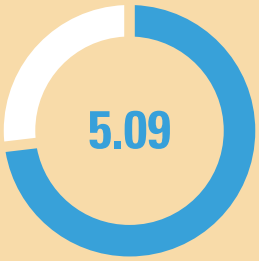
UNITED NATIONS
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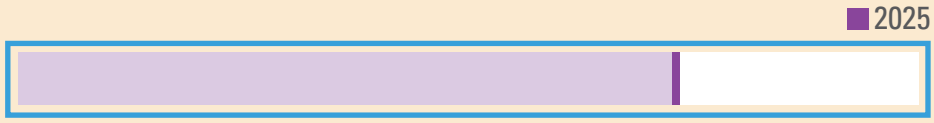
Shared Prosperity Dignified Life

Country profile
DJIBOUTI

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



FOREIGN DIRECT INVESTMENT

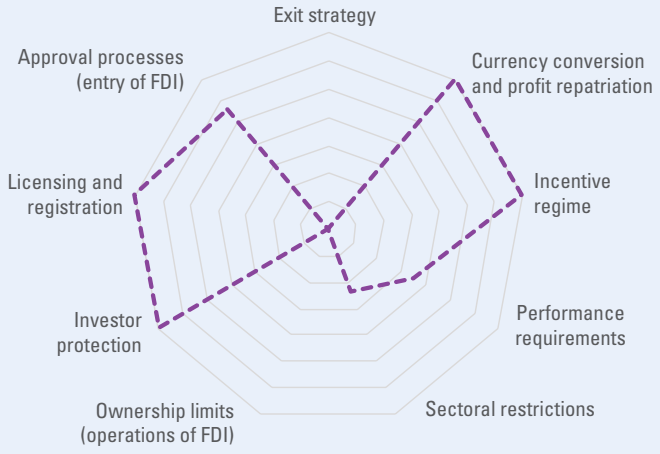


Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

COMPONENTS	2025
Approval processes (entry of FDI)	5.60
Licensing and registration	7.00
Investor protection	7.00
Ownership limits (operations of FDI)	0.00
Sectoral restrictions	2.33
Performance requirements	3.50
Incentive regime	7.00
Currency conversion and profit repatriation	7.00
Exit strategy	0.00

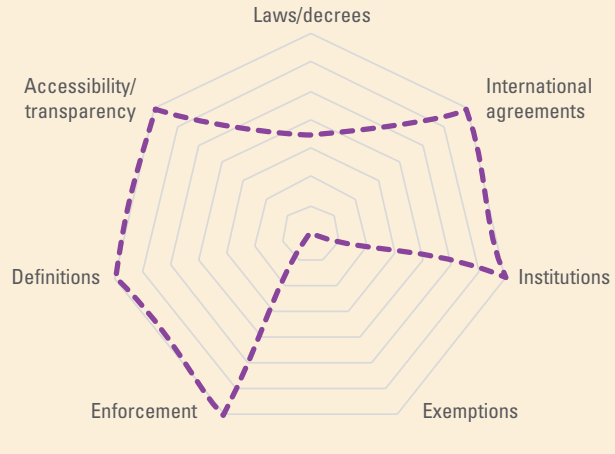
COMPONENTS

2025



ELEMENTS

2025



Note on methodology: The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

2020 EDITION

Developed

Foreign direct investment framework assessment

Macroeconomic enabling environment lens

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



Macroeconomic policies



Investment regulatory framework



Incentivization schemes



Bilateral treaties



Banking regulations

This country profile is prepared based on the legal and regulatory framework in force as at April 2025.

This country profile assesses the foreign direct investment (FDI) framework of Djibouti based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

Djibouti has established a comprehensive legal framework to encourage private investment and drive economic growth, with a particular focus on strategic sectors. The country's FDI landscape is primarily governed by Law No. 88/AN/84/1re L of 13 February 1984, known as the Investment Code, and further reinforced by Law No. 114/AN/01/4ème L, which established the National Investment Promotion Agency (ANPI). Additionally, Law No. 53/AN/04/5ème L outlines specific regulations for operations within the economic free zones of Djibouti, providing enhanced guarantees and long-term tax incentives.

