



REPUBLIC OF DJIBOUTI
High-Level Development Exchange
Launch of “Vision Djibouti 2035”

Outcome Note

June 20-23, 2014

High-Level Development Exchange Launch of “Djibouti Vision 2035” Djibouti, June 20-23, 2014

Main Findings and Recommendations

Introduction¹

This note highlights the main points of discussion and key recommendations during the Round Table High-Level Development Exchange and launch of “Djibouti Vision 2035,” held from June 20-23, 2014 in Djibouti, Djibouti. The High-Level Development Exchange was organized by the World Bank Group (WBG) and the Ministry of Economy and Finance, in charge of industry of Djibouti, under the high patronage of the President of the Republic of Djibouti.

This event provided a platform to promote dialogue and share knowledge to develop more efficient policy instruments that are effective in eliminating poverty and enabling a dynamic private sector. It aimed to strengthen Djibouti’s capacity to define, through a concerted open dialogue, the path toward achieving more sustainable development and to ensure that growth translates into poverty reduction, jobs, and economic opportunities for the entire population.

The purpose of the Exchange was threefold: (i) to launch “Djibouti Vision 2035”, the vision for the country’s future (ii) to share the development experiences of the Republics of Mauritius and Cape Verde, and the emirate of Dubai, with Djibouti, and (iii) to enable the private sector and civil society to engage actively in a dialogue, through a series of round-tables, with the public sector to propose recommendations for Djibouti’s next steps towards achieving its twin goals of poverty reduction and inclusive growth.

On the sidelines of the forum, field visits were organized for the panelists. This allowed them to visit major infrastructure sites in Djibouti: the new port of Tadjourah, the container terminal Doraleh, and the landing of submarine cables at the Djibouti Telecom station. The visits highlighted the potential of Djibouti as a logistics platform for both the transport and telecommunications sectors, and also as a tourist destination.

The formal conference was held on the second day and was launched by several speeches including by the Resident Representative of the World Bank for Djibouti, Ms. Homa-Zahra Fotouhi, the Resident Coordinator of the United Nations, Robert Watkins, and the Minister of Economy and Finance in charge of Industry, His Excellency Ilyas Moussa Dawaleh.

His Excellency Mohamed Kamil Abdoukader, Prime Minister, delivered on behalf of the Head of State, a speech to officially launch the Vision 2035 and open the forum. The rest of the program consisted of remarks by the Chief Economist of the World Bank’s Middle East and North Africa region, Dr. Shanta Devarajan and presentations by speakers from Mauritius, Cape Verde, and Dubai highlighting their significant experience in conducting structural reforms to promote economic development in their respective countries. The day ended with a presentation by the Chamber of Commerce of Djibouti on the challenges and opportunities facing the private sector in Djibouti.

The third day was devoted to interactive round-table sessions covering four central themes: the private sector as an engine of growth, tourism development, regional integration through the service industry, and economic growth and poverty reduction. To close the event on the last day, ministers presented the recommendations from the roundtables.

¹ The High-Level Round Table benefited from funding from the *South-South Experience Exchange Facility Trust Fund*. This note was prepared by Arthur Foch (Infrastructure Economist, Transport and ICT, World Bank) and Roya Vakil (Financial Sector Specialist, Finance and Markets, the World Bank) under the supervision of Homa-Zahra Fotouhi, Resident Representative of the World Bank in Djibouti and in collaboration with the Djiboutian Ministry of Economy and Finance in charge of Industry.

The event was very well attended, with over 300 local and foreign participants representing governments, the donor community, the private sector, civil society, and academia (professors and students). There was consensus that Djibouti has already taken laudable steps towards realizing the goals of poverty reduction and a private-sector-driven economy where prosperity is shared by all, but that there remains much still to be done and efforts should be intensified.

Regarding the way forward, the main lessons learned from the examples offered by Mauritius, Cape Verde, and Dubai helped to highlight the need to continue efforts to improve governance for the business and investment climate, as well as in cross-cutting sectors such as transport and telecommunications, which are essential in order for the private sector to serve as an engine for economic growth. Importantly, the experiences of Mauritius, Cape Verde, and Dubai also highlighted the fact that the small size of the Djibouti market and the high cost of electricity in Djibouti were not insurmountable obstacles for development of economic activities.

