



# Building on our strengths

INTERVIEW WITH H.E. ISMAÏL OMAR GUELLEH

PRESIDENT OF DJIBOUTI

**Djibouti's average GDP growth over the last decade has been around 4.5 per cent, and, according to the IMF, could average 6 per cent over the next three years. What are the main drivers behind this impressive economic growth?**

The strong growth we are experiencing today is the result of the development strategies that we have implemented. To better understand the distance we have travelled it must be remembered that the country was in the midst of an unprecedented recession in the first decade of this century. Like most African countries we had to go through painful IMF structural adjustments; this was no small step, but it helped to bring an end to our fiscal haemorrhage. My government quickly realised that a series of macro-economic reforms and changes to our legislation were needed, including a new investment and labour code, which were necessary to attract foreign investment and to make Djibouti's economy competitive in the new global marketplace. That's one of the things that we did through the creation of the new ports and free zones authority. At the same time, the strategic partnership we have forged with DP World for the management of the new deepwater Port of Doraleh has helped promote our country abroad. All the communication and transportation infrastructure that we have now established has served to strengthen our industrial capacity, which is now contributing more than 80 per cent to our GDP.

**Please outline the main strategic objectives in your government's Vision 2035 development plan, and which sectors you see as providing the sources of national growth and job creation.**

Vision 2035 was developed on the basis of an initial diagnosis of the challenges our country faces. We have a good growth rate, but we are faced with structural problems in terms of unemployment, in terms of poverty, and also in terms of gender integration. All these problems are acknowledged as of today but if there is not a forward-looking vision that incorporates all social and demographic changes we will not be able to address what we may term a radical disconnect between the economy and social development. Vision 2035 is a response that outlines the various elements required for the prosperity and wellbeing of our compatriots. It contains the new strategic directions

of economic and social development. The main matrix for the operation of indigenous potential for growth impacts the social fabric, whether in terms of job creation or poverty reduction.

**Djibouti has limited resources and a relatively small population. However, the country benefits from a key strategic geographic position, meaning that its long-term economic success is intrinsically linked to that of the wider region. How would you characterise the relationship with your regional partners at this time?**

We are currently in the midst of a huge project of regional integration, something that is already on the agenda of the African Union. It is an economic and political necessity. Djibouti as a member of COMESA is pressing for the customs union to become a reality as quickly as possible. Because of our strategic location we are using our logistical and infrastructural resources to become the gateway to the wider region, an area that has a population of almost half a billion people. We offer our airport services and telecommunications not only to our immediate neighbours, but also to the countries of the Great Lakes region.

**How concerned are you about skills shortages, and what strategies do you have in mind to address this? Do you see a long-term role for foreigners in diversifying the economy and developing new sectors and industries?**

Naturally, our principle concerns are about everything related to the development and wellbeing of our population and, ultimately, about addressing the mismatch between the profiles of job seekers and the needs of the market. Currently, this concern is being addressed by the wide range of education and expertise our university can offer, as well as by increased and diverse technical and professional training available in the country. We are also looking at in-service training, whereby students spend time working while undergoing their degree programmes. In addition, we are looking for capital investment to help with the transfer of knowledge and technology. We expect significant investment from transnational corporations in our country. The partnership between transnational and local companies is being encouraged to optimise the transfer process.

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President Guelleh meets Prime Minister Mariano Rajoy of Spain. Spain is one of several countries with military contingents in Djibouti.

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**The main structural changes over the last decade in Djibouti have been the result of a huge influx of FDI from the Gulf states, especially Dubai, focused on capital-intensive activities such as port infrastructure, roads, buildings and hotels. How confident are you that the high production costs that have hampered industrial development will ease with important new water and energy infrastructure projects – and help develop the mining sector and create jobs?**

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Investment flows to date have been related to capital-intensive activities: these have significantly contributed to the development of transport infrastructure and logistics in general, and port services in particular, aimed at consolidating our position as a regional hub.

