

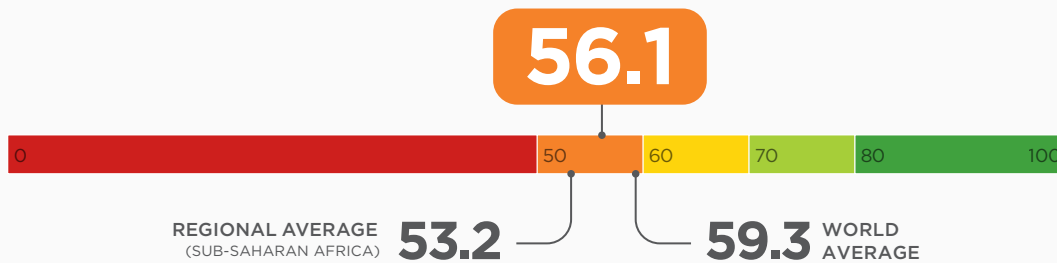
DJIBOUTI

WORLD RANK: **112** | REGIONAL RANK: **15**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Djibouti's economic freedom score is 56.1, making its economy the 112th freest in the 2023 *Index*. Its score is 0.8 point higher than last year. Djibouti is ranked 15th out of 47 countries in the Sub-Saharan Africa region, and its overall score is lower than the world average.

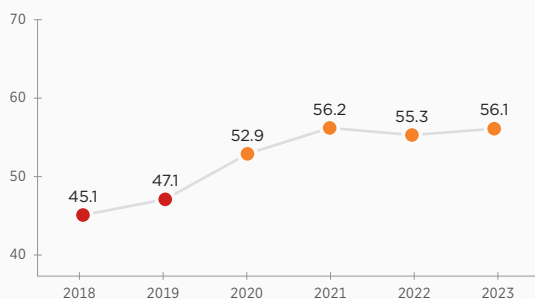
Implementation of deeper institutional reforms is critical to inspiring more dynamic economic growth. Systemic weaknesses persist in the protection of property rights and effective enforcement of anticorruption measures. The judiciary remains vulnerable to political influence. Regulatory efficiency remains poor as burdensome regulations continue to hinder development of a more entrepreneurial environment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +1.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.0 million

GDP (PPP):
\$6.2 billion
4.0% growth in 2021
5-year compound annual growth 5.0%
\$6,175 per capita