This note follows a thematic structure which incorporates the four themes discussed at round tables and presentations of the speakers of Mauritius, Cape Verde, and Dubai. For each of these themes, the most relevant experiences are presented.² However, the combined experiences of Mauritius, Cape Verde, and Dubai are analyzed in this paper. Thus, this paper provides a summary report of the discussions and exchange of experiences. A detailed sectoral analysis of Djibouti and the main components of the development strategy of the Government of Djibouti for the coming years are presented in the background report prepared by the World Bank “*A New Growth Model for Djibouti*,” and the Republic of Djibouti’s “*Vision 2035*.” The agenda, background papers, biographies of all of the high-level panelists, and

² For example, the section on tourism is illustrated by the case of Cape Verde, particularly known for being a model of tourism development.

presentations are posted on the website the World Bank.

I. Private Sector as an Engine of Growth

The development of the Djiboutian private sector and its constraints: While, a job-creating private sector is critical for Djibouti’s long-term growth and poverty reduction performance, the private sector in Djibouti remains embryonic: only 3,000 companies have an operating license, and 2000 private firms report at least one employee to the CNSS (Caisse Nationale de Sécurité Sociale). It consists of mostly small and medium-sized firms concentrated in the tertiary sector. Most of these smaller companies operate in the services (29 percent), trade (27 percent) and transit activities (19 percent).

Several factors explain the stifled development of the private sector in Djibouti:

- (1) The business climate remains very difficult and procedurally burdensome for most enterprises, and the cost for starting a business is very high (184.7 percent of income per capita).
- (2) With poor quality and availability, the cost of electricity in Djibouti is among the highest in the world and mobile telephone and broadband internet services are expensive and of poor quality, with low penetration rates at 24.7 percent and 2.2 percent, respectively.
- (3) Djibouti’s SMEs have very limited access to bank financing, and they often face onerous collateral requirements, high interest rates, and short tenors.
- (4) The judicial system suffers from insufficient resources, no judicial training, lack of independence and impartiality, and the slowness with which judgments are executed.
- (5) Many companies lack international experience and knowledge of methods and standards of modern management which poses difficulties in accessing markets in the sub-region.

Mauritius: Economic Transformation through Private Sector Reforms. Mauritius is a smaller country than Djibouti, with fewer natural resources, and a population size almost similar to that of Djibouti (1.3 million people compared to 864,617 in Djibouti). The lessons learned from its economic development experience, provide a good model for Djibouti of how a country can trigger private sector development to support strategic growth in the face of constraints.

Beginning in the 1970s, the island of Mauritius embarked upon a series of reforms that would see its economy evolve from one reliant on a single crop (sugar) to one based on manufacturing, tourism, and business. Today, Mauritius' private sector is a true engine of growth: it drives GDP (78 percent) and contributes to 80 percent of the country's employment.

Mauritius achieved this economic transformation through the implementation of a series of targeted and carefully sequenced reforms which enabled the private sector to take root and become a driver of development and growth, including: i) the granting of hotel certificates and land development (i.e. certificates allowing private companies to replace municipalities for granting building permits, etc.), ii) passage of the Export Processing Zone Act, Multi-Fibre Act, and Freeport Act, iii) the development of a Tourism Master Plan, iv) support for the liberalization of the ICT and telecoms sectors, and v) implementation of investment climate reforms related to starting a business, taxation, land and property acquisition, occupation permit, and the elimination of exchange controls.

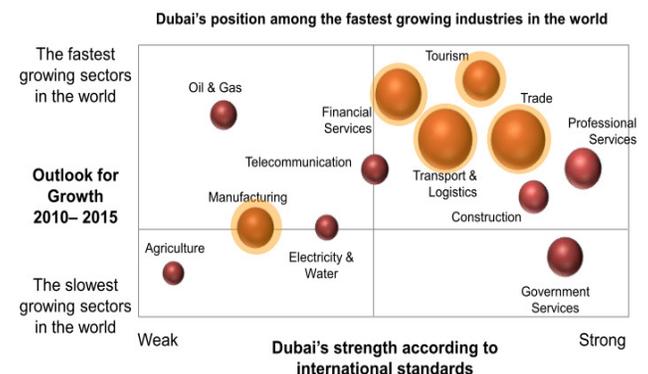
The Government of Mauritius had a clear strategy to develop the private sector as evidenced by the identification of priority traditional and emerging sectors. The Government of Mauritius made a decision to seize several opportunities based on its comparative advantages: financial services, seaport related services (transshipment, bunkering, Freeport), hospitality and property development, ICT/BPO, and

manufacturing. After the identification of strategic sectors, the Government developed regional strategies to attract investment and set clear and detailed targets (i.e. 1.3 million tourists by 2020; top 10 in WB Doing Business Survey).

