are mainly linked to their low access to education;
- Violence against women. The lack of adequate structures hinders the legal system in Djibouti from tackling these issues. Consequently Female Genital Mutilations (FGM), although in sharp decrease (from 98% in 2002 to 78% in 2012), continue however;
- Promotion and protection of the rights of vulnerable groups. Although the Government has developed different strategies and policies to promote and protect the rights of the different categories of vulnerable people (refugees, disabled and elderly people), these strategies are insufficient compared to the actual needs of these groups;
- The structural transformation and diversification of the economy remain a real challenge for Djibouti. The economy is extraverted and the productive base is narrow because of a hypertrophic service sector and a very weak contribution of under 20% by agriculture, fishing, livestock and industry to the composition of the GDP;
- Inclusive growth and sustainable development. These are major challenges on a backdrop marked by an unemployment rate that affects more than 48.40% of the active population. A large part of the population still lives in conditions of extreme poverty and only has limited access to basic social services. The lack of potable water and the chronic food crises have had dramatic human consequences, in a country where around 31% of the population suffer from food insecurity;

- Access to energy and water at a reasonable economic cost. The desire to diversify the economy goes through the promotion of an expanded national production base, in agriculture as well as in industry; this presupposes the availability of indispensable resources such as electricity and water both in terms of quantity and quality and at competitive prices;
- Building institutional and human capacities. Djibouti strives to become the commercial and logistical hub of the region particularly of the Eastern-African hinterland. In order to do so, economic programs need to be implemented and sizeable infrastructures need to be built thus implying the setting up of institutional, organisational and managerial structures that are credible as well as proven human capacities to design, implement analysis and monitor and evaluate the development policies;
- Foreign direct investments. They are mainly focused on port infrastructures and are barely diversified in the other sectors of the economy;
- Substantial tax exemptions. The rate and the scope of exemptions would benefit from being streamlined to alleviate their impact in terms of loss in tax revenues. It is thus important to expand the fiscal space to finance the country's developmental challenges;
- Local taxation. A lot still needs to be done in this area to give the regional councils actual power to levy duties and taxes so that they can fulfil their economic and social development mandate and thus impact the living standards of their constituents positively;
- The challenge of modernising the management of public finance. The absence of a mechanism that aims to enhance statistical data in the sectorial departments is a major concern; similarly, a lack of capacity has been observed (i) in the areas of analysing, modelling and forecasting macroeconomic and microeconomic aggregates; (ii) overall budget planning instruments such as the Medium Term Expenditure Framework; and (iii) economic research programs. These weaknesses do not contribute to building the capacities to develop realistic development policies that thus remain very limited;
- The governance of parastatal enterprises. It is indispensable to clean up the management of parastatal enterprises to provide quality services to citizens. Furthermore, a gradual transition towards a performance- and result-based governance needs to be considered as should the withdrawal of the State from the productive sectors to promote the development of the private sector that remains embryonic;
- The challenge of corruption. Corruption is a reality in Djibouti, though the subject seems to be taboo. This is all the more true that the authorities have put a legal arsenal in place to combat it;
- The issue of competitiveness of the Djibouti firms. The issue is still up in the air, particularly as a result of the high production costs (electricity, water, telecommunication, the cost of labour that is not really competitive with salaries that are relatively high and a low labour productivity; limited access to financing), but also administrative, legislative and regulatory frameworks that are obstacles to the daily management of businesses;



- The excess “informalisation” of the economy. This hinders the development of a robust private sector that creates decent jobs;
- The culture of audit and control. It is absent from businesses in Djibouti as a result of the very large proportion of informal businesses in the country’s economic fabric. These businesses do not have any accounting. Furthermore, no official framework constrains them or urges them to present any accounting financial statements apart from simple tax reporting;
- The challenge of the good management of the environment. Few large firms in Djibouti are concerned with respecting the protection of the environment, health and public safety. In general, in spite of the international commitments Djibouti has entered into, the environmental situation is deemed to be critical. The sanitation of wastewater in urban Djibouti remains mostly individual-based (septic tanks or latrines). Only 25% of the households are connected to the collective network. If one adds the failing management of solid waste, the threats to hygiene, to the health of the residents and to the environment are ubiquitous;
- The need to monitor the implementation of Standards and codes. The creation of a national structure is crucial to guarantee the effective monitoring of the implementation of Standards and codes and their transcription in the national legislation.

3. GOOD PRACTICES

10. In spite of these challenges, Djibouti abounds in good practices that are presented in substance in the Review Report:

Democracy and Political Governance

- o Parliamentary replacement
- o The traditional mechanisms of dispute settlement

Economic Governance and Management

- o The Budget Review Act
- o The good economic and trade relationship between Djibouti and Ethiopia

Socioeconomic Development

- o The fight against poverty and social exclusion in Djibouti.

