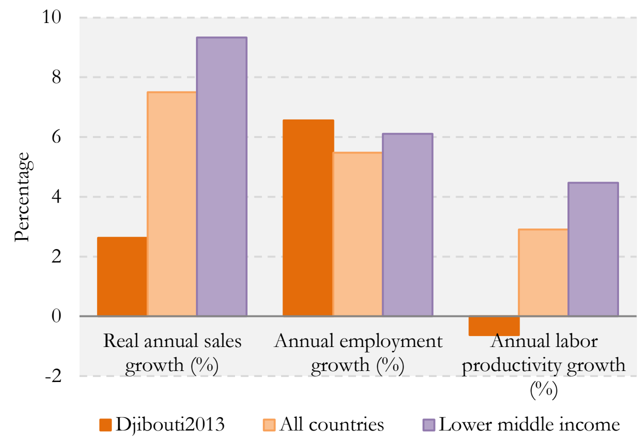
DJIBOUTI 2013

WORLD BANK GROUP

The World Bank interviewed a representative sample of the private sector in **Djibouti**. The sample consisted of 266 business establishments surveyed from May 2013 through September 2013. The Enterprise Survey covers several aspects of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

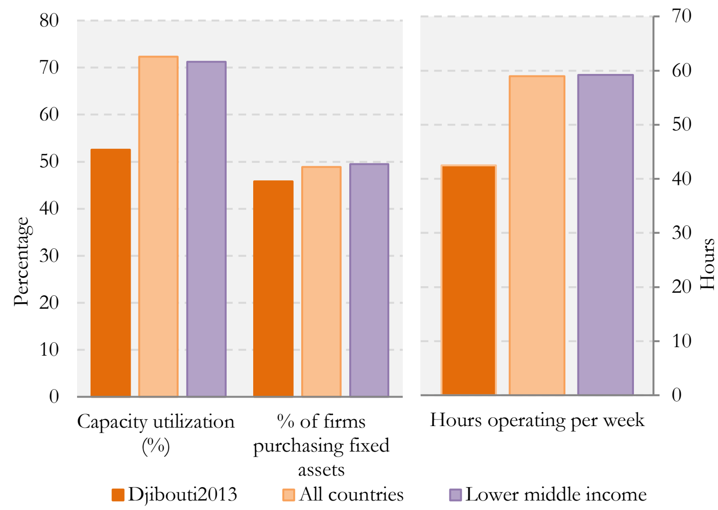
Firms in Djibouti have positive, but lagging, sales growth and are becoming less productive

Private sector firms in Djibouti are growing their sales at a rate of 2.6% per year, which falls behind rates among all economies in the Enterprise Surveys (ES) database (7%) and lower middle income economies, at a rate of 9.3%. Nonetheless, firms in Djibouti, with an **annual employment growth** rate of 6.6%, are adding jobs at a pace comparable to averages in all ES economies (5.5%) and lower middle income economies (6.1%). This relatively low annual sales growth rate, when combined with relatively high employment growth, has resulted in a contraction of labor productivity of -0.6%, compared to rates in all ES economies (with labor productivity growth of 2.9%) and lower middle income economies (at 4.5%).



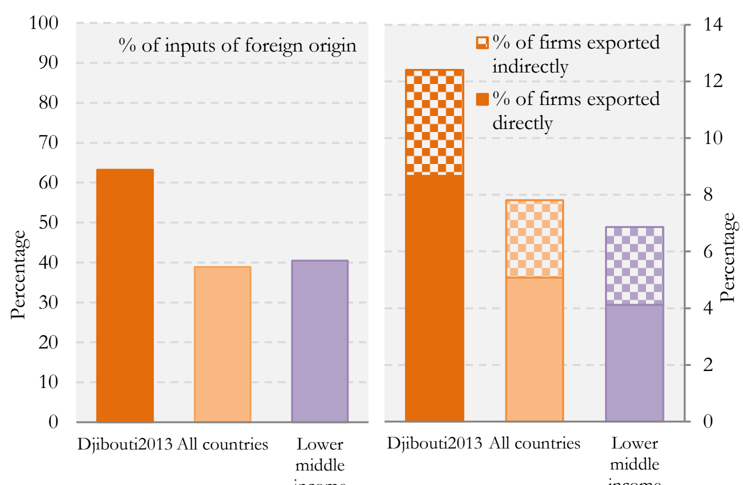
Djiboutian manufacturers additionally have low levels of capacity utilization

Manufacturers in Djibouti operate at a level of only 53% **capacity utilization**, far below the global ES average of 72%. This rate in Djibouti is also well behind capacity utilization in other lower middle income economies, where manufacturers maintain 71% capacity. Despite low levels of capacity utilization among manufacturers, firms in this sector are investing in fixed assets at a 46% rate, which compares well to all ES economies (49%) and lower middle income economies (50%). Nonetheless, more striking still, manufacturers in Djibouti only operate on average for 42 hours per week, in line with low capacity utilization. By contrast, the typical manufacturer in the ES data base operates for 59 hours a week.