The Government of Mauritius also created a formal mechanism of interaction between the private sector and the government. The creation of the Joint Economic Council (JEC) enabled the private sector to be effectively and officially represented vis-à-vis the public sector. The Government and the private sector agreed on clear priorities (increasing FDI and moving towards a technology based economy).

Dubai: Liberal Economic Policies to Build a Strong Private Sector. Dubai is a small strategically-located city-state which has, since the 1970s, transformed its economy from one based on fishing and good trading to one driven by tourism, mass communications, shipping, and financial services. Dubai's development trajectory involves a series of phased strategic decisions and there are several important take-aways from Dubai's development experience that are relevant for Djibouti:

Dubai's leaders designed an economic program that would attract major foreign investment by capitalizing on its strategic location. Large-scale infrastructure projects were launched, including the dredging of Dubai Creek to create a port capable of handling large ships, the construction of an airport, the expansion of Port Rashid, and the development of heavy industries (aluminum and desalination plants).



Dubai created an enabling investment climate which facilitated a strong and dynamic private sector to take root. The creation of the Jebel Ali Free Trade Zone allowed firms to function in a liberal economic environment where they could fully own businesses and operate free from currency restrictions. The creation of regional media hub (Media City and Internet City free trade zones) allowed corporations to take advantage of an extremely liberal trade regime and set up hubs in Dubai. The leaders of Dubai also made a strategic decision to position the emirate as a regional center for finance by allowing its banks to lend capital equally to state and private entities. Beyond capital lending, Dubai also offers other banks in the region attractive investment opportunities.

Roundtable 1: Principal Recommendations for Djibouti

1. Reduce the cost of factors of production (electricity and telecommunications)

- Improve the quality and lower the cost of telecommunications via regulatory reform and the partial and progressive introduction of new players in the (phone shops, telephones operators, and internet service providers).
- Promote public-private partnerships in the electricity sector;

2. Improve governance and business climate

- Improvement in the resolution of commercial disputes via support for the revision of certain texts relating to the business environment.
- Improve transparency through the development of a website for the publication of judicial decisions.
- Improve access to financial services through the establishment of a guarantee fund for SMEs, the development of training programs for young entrepreneurs, the development of support programs for young entrepreneurs in developing

business plans, strategic and technical support to improve the management of existing SMEs, and the development of incubators.

- Facilitate SME access to compete in the public procurement market.
- Reinforce competition and reduce exclusivity in commercial activities.

3. Improve the intra-private sector dialogue

- Via the Chamber of Commerce, establish a series of regular meetings among various professional associations to ensure coordination of interests and the accurate representation of different interests.
- Bring together the various professional commercial associations to prepare an agreed-upon agenda of specific interventions that they want to address via the Public-Private Dialogue.

4. Establish a roadmap for the High Council of the Public-Private Dialogue (PPD)

- Develop a plan of specific actions to be taken under the auspices of the PPD.

II. Tourism Development

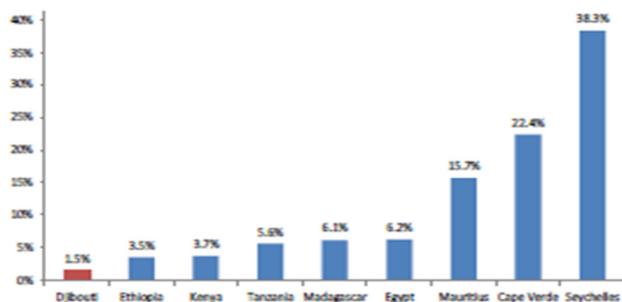
Despite Djibouti's tourism potential (marine resources, land and geological resources, cultural resources), the sector is severely underdeveloped, even though it has enjoyed a significant growth in recent years. In 2010, tourism revenue amounted to USD15 million (only 1.5 percent of GDP) and Djibouti recorded only 53,000 international tourist arrivals and 100,000 overnight stays in hotels. Tourism is primarily driven by business travel, which remains highly dependent on the presence of foreign military bases and operations against piracy in the Horn of Africa.

