NATIONAL SOLIDARIETY PACT

GURMAD – DEERO

Ministry of Economy and Finance in charge of Industry

April 13, 2020
World economies in general, African economies in particular, and specifically the Djibouti Republic are severely hit by the COVID-19 crisis. Djibouti has seen the highest infection rate in the Horn of Africa (743 confirmed cases, of which 2 deaths as of April 20). The current crisis has worsened an already worrisome situation due to:

- **DROUGHTS**
  Repeated droughts over the past years

- **FLOODS**
  The November 2019 floods

- **MALARIA EPIDEMIC**
  A Malaria and Chukunguya epidemic affected populations and put a strain on the healthcare system
REPUBLIC OF DJIBOUTI

THE COVID-19 CRISIS AND ITS IMPACT IN NUMBERS

GROWTH/GDP: FROM 1.5 OR -3.8% (DEPENDING ON THE SCENARIO)

LOST JOBS: 30 TO 40 THOUSAND

BUDGET DEFICIT: 38.5 BILLION DJF

EXCEPTIONAL EXPENSES: 16.7 BILLION DJF

FINANCING NEEDS FOR THE YEAR 2020: 23.4 BILLION DJF
INTRODUCTION

Although the Republic of Djibouti didn’t benefit from the HIPC and MDR initiatives, it was able to achieve an impressive economic and social performance by improving the macro-economic ecosystem, and implementing a wide scope of strategic decisions. The last two decades have seen continuous economic growth, allowing a significant reduction of the poverty rate, helping the country achieve some of the SDG targets. However, the current health crisis commutes into a social and economic one that endangers 20 years of efforts and progress.

Source: MED/DEP/MEFI
MACROECONOMIC ECOSYSTEM

Source: MED/DEP/MEFI

20 YEARS AGO

NOW

Port and Free zones

SOEs

Nomadism, military and migration

Central Government

Nomadism and migration

Port and Free zones

Central Government

Source: MED/DEP/MEFI
EXTREME POVERTY REDUCTION

Source: INSD

Extreme poverty (national poverty line)

<table>
<thead>
<tr>
<th>Year</th>
<th>EDAM II</th>
<th>EDAM IV</th>
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<tbody>
<tr>
<td>2002</td>
<td>42</td>
<td></td>
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<tr>
<td>2017</td>
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</table>
ACCESS TO EDUCATION

Source: INSD

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<th>Age Group</th>
<th>No Formal Education</th>
<th>Incomplete Primary Education</th>
<th>Complete Primary Education</th>
<th>Secondary +</th>
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<td>25</td>
<td>49</td>
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<td>25 - 34 years</td>
<td>19</td>
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<td>4</td>
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<tr>
<td>35 - 44 years</td>
<td>12</td>
<td>4</td>
<td>21</td>
<td>4</td>
</tr>
<tr>
<td>45 - 54 years</td>
<td>7</td>
<td>18</td>
<td>73</td>
<td>3</td>
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<tr>
<td>55+ years</td>
<td>4</td>
<td>12</td>
<td>82</td>
<td>2</td>
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</table>
ACCESS TO BASIC SOCIAL SERVICES

Access to improved water sources (in %)

Access to electricity (in %)

Mobile phone ownership (in %)

Sheet metal as roof material (in %)

Source: INSD
COVID-19: A MULTIDIMENSIONAL CRISIS

**HEALTH**
Prepare and manage Health care systems

**ECONOMY**
Set up an economic back-up plan

**SOCIAL**
support impacted populations
The health crisis caused by COVID-19, and the confinement that followed, have affected Djibouti’s economic actors, the poorest and most vulnerable populations in particular, with a drop in economic activities and an inflation caused by panic and food hoarding.

For Businesses (including young entrepreneurs)
- Supply: Business closed / Work stopped
- Demand: Drop in National Demand (consumption)
- Disruption of the international chain of production and logistics

For Households
- Drop in households’ income (job loss for employees, loss of income for independent workers)
- Falling into - or going back to - poverty

For the State (Budget)
- Drop in Tax Revenue (VAT, Taxes...)
- Exponential increase of expenses
- Public investment decrease
- Reduction of FDI
MOST AFFECTED SECTORS

The activities most impacted by border closure and confinement are:

- Air and City Transport
- Tourism (Travel agencies, Airlines)
- Hotels and Restaurants
- Public Works and Construction
- Retail Trade
- Micro and Small Businesses
## EMPLOYMENT BY ACTIVITY SECTOR

