MIGRANT MONEY

Regional Harmonization of Remittance Policies in the Intergovernmental Authority on Development (IGAD)

DJIBOUTI POLICY DIAGNOSTIC REPORT

February 2023

ACKNOWLEDGMENTS

On behalf of the migrant women and men customers originating and receiving remittances, and their wider communities in least developed countries, the United Nations Capital Development Fund (UNCDF) Migration and Remittances programme team would like to thank the many partners and collaborators who are contributing to our efforts to advance the work on the regional harmonization of remittance policies in the Intergovernmental Authority on Development (IGAD) region. This appreciation is extended to the IGAD Secretariat team for coordinating these efforts and the teams at the Central Bank of Djibouti, Ministry of the Economy and Finance in charge of Industry of the Republic of Djibouti, Ministry of Foreign Affairs of the Republic of Djibouti, Bank of Africa, Banque pour le Commerce et l'Industrie Mer-Rouge (Djibouti), CAC International Bank (Djibouti), Caisse Populaire D'Epargne et de Credit (Djibouti), Dahabshil (Djibouti), D-Money (Djibouti), East Africa Bank (Djibouti), Salaam Bank (Djibouti), WAAFI (Djibouti) that have been involved since the inception and have contributed substantively to the report.

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ABOUT THIS REPORT

This is a diagnostic report for Djibouti as part of a wider project on harmonizing remittance policies in the Intergovernmental Authority on Development (IGAD) region, prepared by the United Nations Capital Development Fund (UNCDF) and the IGAD Secretariat, with the objective of improving the IGAD countries' current and ongoing policy and regulatory framework development and other initiatives relating to remittances.

The United Nations Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers last-mile finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's digital agenda for migration and remittances falls within the organization's broader corporate strategy, set forth in 2019, of Leaving No One Behind in the Digital Era. On the other hand, the Intergovernmental Authority on Development (IGAD) is a regional economic community (REC) created by its Member States—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—to enhance regional cooperation in three priority areas of food security and environmental protection, economic cooperation, regional integration, and social development peace and security. The founding leaders of IGAD were motivated by a vision where the people of the region would develop a regional identity, live in peace, and enjoy a safe environment alleviating poverty through appropriate and effective sustainable development programmes.

Remittances can act as a catalyst for sustainable development at the individual, household, community, and national levels as a source of greater disposable income for migrant families that can lead to increased consumption and investment. The size and scale of global remittances create the possibility of harnessing these flows through digital channels toward productive investment in health, education, and local businesses, thus contributing to the long-term development of countries around the world. An effective policy and regulatory framework that balances innovation and risk will be critical to this transition from cash to digital.

This diagnostic report has been prepared through a desk research review of relevant policies, laws and regulations, followed by extensive stakeholder consultations and benchmarking with relevant countries' initiatives, policies, and regulatory frameworks. The authors of this report have prepared a roadmap with a country-level mapping of possible enablers, inhibitors and policy options. It is recognized that implementation of the roadmap requires further engagements with the regulatory and policymaking bodies to determine what options can be taken up.