Several factors explain the low development level of the tourism sector in Djibouti: (1) tourist

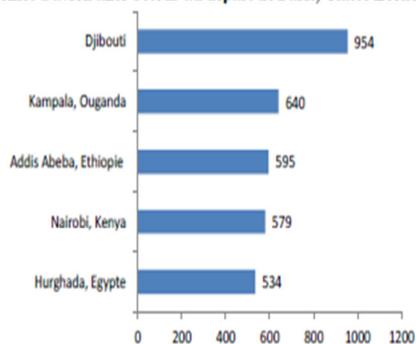
accommodation capacities are limited, reflecting the low level of investment in the sector; (2) the lack of a real tourism strategy; (3) the low connectivity of the country is a major obstacle to tourism development; (4) the visibility of the country on tourist markets in the world is very low, as indicated by inadequate tourism-related infrastructure (i.e. Djibouti airport) and services (i.e. time to obtain visas and quality and availability of taxis) which are ill-suited to support and encourage the growth of the sector.

Despite these limitations, with an appropriate strategy in place, Djibouti has the potential to become a successful example of tourism in Africa, like Cape Verde, which has managed to multiply by 10 the number of tourists arrivals in the space of 15 years (28,000 arrivals in 1995 to 280,000 in 2009).

Recettes du tourisme international (% PIB)



Prix d'un billet d'avion aller-retour au départ de Paris, Classe Economie (Euros)



Cape Verde: Economic Growth Powered by High-Value Tourism. The experience of Cape Verde shows that, in the early 2000s, when tourism was still nascent, the country faced the same difficulties as Djibouti. Being aware of these difficulties, Cape Verde decided to move towards high-value tourism,

one that can promote economic and social development while protecting the environment. Today, through the strategic efforts of the Cape Verdean government, tourism contributes significantly to GDP (20 percent, with the tourism sector generating nearly 6,000 direct jobs – 84 tourists create one direct employment).

To arrive at the point where they are today, the Government of Cape Verde developed and implemented an action plan focused on six priorities:

(1) To improve access (to Cape Verde, inter-islands, and inland), the government developed the transport sector through the creation of three additional international airports, the modernization of domestic airports, and the reform of the aviation sector to allow charter flights and promote inter-island maritime transport (reform is still ongoing today).

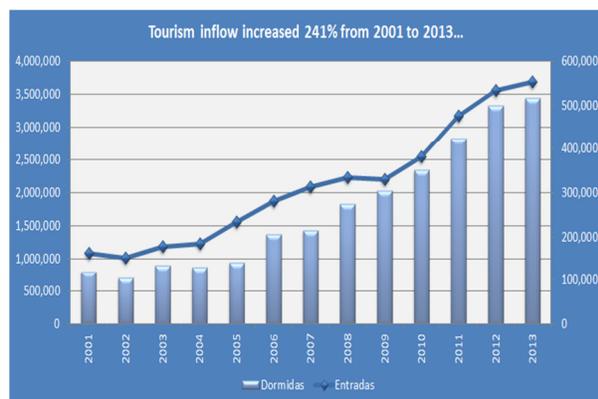
(2) In order to strengthen general infrastructure (transport, electricity, water and sanitation, telecommunications, health), the government launched substantial investment programs, representing an annual amount of 15 percent of GDP over the past decade. In addition, the telecommunications sector was reformed by allowing competition (i.e. the introduction of a second operator, T+, in 2007) which resulted in lower prices and improved quality of services. Today, Cape Verde has one of the best internet connectivity in Africa.

(3) The development of tourism-specific infrastructure (hotels, restaurants, human capital, marketing mix, promotion, etc.) was launched through a series of targeted interventions, including: i) a standardized and transparent tax incentive policy for tourism investment (as a result, the number of hotel increased from 5,715 in 2003 to 15,995 in 2013), ii) the establishment of training institute for tourism professions (National School for Tourism and Professional training Centers), and iii) strengthening the teaching of the English language in the secondary education system.

