

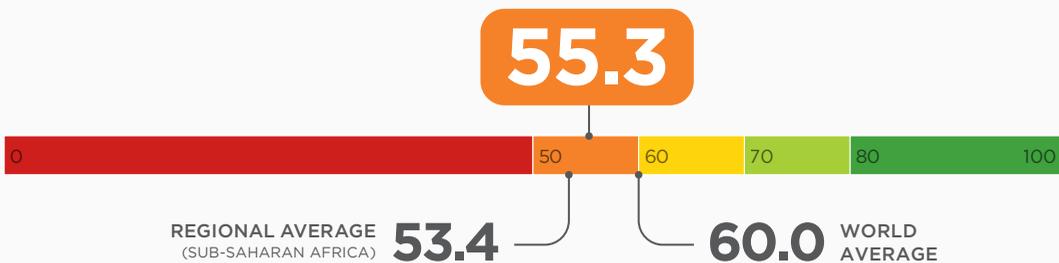
# DJIBOUTI

Djibouti's economic freedom score is 55.3, making its economy the 120th freest in the 2022 *Index*. Djibouti is ranked 21st among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Over the past five years, Djibouti's economic growth accelerated through 2018, slowed in 2019 and 2020, and rebounded in 2021. A five-year trend of expanding economic freedom has halted. With higher scores for **property rights**, **judicial effectiveness**, **fiscal health**, and **government spending**, Djibouti has recorded an 8.6-point overall gain of economic freedom since 2017 and has climbed out of the "Repressed" category, but it is still considered "Mostly Unfree." Monetary freedom has improved, but **trade freedom** and **government integrity** have weakened.

**IMPACT OF COVID-19:** As of December 1, 2021, 186 deaths had been attributed to the pandemic in Djibouti, and the government's response to the crisis ranked 83rd among the countries included in this *Index* in terms of its stringency. The economy contracted by 1.0 percent in 2020.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +0.8

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
1.0 million

**GDP (PPP):**  
\$5.6 billion  
-1.0% growth in 2020  
5-year compound annual growth 5.4%  
\$5,096 per capita

**UNEMPLOYMENT:**  
11.6%

**INFLATION (CPI):**  
2.9%

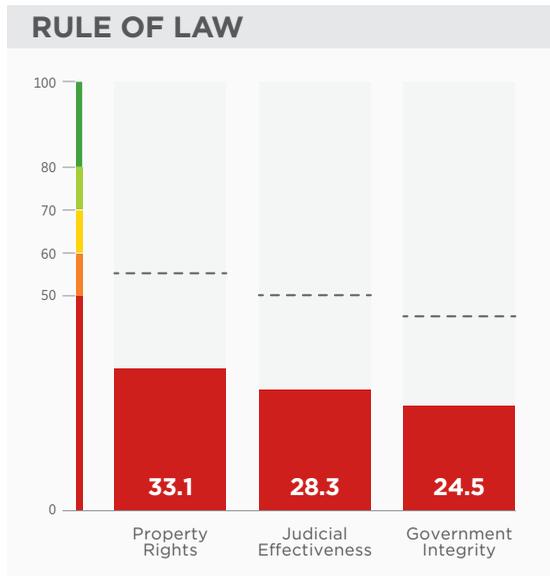
**FDI INFLOW:**  
\$240.0 million

**PUBLIC DEBT:**  
42.2% of GDP

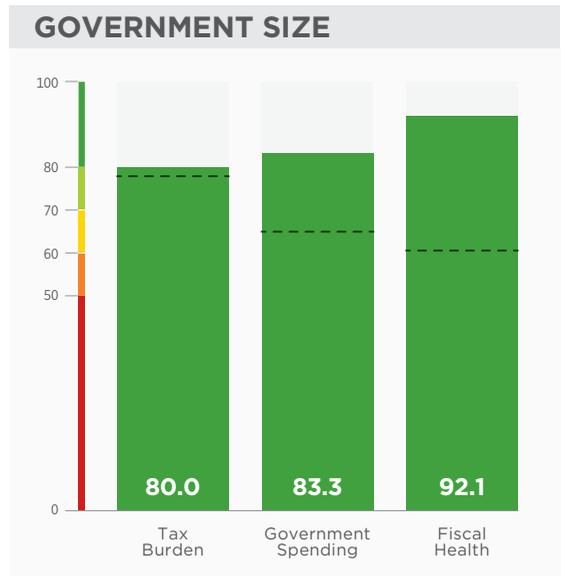
2020 data unless otherwise noted. Data compiled as of September 2021