ACRONYMS

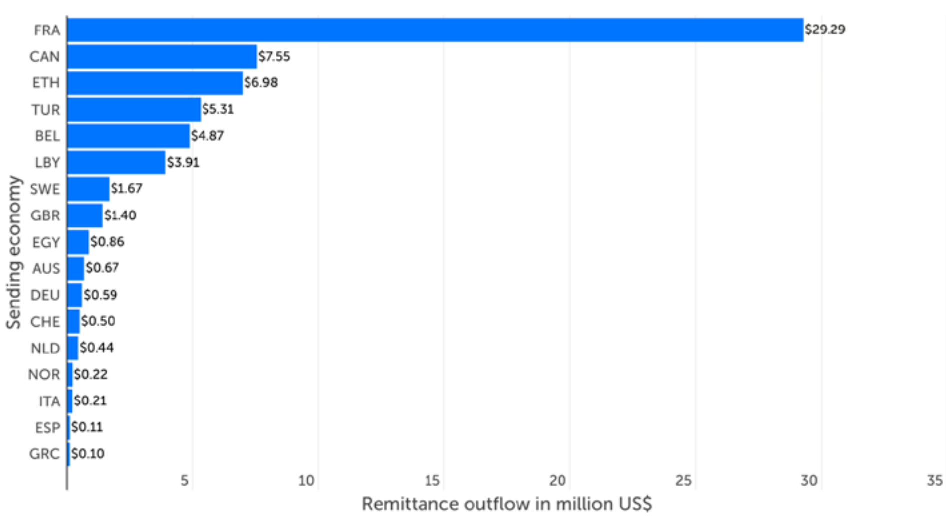
AML/CFT	anti-money laundering/combating the financing of terrorism
ANEFIP	Agence Nationale de l'Emploi, de la Formation et de l'Insertion Professionnelle
API	application programming interface
ATM	automated teller machine
BCD	Central Bank of Djibouti
BCI-MR	Bank for Commerce and Industry – Mer Rouge
BLA	bilateral agreement
BOA	Bank of Africa
CDD	customer due diligence
DGPF	Direction Générale de la Population et de la Famille
DJF	Djiboutian franc
e-KYC	electronic know your customer
GDP	gross domestic product
IEC	International Electrotechnical Commission
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
IOM	International Organization for Migration
ISO	International Organization for Standardization
KYC	know your customer
MFI	microfinance institution
MFS	mobile financial services
MNO	mobile network operator
MOFA	Ministry of Foreign Affairs and International Cooperation
NID	national identification
NPS	National Payment System
POS	point of sale
PSP	payment system provider
QR code	quick response code

RSP	remittance service provider
RTGS	real-time gross settlement system
SIM	subscriber identity module
SMS	short message service
UNCDF	United Nations Capital Development Fund
USSD	unstructured supplementary service data

COUNTRY CONTEXT

Remittances are money transfers sent by migrants[1] to their family members or other loved ones back in their country of origin.[2] Djibouti has unique migration challenges owing to its location at the crossroads linking Europe, Asia and Africa, and being a gateway from the Horn of Africa to the Middle East. Although Djibouti has the lowest number of migrants abroad among the IGAD Member States, Djibouti is mainly a transit country for migrants in mixed migration flows from the Horn of Africa, mainly Somalia and Ethiopia.[3] Since 2009, Djibouti has become a major point on this migration route, and thousands of irregular migrants now use Djibouti as both a country of destination and transit on their journey to the Arabian Peninsula. The country also attracts economic migrants from the region, Europe and Asia. Its relative stability in the fragile Horn of Africa and strategic location at the entry to the Red Sea have led to the establishment of several foreign military bases, and investment in infrastructure. Few people in Djibouti migrate internationally, partly due to low salaries in neighbouring countries and language barriers (Djibouti is the only francophone country in the IGAD region), but some migrate to study and work in France and Canada.

Figure 1a: Remittance outflow by sending economy-2021



***Source**: KNOMAD-World Bank KNOMAD, 'Remittances', https://www.knomad.org/data/remittances (accessed on 16 February 2023)*

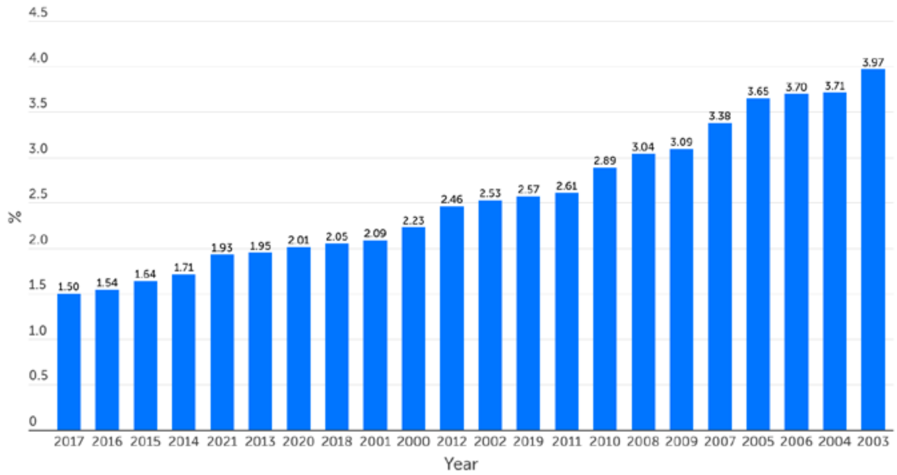
FRA=France, **CAN**=Canada, **ETH**=Ethiopia, **TUR**=Turkey, **BEL**=Belgium, **LBY**=Libya, **SWE**=Sweden, **GBR**=United Kingdom, **EGY**=Egypt, **AUS**=Australia, **DEU**=Germany, **CHE**=Switzerland **NOR**=Norway, **ITA**=Italy, **ESP**=Spain, **GRC**=Greece

1 Throughout this report the focus is on international men and women migrants managing cross-border and 'origin and destination' country issues, rather than domestic migrants moving, for example, from rural to urban areas. Remittances include compensation of employees and personal transfers by migrants.