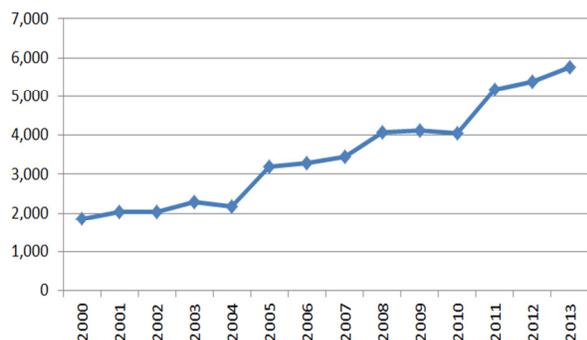
(4) The creation of a Ministry of Tourism – and programs designed to strengthen capacity - helped to strengthen the institutional framework (related to the management of the sector, the legal system, tax policy).

(5) In order to ensure the environmental, social and cultural sustainability of the tourism sector, a legal framework has been established to oblige any tourism investment to conduct an environmental impact assessment. In addition, a social housing program helped to counteract the inflationary impact of the development of tourist accommodations on the price of housing for the local population.

(6) Finally, mechanisms for the monitoring and evaluation of impacts, sector development and competition in the market have been established through the creation of a national oversight committee of tourism activities, a national institute of tourism statistics, and a center for measuring impacts.



...and creating direct jobs.



Roundtable 2: Principal Recommendations for Djibouti

1. Develop a national strategic plan for tourism promotion

- Through a transparent and consultative process with various stakeholders, define clear objectives and actions in the short and medium term (type of tourism development areas, identification of needs for investment in infrastructure terms: electricity hotels, transport, telecommunications, e-commerce).
- Publish all strategy-related documents on the Ministry website.

2. Implement a comprehensive airport policy to improve the governance and accessibility of Djibouti

- Renovation and expansion of the Djibouti international airport terminal.
- Improvement of airport governance: concession of airport management in accordance with international best practices, operationalization of Open Sky agreements, reduction in airport taxes to allow a reduction in the prices of airline tickets.
- Facilitation procedures at entry of Djibouti (i.e. single visa for national IGAD issued visa directly at the counter of the police air after buying a stamp, multiple-entry visa to allow regional tourist circuits, example with Ethiopia).

3. Develop training programs for tourism jobs

- Improve English language training in the educational system and develop partnerships between the educational system of Djibouti (Arta School of Tourism and college IUTs) and national and international hotels.

4. Improve the development of the heritage of Djibouti and services provided to tourists via a communication campaign on the Internet.

- Enhance accessibility of essential information on the website of the tourist office; create a calendar of events for major tourist activities taking place in Djibouti throughout the year.
 - Develop an online internet platform for all tourism related actors to promote their services internationally and sell them online (i.e. tour operators).
 - Promote Djibouti's participation in international tourism conferences and trade-shows (i.e. Association de
- 5. Develop fiscal incentives for operators in the sector** (i.e. tax exemptions for energy-related tourism activities.)

III. Regional Integration through the Service Industry

The limit of Djibouti's enhanced regional integration. The strategic location of Djibouti, its political and economic stability, its modern port sector (new projects are underway: Tadjourah port, extension of Doraleh, etc.) and excellent internet connectivity (six submarine cables land in Djibouti; two additional connections are in progress) are assets that offer Djibouti the opportunity to strengthen its position as a regional hub for a large number of activities (financial, ICT, logistics). However, this potential remains largely untapped due to the persistence of structural obstacles and the lack of a suitable program reforms.

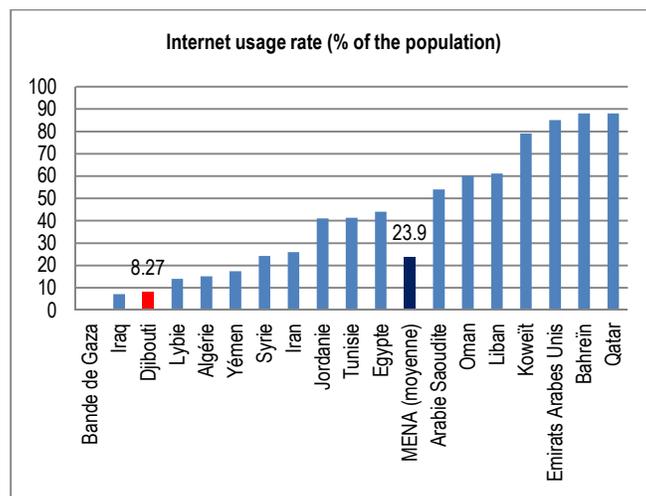
(1) The infrastructural connectivity in Djibouti remains low (lack of maintenance of the road corridor to Addis Ababa and absence of a paved corridor to South Sudan, narrowness of the international airport, lack of an operational rail corridor, lack of fiber optic backbone networks to provide international connectivity to Africa).