<table>
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<tr>
<th>Industry</th>
<th>Formal</th>
<th>Informal</th>
<th>Total</th>
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<tr>
<td><strong>Primary</strong></td>
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<tr>
<td>Agriculture</td>
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<td>131</td>
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<tr>
<td>Livestock</td>
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<tr>
<td>Forestry</td>
<td>44</td>
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<td>44</td>
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<tr>
<td>Fishing</td>
<td>1 829</td>
<td></td>
<td>1 829</td>
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<tr>
<td><strong>Secondary</strong></td>
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<td></td>
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<tr>
<td>Extraction</td>
<td>358</td>
<td>145</td>
<td>503</td>
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<tr>
<td>Food processing industries</td>
<td>3 126</td>
<td>959</td>
<td>4 085</td>
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<tr>
<td>Other manufacturing industries</td>
<td>1 123</td>
<td>862</td>
<td>1 985</td>
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<tr>
<td>Electricity</td>
<td></td>
<td>1 234</td>
<td>1 234</td>
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<tr>
<td>Water, sanitation</td>
<td>435</td>
<td>1 273</td>
<td>1 708</td>
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<tr>
<td>Construction (PW)</td>
<td>5 742</td>
<td>14 287</td>
<td>20 029</td>
</tr>
<tr>
<td><strong>Tertiary / Services</strong></td>
<td>53 943</td>
<td>65 145</td>
<td>119 088</td>
</tr>
<tr>
<td>Trade</td>
<td>17 561</td>
<td>9 198</td>
<td>26 759</td>
</tr>
<tr>
<td>Transports, post services and courier</td>
<td>3 899</td>
<td>7 045</td>
<td>10 944</td>
</tr>
<tr>
<td>Food and lodging</td>
<td>2 726</td>
<td>4 552</td>
<td>7 278</td>
</tr>
<tr>
<td>Information and communication</td>
<td></td>
<td>5 048</td>
<td>5 048</td>
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<tr>
<td>Banks and Insurance</td>
<td></td>
<td>2 168</td>
<td>2 168</td>
</tr>
<tr>
<td>Real Estate</td>
<td>198</td>
<td>339</td>
<td>537</td>
</tr>
<tr>
<td>Specific, scientific and technical activities</td>
<td></td>
<td>610</td>
<td>610</td>
</tr>
<tr>
<td>Other market services (community or personal service activities)</td>
<td>29 231</td>
<td>4 808</td>
<td>34 039</td>
</tr>
<tr>
<td>Public Administrations</td>
<td></td>
<td>19 312</td>
<td>19 312</td>
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<tr>
<td>Other non-market services</td>
<td>328</td>
<td>12 065</td>
<td>12 393</td>
</tr>
</tbody>
</table>

Source: CNSS
THREATENED OR LOST JOBS

84 036 Registered wage workers distributed in seven sectors organized in 126 activities

67 508 Informal and daily employments (of which 36% are Heads of informal production and 64% are workers)
All are between 16 and 64 years old.
33 754 jobs are estimated to be lost: 20 000 in the formal sector, 13 754 in the informal sector. At least 168 778 people living in households will be affected.

Projections and different scenarios were elaborated in partnership with technical and financial partners (WB, IMF, UNCEA, UNDP).

*In case of limited confinement, jobs are threatened for the short-term. In strict and prolonged confinement scenarios, jobs are threatened on the long term.*

Source: MED/DEP/MEFI
LIMITED CONFINEMENT

Economic growth is maintained in strategic sectors, but there is a significant drop in sectors directly impacted by the 1 month confinement. Yearly growth is not expected to exceed 3.4%. 30,000 jobs are threatened, which translates into a total payroll of 3.4 billion DF.

**LIMITED CONFINEMENT SCENARIO**

- **GDP growth rate**
- **Inflation rate (%)**
- **Budget Deficit (% GDP)**
- **Tax Revenues (% GDP)**

Source: MED/DEP/MEFI
Difficult scenario with a limited growth (1.5%): Approx. **35 000 jobs** are threatened in the short term, with **4.2 billion DJ of total payroll**. The most sectors to be severely impacted are those of hospitality, services, public works, and transport.

Source: MED/DEP/MEFI
During a 2-month lockdown the country would experience a slowdown of **-3.8%**, with a drop of activity in strategic sectors (**-75%**), and massive contractions in affected sectors. **40 000 jobs** are threatened in the short term, with a total payroll of **5.1 Billion DF**.