UNEMPLOYMENT:
26.1%

INFLATION (CPI):
1.2%

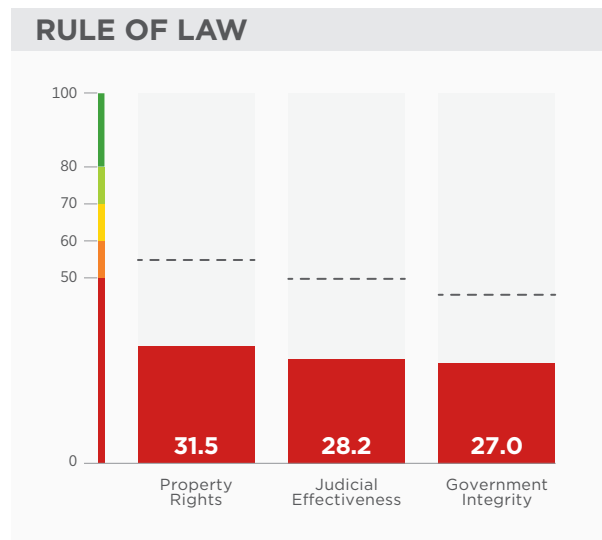
FDI INFLOW:
\$166.8 million

PUBLIC DEBT:
46.0% of GDP

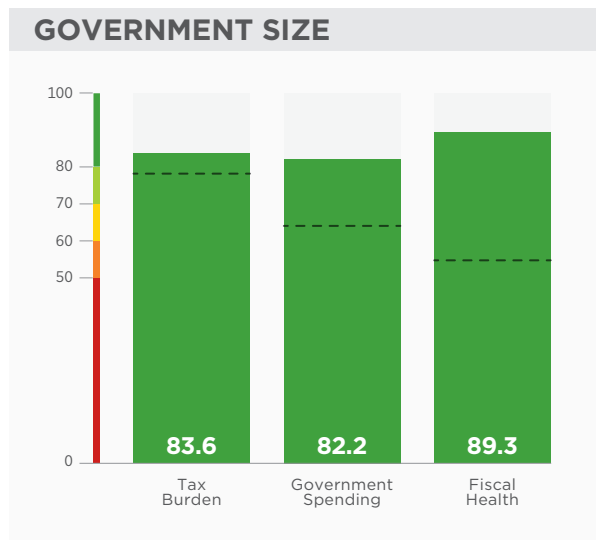
2021 data unless otherwise noted. Data compiled as of September 2022

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 hosts the U.S.'s only permanent African military base and other 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. In 2018, Djibouti launched Africa's biggest free-trade zone, which Chinese companies will manage. Djibouti has lost a series of international arbitration rulings to a Dubai-based company in a controversy stemming from its nationalization of a Port of Djibouti terminal.

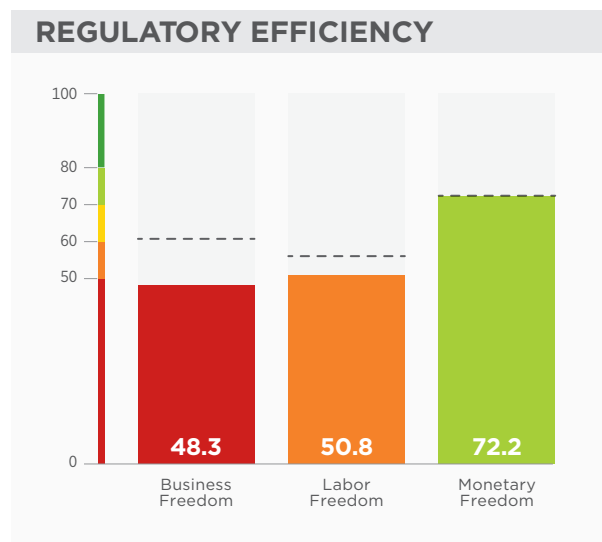
12 ECONOMIC FREEDOMS | DJIBOUTI



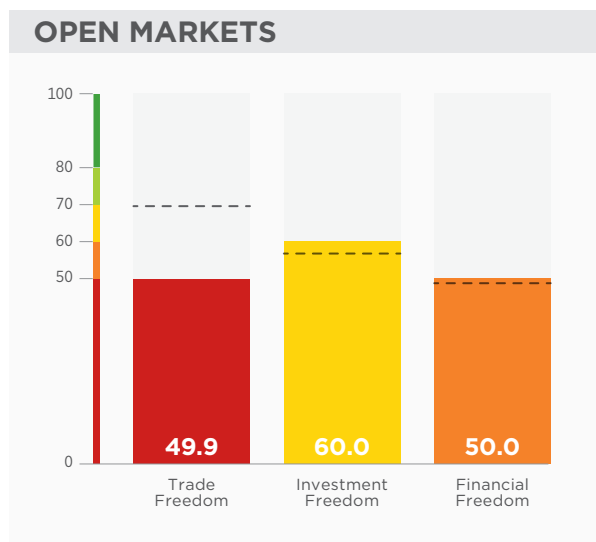
The overall rule of law is weak in Djibouti. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 30 percent and 25 percent. The tax burden equals 10.5 percent of GDP. Three-year government spending and budget balance averages are, respectively, 24.4 percent and -2.0 percent of GDP. Public debt equals 46.0 percent of GDP.



The regulatory system is characterized by a lack of transparency and clarity that injects considerable uncertainty into entrepreneurial decision-making. Labor laws are inefficient and complicated. Women work predominantly in the informal sector. The most recent available inflation rate is 1.2 percent.



The trade-weighted average tariff rate is 17.6 percent, and nontariff barriers further restrict trade. State-owned enterprises distort the economy, preventing dynamic private investment from taking place. Credit for entrepreneurial activity is limited by high costs and the lack of access to financing instruments.