4. CROSS-CUTTING ISSUES

11. The Country Review Mission (CRM) identified six cross-cutting issues:

- o Traditional mechanisms for dispute settlement
- o Capacity building
- o Socioeconomic inclusion
- o Climate resilience and vulnerability
- o Djibouti’s position in the Horn of Africa
- o Khat

5. THE NATIONAL PLAN OF ACTION OF DJIBOUTI

12. To enhance governance in Djibouti, a National Plan of Action was developed concerning Standards and codes and vis-à-vis the different objectives proposed in the revised Questionnaire of the African Peer Review Mechanism (APRM).

13. The National Plan of Action (or Plan d’action national - PNA) is par excellence the ultimate self-assessment product of governance for an APRM member state. It is developed in parallel with the Country Self-Assessment Report (CSAR) and is annexed to this report when it is presented to the Secretariat of the Continental APRM.

14. The current PNA strives to tackle numerous challenges that Djibouti faces. It includes clearly identified and budgeted priority actions to fast track the governance profile of the country in a substantial and significant manner.

15. The PNA can only claim to achieve this objective if Djibouti commits resolutely to its rigorous implementation and to strive from the onset to setting up a monitoring and evaluation mechanism of the progress made over time. In fact, monitoring the progress achieved in the implementation of the PNA over time is an obligation of the Djibouti State. However, it is just as important for the country to set up a communication strategy that aims to inform all the stakeholders involved in the APRM process of the progress made in terms of implementation in a transparent manner. In doing so and by drawing lessons from the past, the implementation of the Djibouti PNA will have to be “national” rather than governmental so that the citizens’ voices are not stifled forever once the governance of the country has been reviewed as it was the case in numerous APRM member states that have already been reviewed. Djibouti will even have to go further in the implementation of its PNA by entrusting the execution of some actions contained therein to targeted elements of civil society and the private sector with proven institutional capacity under the supervision of the National APRM Commission. Thus, Djibouti would be well deserving of its new title of “Pride of the APRM”.



16. It is increasingly a consensus within the APRM that the National Action Plan (PNA) should not be an out-of-the-blue Plan B. On the contrary, it should be possible to insert the PNA of Djibouti into the framework of existing policies, strategies and other plans of action, in order to avoid any disconnection with the national development priorities. By inserting it in the National Development Plan (NDP), the present PNA has a good chance of finding financing in the national budget and therefore of being implemented to enhance the governance profile of Djibouti. This is the much-awaited objective to fast track the process to transform the structure of the Djibouti economy and create the requirements for a strong and a more inclusive growth and for a development that is sustainable.

6. RESPONSE OF THE GOVERNMENT OF DJIBOUTI

17. The Republic of Djibouti has examined, with great interest, the Country Review Report prepared by the Country Review Mission (CRM) within the framework of the African Peer Review Mechanism, following the mission it undertook from 5 to 20 August 2015 in Djibouti, and on the basis of the Country Self-assessment Report and the National Programme of Action.

18. In its response, the Government of the Republic of Djibouti rightly recognized the quality of this report which covers, through the wealth of information presented, all the four dimensions of governance, with findings, analyses and relevant recommendations. The Government of the Republic of Djibouti avails itself of this opportunity to reaffirm its commitment and determination to defend the objectives of NEPAD, APRM and of all the initiatives contributing to the development and welfare of Africa.

19. The comments from the Government of Djibouti confirm the seriousness of the work done insofar as that they do not call into question the analyses contained in the Report of the Panel. On the contrary, they add supplementary information to better inform the analyses made by the Country Review Mission (CRM). Even in some cases, these comments are already prompting an early implementation of the recommendations contained in the National Plan of Action, which makes them appear very constructive and pragmatic.

20. However, there are some differences of opinion on a few issues concerning the thematic areas of Democracy and Political Governance, Economic Governance and Management and Socio-economic Development:

- With regard to "Democracy and Political Governance", the Government of the Republic of Djibouti provides balanced explanations on issues such as the National Human Rights Commission (NHRC); the institution of the Office of the Ombudsman; local governance and civic engagement in the management of public affairs which, according to the Report of the Panel, remain a major concern of the people of Djibouti; the inefficiency of the mechanisms for monitoring and maintaining balance of power; institutional capacity of the Parliament which, according to the Report of the Panel, has difficulty in carrying out its duties and enforcing its constitutional prerogatives that consist in controlling government action; the absence of an efficient and regularly updated public identification and registration system.
- In the field of Economic Governance and Management, the differences of opinion concern (i) sectorial contribution to the GDP of the Djibouti economy which, according to the Report of the Panel, reflects a

relatively fixed image of the structure of the economy between 2009 and 2013 and (ii) the signing of two substantial loan agreements with Exim Bank of China, the terms of which were not disclosed to the general public on the one hand, in a context where the debt-GDP ratio is established at 80%, thereby creating the problem of Djibouti debt sustainability on the other hand.

- As regards Socio-economic Development, the views expressed by the Government of the Republic of Djibouti differ slightly from those contained in the Report of the Panel, particularly on the issue of unequal access to education, employment, gender-related responsibilities and the instances of violence and human rights violation against women and children.

Further details are available in Annexure 1 to the Panel Report No. 18 on "Comments by the Government of the Republic of Djibouti".