2 https://migrantmoney.uncdf.org/wp-content/uploads/2023/02/4-FAQs.pdf (Accessed on 19 September 2022)

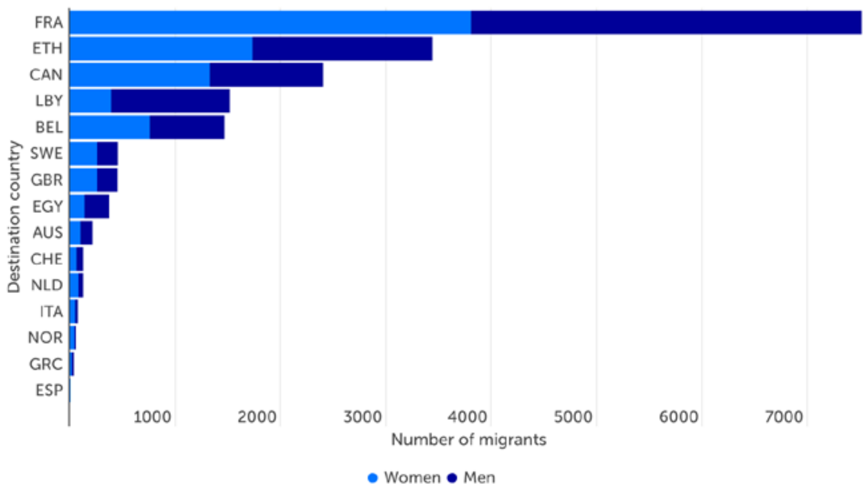
3 International Labour Organization, *An assessment of labour migration and mobility governance in the IGAD region: Country report for Djibouti* (2020), www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743309.pdf. (Accessed on 18 September 2022)

Figure 1b: Value of remittances flowing into migrant countries of origin (percentage of GDP)



Source: KNOMAD-World Bank KNOMAD, 'Remittances', https://www.knomad.org/data/remittances (Accessed on 16 February 2023)

Figure 2a: Migrant stock in destination economy-2021



Source: UNDESA, International Migrant Stock Data (Accessed on 18 September 2022)

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According to the World Bank, in 2021, a total of global inbound formal remittances worth US$65 million, which is 1.8 percent of the gross domestic product (GDP), was sent to Djibouti.[4] The Central Bank of Djibouti (BCD) compiles quarterly data on remittances, which consist of the number of funds received over the past quarter, the country from which it was remitted, the sender and recipient's identity, and whether the transfers were personal or for business. In addition, if a money transfer company in Djibouti receives or sends more than DJF 2 million ($11,238) in one month, it must be reported to the central bank. On a quarterly basis, the central bank shares the data collected with a committee that works to counter transfers made through irregular channels. The central bank oversees policymaking on remittances, and there are currently no policies or laws to reduce the cost of remittances.

Political economy

France is the source of most remittances and the destination of most migrants from Djibouti, given the close historical links between the two countries. Ethiopia is the second most popular destination for migrants from Djibouti, but the associated remittances are relatively low because of the difficulty in transferring money from Ethiopia owing to exchange control restrictions. Strong political relations between Djibouti and Ethiopia have led to employment opportunities for Djiboutian nationals. Little information on remittance flows to and from Djibouti exists, although, according to the Ministry of Foreign Affairs and International Cooperation (MOFA), remittances to Djibouti are largely sent informally.[5]

The government has initiated programmes and agreements to facilitate some outbound labour migration. For example, the Agence Nationale de l'Emploi, de la Formation et de l'Insertion Professionnelle (ANEFIP – National Agency for Employment, Training and Professional Integration), with support from the International Organization for Migration (IOM), is implementing a pilot circular migration project wherein roughly 50 Djiboutian labour migrants are going to work in food processing in Canada with the company Olymel. Djiboutian bus and truck drivers work in Qatar, which is facilitated by a bilateral labour agreement (BLA). A BLA with Saudi Arabia facilitated the deployment of Djiboutian domestic workers to that country but was stopped owing to poor working conditions, such as excessive working hours without compensation. Djibouti is also currently negotiating a BLA with Kuwait.[6]