**EXTENDED CONFINEMENT SCENARIO**

- **GDP growth rate**
  - 2015: 14.8%
  - 2016: 14.5%
  - 2017: 14.1%
  - 2018: 13.5%
  - 2019: 12.0%
  - 2020: 10.6%

- **Inflation rate (%)**
  - 2015: 7.7%
  - 2016: 6.7%
  - 2017: 5.4%
  - 2018: 8.4%
  - 2019: 7.7%
  - 2020: 3.3%

- **Budget Deficit (% GDP)**
  - 2015: -6.7%
  - 2016: 2.3%
  - 2017: -0.4%
  - 2018: 2.0%
  - 2019: -0.4%
  - 2020: -7.0%

- **Tax Revenues (% GDP)**
  - 2015: -1.5%
  - 2016: -1.9%
  - 2017: -0.9%
  - 2018: -1.6%
  - 2019: -0.4%
  - 2020: -3.8%

Source: MED/DEP/MEFI
Economic sectors impacted by COVID-19 will cause a drop in Tax Revenues

A prolonged confinement will impact all sectors with an estimated drop of -3.8% of the GDP, the loss of 18.2 billion DF (100 million USD) of total revenues, and of 61.3 billion DF of tax revenues.

Some cuts were however made possible (6 billion DF) albeit difficult ones, on expenses and investments, in order to lessen the consequences of loss of revenue due to COVID-19.

The financial need is estimated to 23.4 Billion DF, or 132 Million US $
FOUR MAJOR RISKS ON THE SHORT AND LONG TERMS

- **Risk of Bankruptcy** (Businesses)
- **Risk of Increased poverty** (Households)
- **Risk of Social Strain** (Politics)
- **Risk of severe Budgetary and Balance of Payment stress** (State)

**Risk of Debt Unsustainability**
Maintaining activity for some strategic sectors, along with providing workers with safety nets and gender equality promotion for the most vulnerable who risk to be left behind, can help manage the crisis as well as limit the economic slowdown that will ensue. In case of a prolonged lockdown, the economic impact will be as bad as the health crisis, leading to an estimated slump of -3.8 of the GDP, and a loss of 40,000 jobs.
# COVID-19 DJ

## ACTIONS TAKEN

### Phase 1

The Djibouti Government quickly intervened to deal with the COVID-19 pandemic:

- A Crisis Unit was set up and placed under the authority of the President
- Fever controls are made at the airport for all income passengers were quickly put in place
- A quarantine center was set up in the Southern part of the old Bouffard hospital
- Information and awareness campaigns on prevention measures and necessary precautions were created and launched
- Information meetings with the private sector on prime necessity and medical supplies stocks were conducted

### Phase 2

In order to protect the population, authorities decided to:

- Completely stop, since March 18, all air traffic, except for cargo and humanitarian aids
- Close school and education establishments since March 19, 2020, and to limit public congregations
- Create an Urgent Aid and Solidarity Fund
- Control the price at which prime necessity supplies are sold.

### Phase 3

After 11 cases of COVID-19, a Presidential Decree ordered:

- A National Lockdown
- An urgent order of important food supplies, as well as respiratory and lab equipment
- The set up of new quarantine sites and health care centers (Al Raham and Arta)
- The set up of a second testing center in Balbala
HEALTH MEASURES

5 Billion DJF (30 Million US$)

Imagery Sanitary Response.
Equipment and Capacity Increase.

Strengthening the implementation of prevention / awareness measures.
Acquiring quick testing kits for 500 thousand people, and prevention equipment (masks, hygiene and cleaning products...)

Djibouti has a high contamination rate compared to the IGAD: Prevention and awareness are reinforced.
Increase the FSN Grant
Widen the target population and offer a quick help to vulnerable and affected families to leave no-one behind (cash transfers or prime necessity supplies): 2 Billion DJF;

Households support
Partial or complete coverage Of EDD and ONEAD: 1,2 Billion DF

An Emergency enquiry to better assess the crisis impact

STRATEGIC FOOD SUPPLY STOCK
Avoid a food shortage: 1,7 Billion FD

Apart from the local population, and other than the officially registered refugees, there is an important population of unregistered refugees and migrants (approx. 150 000) in extreme poverty (cost to be estimated).
MESURES ÉCONOMIQUES

With a support of 6 Billion DF (34 Million US$)

01 GUARANTEE FUNDS
Set up of a COVID-19 partial Guarantee Line (GURMAD – DEERO) to support micro-enterprises affected by the crisis: 1.5 Billion DJF

02 MICRO-CREDITS
Set up of a financial envelope (micro credits) to support micro-enterprises in tourism and F&B with little cash flow: 2 Billion DJF