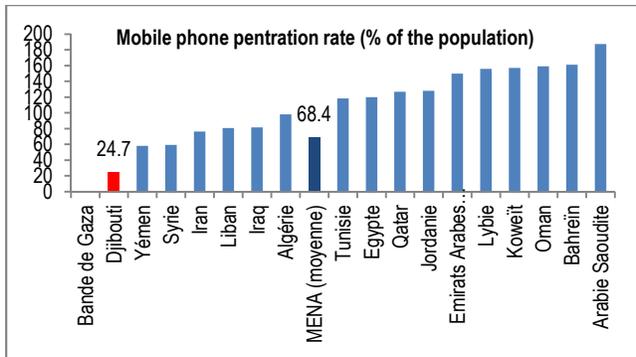
(2) The business climate in Djibouti is not sufficiently attractive for large-scale investment and suffers from a lack of homogeneity and transparency

and also from the narrowness of its Free Zone (Djibouti Free Zone).

(3) Business development is hampered by the high cost of production inputs. Electricity is one of the most expensive in Africa and the supply continues to be insufficient to meet the needs of businesses and households. And, paradoxically, the availability of excellent international connectivity in the country has not promoted the development of the national telecommunications market (telephony and internet) which continues to be operated under the monopoly of the incumbent, Djibouti Telecom. In comparison with countries in the MENA region, access to telecommunications services in Djibouti is very limited (due to quality problems and the high cost of services). This hinders the transition toward a digital economy model through increasing computerization and internet connectivity of the public and private sectors whose economic and financial benefits could be substantial (increased productivity, development of market opportunities: e-commerce, mobile banking, financial platforms).

All of these factors combine to negatively affect Djibouti's competitiveness and prevent the private sector from being able to position Djibouti as the East African "lighthouse" for African and international companies and from benefiting from business opportunities in the COMESA market.





Mauritius: Economic development based on FDI and Foreign Trade. Given the small size of its territory (2040 km²) and population (1.3 million), and in the absence of significant natural resources, Mauritius has made the strategic decision to opt for a model of economic development based on the attraction of FDI (USD 325 million in 2013) and foreign trade (USD 6.4 billion in 2013).

To this end, since the early 2000s, the government has undertaken a wide range of reforms aimed at: i) improving the business environment (a business can be created in one day, no minimum capital requirement, and range of tax benefits for foreign investors), ii) preventing the tax system from discriminating between firms of different sizes and investors of different nationalities. homogenizing the tax system, and iii) facilitating the attribution of work permits and liberalizing capital movements.

In addition, the government has promoted the diversification of the economy not only by preserving the traditional sectors (sugar industry, textile industry and tourism) but also by promoting the growth of emerging sectors such as financial services, ICTs and BPOs, and port services.

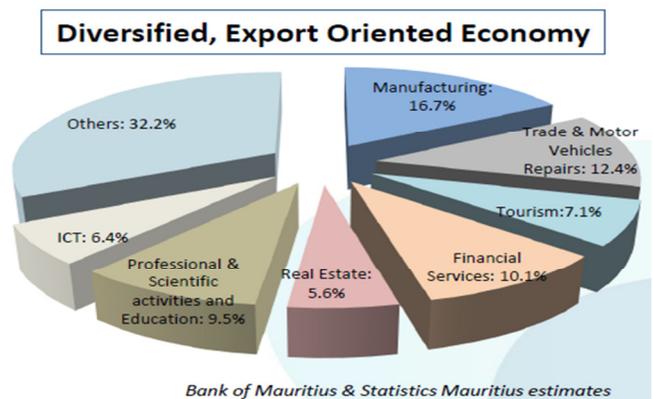
(1) In the financial sector, reform of the legal framework (Companies Act 2001) introduced Global Business Companies 1 licenses allowing financial companies (holding companies, investment funds, etc.) operating abroad (in countries with which Mauritius has signed tax treaties eliminating double taxation) to have tax resident status in Mauritius, where tax on capital gains do not apply. Being forced

