

# The Gateway to East Africa

By **ABOUBAKER OMAR HADI**

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**ABOUBAKER OMAR HADI** is a graduate of France's Conservatoire Nationale des Arts et Métiers, specialised in ports and multimodal transport and completed his postgraduate studies in port administration at the World Maritime University in Malmö, Sweden. He has over thirty years' experience at the port of Djibouti including as DP World's commercial manager. He also worked for a period managing the port in Lagos, Nigeria before returning to Djibouti to head the Djibouti Port and Free Zones Authority. Following the 1998 conflict between Ethiopia and Eritrea he was instrumental in orienting Ethiopia's port trade via Djibouti.

**W**ith massive investment now greatly expanding Djibouti's maritime capabilities, the country is set to further consolidate its position as a critical transshipment hub for East Africa.

Djibouti is currently investing US \$4.4bn in development projects, including expanding the capacity of our current ports and the airport extension programme. The country has extensive experience in running ports successfully, both for oil and containers. Indeed, the container port is one of the largest in the world and certainly the largest in Africa.

These two ports were built very quickly, taking a total of 23 months from the start of the project to the first ship arriving at the port.

Djibouti's neighbour, Ethiopia, with a population of over 90 million, is the second most populous country in Africa. With more than 80 per cent of the Port of Djibouti's activity either imports to or exports from Ethiopia, Djibouti relies heavily on its larger neighbour's goods and service needs.

The security and stability of Djibouti is among its main assets, and stringent security measures in one place. Djibouti Port is also highly productive, and unmatched even outside Africa. The port's cranes are currently handling 34 containers an hour. This represents a highly efficient service that reduces the turnaround time for ships. This productivity would not be possible without highly trained and efficient staff. The country has sent 120 of our most gifted students to a maritime academy in India. They will become the future managers of the three ports currently operating and the five others we are planning. There are of course other related marine businesses that require qualified personnel, and this annual training programme represents an investment in the country's future.

Djibouti is also looking to benefit from trade growth beyond South Sudan. It can reach the other East African landlocked countries and the heart of the continent where much of Africa's resources are located. These cannot be capitalised upon without the port, rail and road connections.



Doraleh is the region's only port able to handle the largest container vessels

As development and peace comes to the region, Djibouti will capitalise from the increased movement of traffic.

In addition, competition between ports is not only based on the tariffs. Some ports may be cheaper in terms of their tariffs but the port's management believes that when clients look at their productivity they will choose Djibouti, because the cost of other ports' inefficiency is higher.

Another measure that would be hugely positive to Djibouti and its partners in East Africa would be the creation of a customs treaty or agreement. That would greatly enhance harmonisation and the movement of goods. There is currently a customs agreement between Ethiopia and Djibouti, a system of single documentation that has proved very successful.

Djibouti also acts as an important container transshipment hub for other East African countries, which send their goods to Djibouti by road, rail and air before having them transferred onto shipping for export to the wider world. In February 2012, Djibouti signed a three-way cooperation agreement with Ethiopia and the fledgling South Sudan. The aim is to improve infrastructure between the three countries, with telecommunications, roads, railways, and oil transport the main points of focus. As the only nation of the three with a coastline, Djibouti will provide invaluable maritime access for the arrangement. Massive new investment in roads, railways, oil pipelines and telecommunications is being achieved largely with finance from the Gulf and China. Djibouti has relied largely on Gulf Arab capital and expertise for the expansion of its port facilities.

The Port of Djibouti currently imports bulk and bagged goods and containers, processes 4.5 million tonnes of traffic a year, and employs 900 people. The number of ships visiting the Port of Djibouti has increased from just over 1,400 in 2007 to around 2,000 today. Of this, 40 per cent is container shipping, 22 per cent is naval traffic, and 10 per cent general cargo. For much of the past century, the Port of Djibouti has handled all commercial cargoes in and out of the country, but in 2000 a US \$400mn joint venture between Dubai-based DP World and the government of Djibouti led to the construction of a container terminal at Doraleh, 11kms south of the capital.

Opened in 2009, Doraleh is the region's only port able to handle 15,000-tonne-plus container vessels, and is the most technologically advanced container terminal on the African continent. It has 1,050 metres of quays, which can accommodate the latest 18,000 EVP container ships. The 480-metre wide storage area can hold up to 50,000 containers, with an annual capacity of 1.5 million containers a year. This and other developments will propel the Port of Djibouti to the next level in

terms of facilities, services offered, proximity to markets and ease of use for maritime customers. Over the last 10 years, the strategic plan has been the development of specialised terminals by encouraging private sector investment. This has resulted in the construction of new specialised platforms, a grain and fertiliser terminal, an oil terminal and a container terminal, along with free zone development. The focus is on the development and improvement of the Port of Djibouti as a multi-purpose port.