**BACKGROUND:** The French Territory of the Afars and the Issas became Djibouti in 1977. President Ismael Omar Guelleh won a fifth five-year term in 2021. Djibouti is home to the only permanent U.S. military base in Africa and also hosts bases maintained by China, France, Italy, and Japan. Its services-based economy depends on commerce related to Djibouti's strategic location at the mouth of the Red Sea, which makes its railway and deep-water port facilities key assets. In 2018, Djibouti launched Africa's biggest free-trade zone, which will be managed by Chinese companies. Djibouti has lost a series of international arbitration rulings to a Dubai-based company in a controversy stemming from Djibouti's 2018 nationalization of a terminal in the Port of Djibouti.

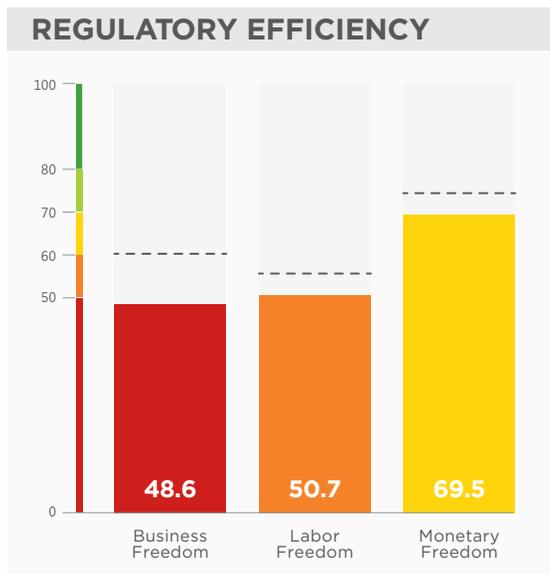
# 12 ECONOMIC FREEDOMS | DJIBOUTI



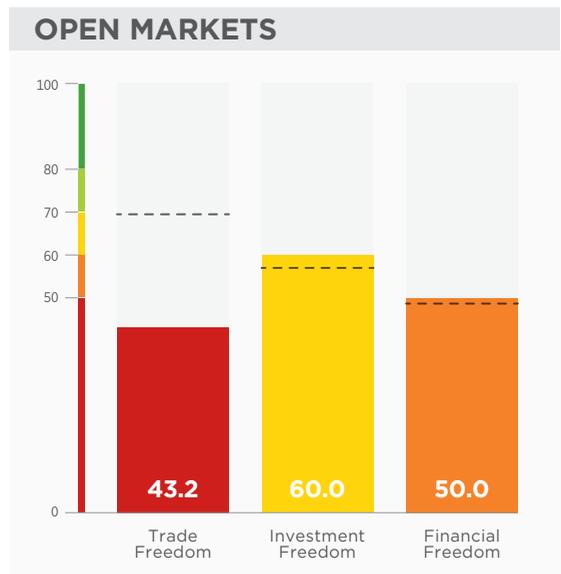
Property rights are protected by law, but Djibouti ranks below regional averages for property registration and enforcement of contracts. The ineffective judiciary is subject to political manipulation and vulnerable to corruption. The presidency dominates all aspects of administration and operates in an opaque manner. Corruption, reportedly including the president and his closest family members, is rampant, and there is no accountability.



The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include property and excise taxes. The overall tax burden equals 21.8 percent of total domestic income. Government spending has amounted to 23.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 42.2 percent of GDP.



Companies can now register online. The new Djibouti Port Community System platform offers services to businesses. The unemployment rate is high. Up to 75 percent of workers in the capital city work in the informal sector. Complex labor laws favor the employee. Wholly state-owned enterprises control telecommunications, water, and electrical distribution as well as major media outlets and the country's ports, airport, and free zones.



Djibouti has no preferential trade agreements in force. The simple average tariff rate is 20.9 percent, and nontariff barriers further undermine the benefits of trade. Foreign investment is screened, and state-owned enterprises continue to be a distorting factor in the economy and long-term economic development. The underdeveloped and state-controlled financial sector limits access to credit.