Approval processes

This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.

Article 30 of the Investment Code (Law No. 88/AN/84/1re L) establishes a National Investment Committee to oversee its application, including the receipt and examination of investment requests and the issuance of related decisions. Pursuant to article 35, the Committee is entrusted with conducting inspection and oversight operations on beneficiary companies, either in coordination with competent administrative authorities or through the appointment of qualified experts, in order to verify compliance with the provisions of the Investment Code.

In cases of total or partial non-implementation of approved investments, or where companies operating under regime "A" modify the nature of their declared activity, the Committee may propose the suspension or termination of granted incentives. For companies operating under regime "B", similar non-implementation or modification may result in a proposal to withdraw the approval or revise its conditions.

Regarding registration costs, article 9 of Decree No. 146–2018 provides for the imposition of fees related to the establishment and registration of enterprises, including services delivered through the investment facilitation framework.

Djibouti has also concluded several bilateral investment treaties, including with countries such as China and France, which establish principles for the promotion and protection of foreign investments and form part of the legal framework applicable to foreign direct investment.

While article 21 of the Investment Code refers to partial exemptions from registration duties and mortgage release fees for certain approved investment projects, the legislation does not expressly regulate the granting of mortgages to foreign investors in the context of bank financing.



Licensing and registration

This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Djibouti, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.

Investments and companies falling under regime "A" are required to submit an investment declaration to the National Investment Committee prior to project implementation. The declaration form must include key information, such as the company's legal form, purpose and business activity, in addition to a detailed investment feasibility study.

For investments and projects with a value equal to or exceeding 50 million Djibouti francs, which typically fall under regime "B", the committee shall transmit the draft approval decree to the Council of Ministers for review and formal endorsement in accordance with established procedures.

Article 2 of Decree No. 146–2018 provides that the National Investment Promotion Agency serves as a one-stop shop to streamline licensing and registration procedures. In this capacity, the Agency acts as an intermediary between private operators and the public and semi-public entities involved, particularly during company formation, to streamline administrative procedures for investors.

Article 7 of the same decree further provides that the one-stop shop operates exclusively through an integrated information system and a single payment system, interconnected with the information systems and databases of partner institutions within the framework, thereby enhancing the digitalization of licensing and registration processes.

However, the applicable legislative framework does not include explicit restrictions related to the superficies of land allocated to foreign investment projects.



Investor protection

This assessment component reviews the legal protections available to foreign investors in Djibouti, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.

Articles 37 to 44 of the Investment Code of Djibouti provide a robust set of legal guarantees to investors. These include the freedom to invest, the right to equal treatment under the law, and the freedom of movement, communication and residence for individuals working in approved investment projects. The Code prohibits

expropriation without fair compensation and extends protection to investors against damage caused by civil unrest or unreasonable public service obligations. While the competent courts of Djibouti are designated to adjudicate disputes arising from the application of the Investment Code, Djibouti has ratified key international instruments that provide alternative legal avenues for dispute resolution. These include the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID), both of which allow foreign investors to resort to international arbitration in the event of disputes with the State.



Ownership limits

This assessment component examines the extent to which legislation in Djibouti imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.

The legal framework in Djibouti does not establish a general foreign equity cap comparable to a "51/49" ownership rule. Sector-specific requirements may nevertheless apply under separate regulatory frameworks. Moreover, the reviewed legislation does not include explicit restrictions on the full acquisition of real estate by foreign investors, as land access conditions are primarily governed by applicable land tenure and allocation regimes.



Sectoral restrictions

This assessment component reviews sector-specific regulations that affect foreign direct investment in Djibouti, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.

The legal regime governing free zones in Djibouti establishes a broadly open sectoral approach to foreign investment. Article 7 of the Free Zones Code (Law No. 53/AN/04 of 17 May 2004) allows any industrial, commercial, financial or service activity approved by the Ports and Free Zones Authority to be carried out within the free zones. The Code also introduces explicit exceptions, prohibiting activities that may adversely affect national security or pose risks to the environment, public health or public safety.