03 EMPLOYERS’ CONTRIBUTION
Employers’ contribution will be taken care of for companies affected by the confinement and who pledge to keep their employees: 0.5 Billion DJF

04 TAXES
Postponement of taxes to July 15, 2020 targeting the most affected businesses to help them avoid bankruptcy

05 BILLS
Suspension and/or delay and/or cancellation of due bills (Djibouti telecom, EDD, ONEAD) for March to June 2020 for businesses, depending on the impact level: 2 Billion DJF
With the lack of a monetary policy, and considering the economic contraction (currency board) leading to a budget deficit of 38.5 Billion (7% of the GDP), we are facing a huge challenge: Budget Support – Moratorium on Debt – citizen solidarity.
REGIONAL MEASURES

2,6 Billion DF (15 Million US$)

- To maintain regional operations and commercial flow
- To install disinfecting equipment for trucks and personnel
- To protect and support populations living on borders or in geographical corridors
- To provide food supplies to nomadic populations
- To set up rest areas for drivers
- To set up sanitary teams in joint collaboration with quarantine centers at borders
- To set up a regional response to the migrant flow issue
- To stock pile sanitary products

This nomad trans-border population, by definition very mobile, faces major challenges because of border closures. This same population was already severely hit by climate change, namely the last grasshopper invasion that completely devastated the Horn of Africa. There is a need for an urgent regional action.
A Multidisciplinary National Committee in charge of drafting a post COVID-19 economic recovery plan will immediately be set up.
Thank you for your attention

Ministry of Economy and Finance in charge of Industry

April 10, 2020
ANNEX 2: DENSITY OF DJIBOUTI POPULATION

INDICATORS
POPULATION DENSITY OF DJIBOUTY VILLE
- 83 - 605
- 605 - 1451
- 1451 - 2765
- 2765 - 4246
- 4246 - 8372

POPULATION DENSITY OF DJIBOUTY VILLE
ANNEX 3: COVID-19 SITUATION

IGAD Member States: Novel Coronavirus (COVID-19) Situation
20th April, 2020

1,316 239 38 1,593
Positive Cases Discharged (Recoveries) Fatalities Total Confirmed

SUDAN
72 8 12

ERITREA
36 3 0

DJIBOUTI
743 102 2

ETHIOPIA
92 16 3

SOUTH SUDAN
4 0 0

UGANDA
17 38 0

KENYA
198 69 14

Total Number of Persons Tested so far
Djibouti 8,144
Kenya 13,872
Eritrea
Ethiopia 7,953
Somalia 324
S. Sudan
Sudan
Uganda 12,565

POSITIVE CASES

More than 100 Cases
51 - 100 Cases
20 - 50 Cases
Less than 20 Cases

Data Sources: WHO
IGAD Member States

Disclaimer: The designations employed and the map presentations do not imply the expression of any opinion whatsoever on the part of the IGAD concerning the legal status of any country, territory, city, area of its authorities, place names, or the designation of its boundaries.
ANNEX 4: REFUGEES LIKE

Source: INSD, 2017
### ANNEX 5: ECONOMIC AND FINANCIAL INDICATORS

#### Table 1: Provinces Indicators, Earnings and Finances, 2015-2016

<table>
<thead>
<tr>
<th>Province</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Initial</th>
<th>Conf. 10%</th>
<th>Conf. 5%</th>
</tr>
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<tbody>
<tr>
<td>GDP</td>
<td></td>
<td></td>
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<tr>
<td>Inflation</td>
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</tr>
<tr>
<td>Prices at the consumer level (percent annually)</td>
<td>7.1%</td>
<td>5.7%</td>
<td>5.4%</td>
<td>4.8%</td>
<td>7.1%</td>
<td>6.5%</td>
<td>7.4%</td>
<td>7.4%</td>
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<tr>
<td>Prices at the producer level (percent annually)</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
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<tr>
<td>Price of the currency (per period)</td>
<td>1.6%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>2.9%</td>
<td>2.9%</td>
<td>2.9%</td>
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#### Exports and Imports

<table>
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<tr>
<th>Value (in % of GDP)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Initial</th>
<th>Conf. 10%</th>
<th>Conf. 5%</th>
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#### Administrative Revenue

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<th>Value (in % of GDP)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Initial</th>
<th>Conf. 10%</th>
<th>Conf. 5%</th>
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#### Sectoral Balances

<table>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Initial</th>
<th>Conf. 10%</th>
<th>Conf. 5%</th>
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#### Conclusions and Recommendations

- **Source MED/DEP/MEFI**

*Source MED/DEP/MEFI*