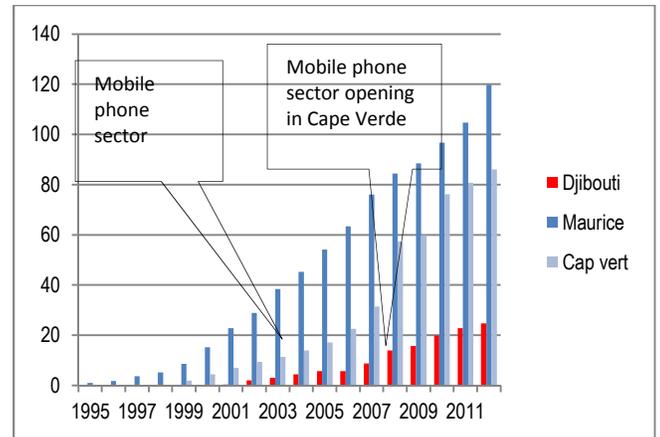
by law to hire a portion of their staff and the local labor market and to pay corporate taxes, these financial operators are significantly contributing to the development of the Mauritian economy.

(2) Similarly, the introduction of the Free Port Act of 2004 allowed the granting of licenses to regional port operators authorized to domicile some of their activities in Mauritius (transshipment, bunkering, etc.) and benefiting from tax and commercial advantages (duty free exemption of VAT and corporate tax).

(3) The growth of financial and port industries has also been made possible by investments in improving Internet connectivity (access to SAT-3 cable and LION, two other connections are in progress). Associated with liberalization reforms in the telecommunications sector, it has attracted a large number of international companies that have benefited from the good quality of voice and data services to outsource (BPO) some of their activities in Mauritius (customer service, back office, accounting, human resources, data storage, etc.).

(4) Efforts at the sector level have been accompanied by the establishment of an African regional integration strategy based on: i) a liberal visa policy for African nationals, ii) the proliferation of regional trade agreements (COMESA SADC, EAC), and fiscal incentives for Mauritian firms exporting to Africa to better compete with Chinese firms in the market, and iii) a diplomatic policy promoting the creation of itinerant ambassadors (i.e. thematic).





Roundtable 3: Principal Recommendations for Djibouti

1. Improve Djiboutian infrastructure (in terms of transport and telecommunications) connectivity with other COMESA countries through public-private partnerships

- Development of rail and road corridors to Ethiopia, South Sudan, Chad and the DRC;
- Development of terrestrial fiber optic backbones to sub-regional countries;
- Rehabilitation and expansion of the Djibouti International Airport.
- Increase English-language trainings to facilitate the access to sub-regional Anglophone markets.

2. Reduce the costs of factors of production

- Improve the governance of the telecommunications sector via a reform of the sector and the partial and gradual introduction of new entrants in the sector in order to lower the cost and improve the quality. The introduction of competition explains the differences increase the penetration of mobile telephony in Djibouti, Cape Verde and Mauritius.

- Promote electricity projects based on public-private partnerships (geothermal, wind and solar energy, etc.);

3. Develop computing platforms to increase the supply of Djibouti services in the COMESA region (logistics transportation, banking and financial services, content hosting, call centers, outsourcing of government process – BPO such as call centers, accounting centers, etc.).

4. Extend the Djibouti Free Zone and create other zones (the DFZ is a pilot project to replicate) to attract foreign companies wishing to enjoy Djibouti’s connectivity and position as gateway to the COMESA market and gateway between Africa, the Middle East and Asia.

IV. Economic Growth and Poverty Reduction

The sustainable development and growth of Djibouti will only be possible if the needs of vulnerable populations are taken into account. All indications are that significant increases in the flow of FDI and the ongoing strengthening of Djibouti’s position as a transit platform have not benefited the very poor and vulnerable segments of society. Despite a declared focus on poverty reduction, the government has not been able to significantly improve the efficiency (lack of adequate targeting) of the social transfers system, implying a serious shortfall for the public budget: while estimates show that 3 billion FDJ per year are needed to distribute

allocations to the poorest, the Government is spending almost 10 billion FDJ.

Government interventions to date have contributed to mitigate poverty, but not to sustainably decrease it through the creation of jobs. Djibouti has recently completed a profiling of the poor in order to better identify the “pockets of the poor” within the country, and improve the targeting of social services.