Performance requirements

This assessment component examines whether investment legislation or policies in Djibouti impose performance-related obligations on foreign investors, such as requirements related to employment, skills development, export promotion, or compliance with social and labour standards.

Article 2 of the National Trade Development Strategy stipulates that FDI projects must contribute to objectives such as fostering economic and social development and reducing poverty. Articles 33–35 of the Investment Code require the National Investment Committee to assess the investment project, including expected costs and profits, before issuing approval. The Committee also oversees the implementation of investments and their compliance with legal requirements.

In parallel, article 3 of the Free Zones Code defines free zones as designated areas of the national territory that are generally considered outside the customs territory for the purposes of duties and import taxes and are not subject to standard customs controls. Activities carried out within free zones are governed by the provisions of the Free Zones Code and benefit from the special legal regimes applicable thereunder.

However, the reviewed framework does not explicitly provide for education or labour development measures as instruments to attract and retain foreign direct investment.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Djibouti, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying the competent authorities responsible for administering and implementing these incentives.

Incentive regimes are set out in title II of the Investment Code. There are three regimes for FDI incentives in Djibouti: regimes A and B, and a special regime for financial investment.

Regime A:

This regime covers businesses carrying out projects with a minimum invested amount of 5 million Djibouti francs, creating a minimum number of permanent jobs. Eligible areas include processing of products of plant or animal origin, energy and hydrocarbons, and tourism.

Articles 13 and 14 of the Investment Code provide for incentives in the form of tax exemptions on equipment necessary for the investment project, and on raw materials, provided that they are imported and used during the first three years of the project.

Regime B:

This regime covers businesses carrying out projects with a minimum invested amount of 50 million Djibouti francs, creating a minimum number of permanent jobs. Eligible areas include the operation of educational and training establishments, and construction.

Articles 17–24 provide a non-renewable seven-year exemption on land tax for buildings constructed under this regime. Tax exemptions are also granted on profits resulting from approved activities, for up to seven years. Permits may also be granted at reduced prices.

Special regime for financial investments:

Articles 25–29 of the Investment Code provide for tax exemptions on the annual profits of companies carrying out investments in this field.

Article 13 requires investments to be fulfilled within the agreed period set by regime A.



Currency conversion and profit repatriation

This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Djibouti, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.

Foreign exchange regulations in Djibouti provide a general legal guarantee for the transfer of capital and investment-related income. Foreign investors may access financing from abroad and transfer funds in accordance with the Investment Code, which affirms the principle of freedom of investment regardless of nationality. However, such transfers are carried out through authorized banking intermediaries and remain subject to standard procedural and reporting requirements established under the foreign exchange framework. In this context, the Central Bank of Djibouti exercises supervisory and regulatory functions over foreign exchange transactions, issuing guidance and oversight measures aimed at preserving monetary stability. The framework therefore reflects a combination of legal transfer guarantees and procedural controls rather than an absence of foreign exchange oversight.

Exit strategy

This assessment component assesses the legal framework governing the exit of foreign investors from the market in Djibouti, focusing on provisions related to divestment, liquidation, mergers and acquisitions.

The Investment Code does not contain explicit provisions regulating the exit of foreign investors from the host country, including procedures for divestment or liquidation. Similarly, the Investment Code does not expressly address mergers and acquisitions by foreign investors, which may instead be governed by general commercial, corporate or sector-specific legislation.

In the absence of investment-specific exit rules, the dissolution and liquidation of companies, including those wholly or partially foreign-owned and incorporated in Djibouti, are governed by the general provisions of the Companies Code.

RECOMMENDATIONS

- Introduce clear provisions that clarify the legal framework governing land use by foreign investors.
- Introduce explicit provisions addressing mortgages and asset pledges by foreign investors in the context of bank financing.
- Enhance the articulation of education and workforce development measures as targeted tools to attract and retain foreign direct investment.
- Develop clear rules governing mergers and acquisitions that involve foreign investors.
- Clarify provisions that govern the exit of foreign investors, including divestment and liquidation procedures.
- Introduce formal provisions incorporating cost-benefit and economic impact assessments into the investment approval process.