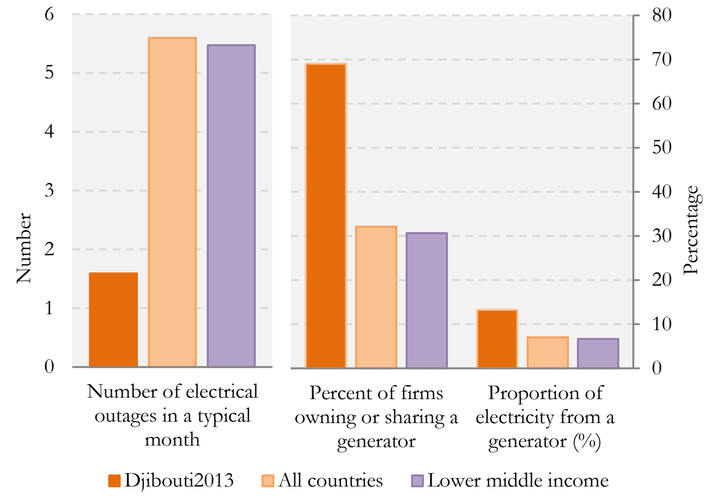
Firms in Djibouti are internationally engaged

Private sector firms in Djibouti are relatively more engaged in **international commerce**, an indication of the country's position as a port-reliant economy. Sixty-four percent of manufacturing inputs, on average, are of foreign origin, well above the averages for all economies (39%) and lower middle income economies (40%). Similarly, this international engagement is reflected in firms' export orientation: on average, firms in Djibouti directly export nearly 9% of their annual sales, while 4% of sales are exported indirectly. Globally in the ES database, an average firm directly exports just over 5% of sales, indirectly exporting approximately 3% of sales; in lower middle income economies, firms export 4% of goods directly, 3% indirectly.



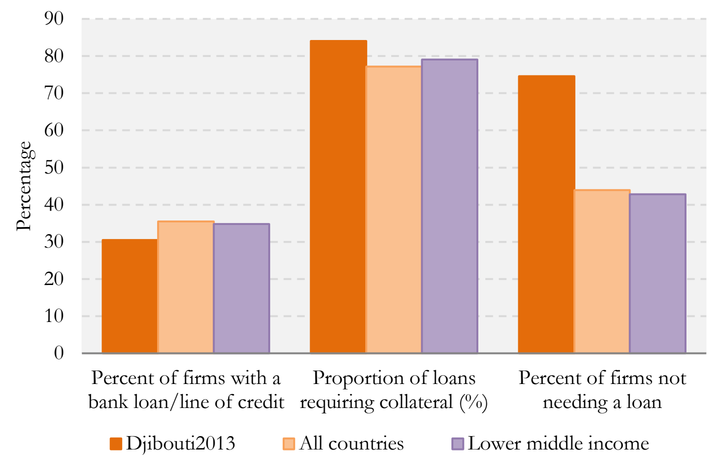
Firms report comparably fewer power outages but are highly dependent on power from private generators

Firms in Djibouti report fewer **power outages** in a typical month, on average just under 2, compared to all ES economies (almost 6 per month) and lower middle income economies (about 5 per month). In parallel, however, firms in Djibouti are compensating with power from generators to minimize possible power-related disruptions. In fact, 69% of firms in Djibouti own or share a generator, more than double the global ES rate (32%) and lower middle income rate (31%). Firms are also more reliant on this power: Firms in Djibouti obtain 13% of their power from generators, compared to 7% for both all ES economies and for lower middle income economies.



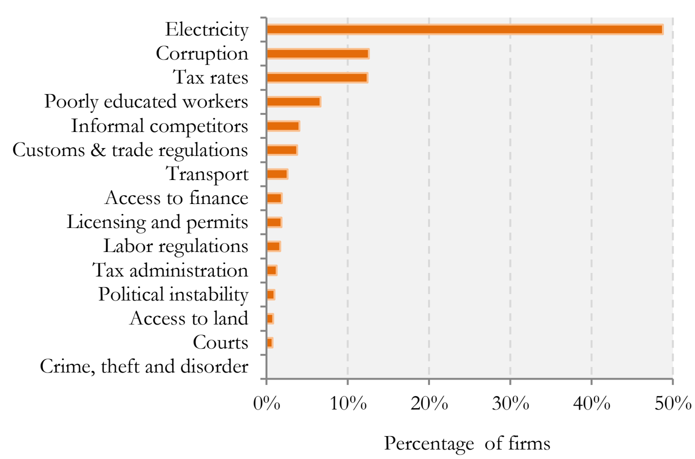
Firms in Djibouti utilize low levels of financing from banks

Three out of every 10 firms in Djibouti have a loan or line of credit, slightly below the global ES and lower middle income averages (both 35%). Additionally, 75% of firms in Djibouti report not needing a loan, substantially higher than the global rate of 44% and the rate among lower middle income economies, 43%. The fact that firms in Djibouti do not seek **bank financing** seems to be in line with a static private sector, as suggested by low sales growth and capacity utilization. For firms that do seek bank financing, more loans require collateral or guarantees. Collateral is required for 84% of loans in Djibouti, compared to 77% in all ES economies and 79% in lower middle income economies.



Firms in Djibouti report electricity as the biggest obstacle to their operations

Forty-nine percent of firms in Djibouti cite electricity as the **biggest obstacle** to their operations. This result suggests that firms' reliance on generator power may be problematic or that firms suffer the cost of having to provide for their own electricity. The second-most-often-cited obstacle for firms in Djibouti is corruption (13%), followed by tax rates (12%). Less than 2% of firms in Djibouti cite access to finance as the biggest obstacle to their operations, a possible indication that low levels of bank financing by firms in the country may not pose a notable obstacle.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists and survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit http://www.enterprisesurveys.org