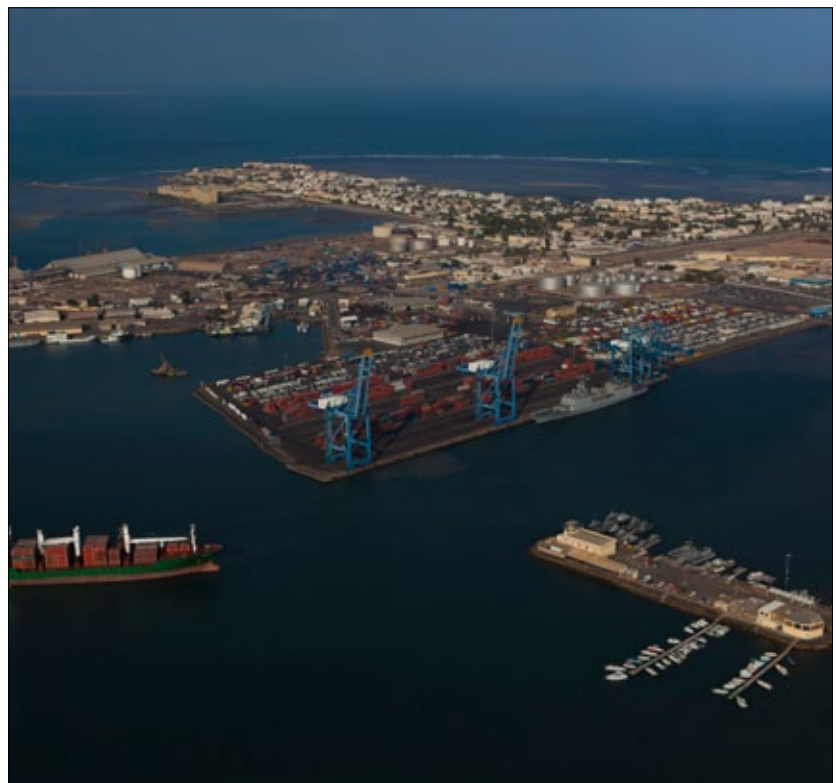
The Port is constantly improving and upgrading its facilities to cope with the challenge of continuing growth in cargo. The Port of Djibouti is world class, and the ISO 28000 certification proves that Djibouti is able to provide a safe and secure environment for its customers, employees and visitors. The certification demonstrates a commitment to safety in the transport chain, and reflects the professionalism of senior management and staff.

The country's new oil terminal Horizon Djibouti Terminals Limited, owned by Emirates National Oil Company, was completed in 2006 at a cost of US\$140 million. The port currently delivers over three million cubic metres of fuel to Djibouti and its neighbours at a rate of 200 lorries a day. It is the sole supplier to Ethiopia's airports, including the nation's main airport at Addis Ababa. In a third expansion stage, and at a cost of US\$67mn, capacity will be boosted by a third.

There are many other areas of the economy that

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The Port of Djibouti, a world class facility





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can benefit from efficient ports. The basic business of the ports is in handling goods. There are huge opportunities for clients to manufacture in the Free Zones that are being established and then re-export their goods. The ports are the only hub that can efficiently handle this flow of huge quantities of goods.

There are many external factors that affect the profitability of the ports and their activities but to reduce external risks the port's authorities are diversifying, and not only working in partnership with Ethiopia, the main customer, but also working with South Sudan. That country's foreign trade is now taking off and over the last few months' transit traffic has been moving from Djibouti to South Sudan in increasing volumes.

In addition to this the Port is also receiving trans-shipment traffic – that is, shipments for the other coastal states in the region, not just for landlocked countries. This traffic constitutes 55 per cent of revenue, transiting to Red Sea and Indian Ocean ports and even all the way down to Durban, South Africa.

**Djibouti Free Zone**

The Djibouti Free Zone was opened in June 2004 and accommodates companies that benefit from tax breaks and administrative advantages in 40 hectares of offices and warehousing. Conveniently located near the historic port, the Doraleh terminal, the city's dry dock and the main road to Ethiopia, the Zone employs around 1,000 people in redistribution and light manufacturing. At the planning stages is the Jabanas Free Zone, a US \$50mn, 57-hectare free zone that will be geared more towards industry. In

December 2012, it was announced that Hong Kong-based China Merchant Holding International (CMHI) had acquired a 23.5 per cent share in the Port of Djibouti SA for US\$185 million. Continued Chinese interest in Africa's raw materials continues to drive the development of infrastructure in Djibouti and beyond.

In the longer term, the Djibouti Ports and Free Zones Authority has plans for a US\$5.88 billion investment in the country's ports and associated infrastructure. This includes the further expansion of the Doraleh Container Terminal, which will enable the accommodation of three million containers per year by 2015, a doubling of capacity.

By using its strategic location on one of the most important and busiest sea routes in the world, the port's trans-shipment volume can grow by 100 in the coming years. Currently, this amounts to three million containers a year, but the anticipation is to grow this to six million and the intention is to capture at least 50 per cent of this market.

In short, the Djibouti Free Zone combine a business-friendly environment, a generous package of fiscal and non-fiscal incentives, and modern logistics facilities, all set in a beautiful coastal city with comfortable lifestyle amenities; all in a country known for its political and economic stability.

Jafza, the flagship company of Economic Zones World, a global provider of sustainable industrial and logistics infrastructure solutions, manages the zone. At the helm of a robust network of economic zones, technology and logistics and industrial parks, EZW also creates "build-to-suit" developments for an international customer base. E

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The Port of Djibouti hosts the Japanese, and other navies