Over the past two decades, the development of the Djiboutian economy has been uneven and marked by a series of political crises (regional wars and domestic armed conflict) and economic shocks (drought, financial crisis, oil shocks, among others) which have undermined Djibouti’s competitiveness, financial position, and economic and social infrastructure. At the same time, the main sustainable human development indicators (the school attendance rate, the infant, infant-child, and maternal mortality rates, and access to potable water) have deteriorated steadily.

To address this situation, the Government has been implementing, since 1996, economic adjustment and restructuring programs and has instituted reforms in several key areas, among them public finance, social security, public enterprises, education, and health.³

Mauritius: Understanding the Poor to Reduce Poverty. Mauritius' economic growth over the last decade reduced the incidence of poverty and income inequality. Between 1980/81 and 1991/92, the share of the population living below the poverty line declined from 28.4 percent to 10.6 percent, while the Gini inequality index went down from 0.46 to 0.37. Adult literacy and life expectancy are well above the sub-Saharan African average. Health care is free and health facilities are of reasonably good quality and accessibility throughout the country. The benefits of Mauritius's educational system have also become more universally distributed in the last 15 years, with a move away from a strongly elitist

³<http://www.imf.org/external/pubs/ft/scr/2012/cr12131.pdf>

system to one with greater accessibility to secondary and higher education.

Mauritius' poverty reduction strategy has been to expand employment opportunities while modernizing the economy to reach upper-middle income status by the end of the 21st century. The country also maintains an elaborate social safety net. The Government of Mauritius has allocated significant shares of public expenditure to education and health, and has worked with civil society and NGOs to profile the poor populations in the country. This has enabled the government to better design and target social transfers, and design vocational training programs for people lacking the right skills for the new economy. The government also made a concerted effort to target poor children, placing them in schools and actively managing their cases – noting that without a proper early education, the cycle of poverty would never be broken.

Roundtable 4: Principal Recommendations for Djibouti

- 1. Improve the governance and the efficiency of public social transfers**
 - Enforce effective implementation of a computerized central registry based on biometric national identity cards
 - Develop a system of cash transfers (and distribution of food stamps) using mobile banking (money transfer and coupons via SMS)
- 2. Improve access to finance for the poorest**
 - Promote microfinance institutions and risk-sharing mechanisms (i.e. guarantee fund) for the development of projects benefitting most disadvantaged
- 3. Develop and implement a transparent policy to support the provision of social housing through the creation of a public investment bank dedicated to housing finance.**

- 4. Promote stronger linkages between training programs and employers to better reflect the needs of companies** in Djibouti's priority sectors: electricity, IT, hospitality, transport and construction.
- 5. Develop and promote e-government services to improve access of citizens to public services (i.e. birth certificates, social transfers, unemployment benefits, etc.)**

Conclusion

While the state still plays a major role in the economy of Djibouti, international experience shows that only the private sector development can fuel sustainable and inclusive economic growth, provide employment opportunities for young people and reduce poverty. The experiences of Cape Verde, Mauritius, and Dubai, also demonstrate that the small size of the Djiboutian market, along with the high cost of electricity, do not constitute binding or insurmountable constraints to economic development.

Despite the recent acceleration of growth, the private sector in Djibouti is still very embryonic and unstructured. There currently is a lack of dynamic structural transformation of the productive base, with the emergence of new job creation activities and added value.

Recognizing this, the Government of Djibouti has initiated, through its Vision 2035, a program of transformation and diversification of the economy. In this context, the organization of this High-Level Development Exchange not only allowed for a candid and constructive dialogue between private, public, and civil society actors in Djibouti, it also allowed for the exchange of experiences with other countries which have comparable geographic, economic and social characteristics with Djibouti.

Given the importance of public-private dialogue in Djibouti and its proven ability to assist in the identification of obstacles to economic and social

development, it is now critical that serious consideration be given to the recommendations made during the roundtables. To this end, the implementation of sector-specific 5-year plans by the Government of Djibouti should include, to the extent possible, ongoing consultations between private and public actors and civil society. As significantly, while the organization of the High-Level Development Exchange was an important first step towards true South-South collaboration, Djibouti should seek to deepen its relations with Cape Verde, Dubai and Mauritius to further the South-South collaboration. Now that Djibouti has to define sector action plans, South-South trade is particularly useful to learn from best practices. The cases of Mauritius and Cape Verde – which recorded significant improvements in the space of a few years – particularly demonstrated the importance of good governance and competition at the sector level to promote economic diversification and encourage job creation.