That said, sector analysis of investment flows currently shows strong diversification, particularly into construction and services. The government has made facilitating the growth of new sectors a top priority. For example, we have improved electricity connections with Ethiopia with a view to improving our access to hydropower-generated electricity. The exploration of renewable energy, including solar, wind and geothermal energy is taking place, supported by technical and financial cooperation from our development partners. Meanwhile, we are putting in place measures that will definitively address the problem of scarcity of water. Again, with the support of our partners, we are carrying out technical and financial feasibility studies for a desalination plant that would supply fresh water. These measures will



improve the competitiveness and attractiveness of a whole range of economic sectors, including mining. So far, more than 10,000 jobs have been created as a result of investment, and we see a multiplier effect taking place as more investment comes in.

An indicator of how attractive Djibouti is to investors is the rate of investment in relation to GDP: around 30 per cent by the end of 2013. This proportion has experienced an upward trend over the period 2000-2013, peaking in 2008 at 41 per cent of GDP; and all this despite the international crisis. Over this period there have been more than 200 separate investment projects. It is also important to remember that domestic companies are also playing a big role in providing investment.

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**Almost all FDI so far has gone into large-scale projects. Does the government have any strategies in place to help attract capital and to provide assistance to new sectors of the economy that could help create employment?**

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The government recognises the urgent need to foster the diversification of the economy, something that is being helped via technical assistance from the World Bank, and that will provide the basis for a new growth model for our country. World Bank experts have conducted a study on this that identifies four areas of growth and two cross-cutting sectors that can generate jobs and income growth. These are fishing, tourism, transport and logistics, and telecommunications have also been retained. We see finance and energy overlapping these sectors.

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**A British trade delegation is due to visit later this year. What role do you see for UK companies as the economy diversifies?**

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The Republic of Djibouti has long been interested in attracting investment from the United Kingdom. This is why we organised a forum for business and investment in London, as well as opening an honorary consulate office. We see Djibouti consolidating its traditional role as a regional financial centre with the help and expertise of London.

This is why we have also decided to set up an international arbitration court on the basis of English Common Law.

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**Somalia remains a key challenge for the region and for Djibouti in particular, despite repeated initiatives and the election of a new president in late 2012. In your opinion what does Sheikh Sharif Sheikh Ahmed need to do to succeed?**

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The economic integration of our sub-region is largely subject to establishing stability. As long as there is conflict and insecurity in Somalia, our region will not



be able to achieve an optimal level of integration. That said, we have not lost hope that Somalia will soon be able to return to peace and stability. I do not think that the Somali president can return the country to law and order by himself. This is something that will require an inclusive political process. That is to say, all parts of the nation, tribal and community leaders, young people, intellectuals, artists, politicians, women, etc, must all contribute to efforts to restore things to a state of normalcy where people can live together.

**In your opinion, what more can the UN and the international community do to help Somalia, and does IGAD still have a role to play?**

There is, to my eyes, no inconsistency in the fact that the international community and IGAD are both contributing to the process to assist Somalia in its legitimate quest to return to peace and stability. The support of these organisations for Somalia is backed by the African Union and the United Nations, which are routinely asked to sponsor the cost to support decisions and initiatives adopted by IGAD on Somalia. That said, I take this opportunity to welcome the renewed international interest in resolving the problem in Somalia. I hope that this commitment is sustained over time. I especially hope that the international community grants Somalia the material and financial support needed to rebuild its institutions, its public buildings, and infrastructure. Most importantly this is helping the country to develop a professional army and other

security forces to maintain peace, and to protect the population as whole.

**One of the major impacts of drought is on agriculture and food supply. Please provide an analysis of recent initiatives in this regard.**

This is obviously a serious constraint on the development of the rural economy. We face periodic drought cycles that are very destructive. No doubt climate change is having an aggravating effect. All the states in the region have limited resources, and it is very difficult to manage the issue of migration and the exodus from rural areas. We are of course partnering to find global solutions to an issue that affects not only us, but the whole continent. The Green Wall initiative launched by the African Union fits into this approach. Nonetheless, Djibouti is not an agricultural country, and we have always had limited rainfall, something that, combined with drought, does not favour this activity. That said we have an ambitious rural development programme to promote agro-pastoral activities in areas where this is possible. This programme will facilitate access to water for rural populations.

In terms of food security, we have close ties to neighbouring countries like Ethiopia and Sudan where thousands of acres of wheat, sorghum or sunflower are being grown for our market. We are trying to combine several important initiatives so as to avoid dependence on market fluctuations that can adversely affect our food security. E

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Education is one of the top priorities for President Guelleh and the government