Recently, in line with development strategies and goals mentioned in the country's Vision 2035, the government developed the diaspora engagement strategy to foster the diaspora's involvement in the country's economic development.[7] One of the strategic areas of action considered is the facilitation of remittances in the country with a focus on remittance data collection, remittance cost reduction, and diaspora empowerment through effective communication on existing remittance services.

4 https://www.knomad.org/data/remittances (Accessed on 12 September 2022)

5 International Labour Organization, *An assessment of labour migration and mobility governance in the IGAD region: Country report for Djibouti* (2020), www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743309.pdf. (Accessed on 18 September 2022)

6 ibid.

7 Strategie Nationale D'engagement De La Diaspora (Accessed in August 2022)

Remittance landscape

MARKET

Banks: There are 13 banks, of which 10 are conventional and three are Islamic banks. In addition, there are two specialized financial institutions.[8] The banking sector holds 94 percent of the total assets of the financial system and 80 percent of total loans to the economy. Three large banks that dominate the banking sector and account for the majority share of deposits in Djibouti are the Bank of Africa (BOA), the Bank for Commerce and Industry – Mer Rouge (BCI-MR), and the Cooperative Agricultural and Credit Bank. By December 2020, the number of bank branches had reached 53 across the country, and more than 90 percent of the branches were located in Djibouti City. According to the BCD, the financial sector currently has 36 financial institutions, and financial services are accessed by 25 percent of the adult population. According to Law No. 119/AN/11/6th L of 22 January 2011, financial institutions include credit institutions, financial auxiliaries, and microfinance institutions (MFIs).

Microfinance institutions: The Caisse Populaire d'Epargne et de credit (CEPEC) has been the major player in the microfinance space. However, the sector has now been opened to private players as well. Law No. 179/AN/AN/07/5th L of 16 May 2007 relates to the regulation of microfinance activities in Djibouti. This law defines microfinance as all basic financial services (credit, savings, but also fund transfers, money exchange, insurance, domiciliation of salaries/ pensions/payments, etc.) intended to provide or contribute effectively to the promotion of vulnerable segments of the Djiboutian population.

Law No. 119/AN/11/6th L on establishing and supervising credit institutions and financial auxiliaries establishes that only a financial auxiliary or credit institution can provide a money transfer service. MFIs cannot engage in money transfers outside of Djibouti's borders.

Mobile network operators: The telecommunications sector has a single mobile network operator (MNO), Djibouti Telecom, which the State owns. This operator manages fixed telephony services and mobile internet access. On 22 June 2020, Djibouti Telecom launched D-Money, a new digital mobile money service across the country. This new innovative service allows users to make digital money transfers and payments directly from their mobile phones.

Non-bank remittance service providers: There are 18 approved money transfer and exchange offices in Djibouti, such as Western Union and MoneyGram, as well as Dahabshil, which covers a broader span of the country.[9]

Money transfer and foreign exchange activity in Djibouti is regulated by the Central Bank of Djibouti under Law No. 119/AN/11/6th L of 22 January 2011 on the establishment and supervision of credit institutions and financial auxiliaries. The activity of receiving or sending funds in Djiboutian franc (DJF) or foreign currency can only be exercised by a financial auxiliary or a credit institution.

Agents: Law No. 118/AN/15/7th L of 16 July 2016 establishes the National Payment System (NPS), and its regulations and supervision allow the use of agents. However, there is no agent regulation in place.

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8 Banque Centrale de Djibouti, *Banques Conventionnelles*, https://banque-centrale.dj/index.php/etablissements-bancaires/ (Accessed on 19 September 2022)

9 Banque Centrale de Djibouti, *Auxiliaires Financiers,* https://banque-centrale.dj/index.php/auxiliaires-financiers/ (Accessed on 19 September 2022)

PAYMENT INFRASTRUCTURE

Broadly, a lack of domestic and regional interoperability is a challenge for remittances. This partially presents an opportunity for informal channels that present other risks to the users and the country. The lack of a centralized national identification platform is also a key challenge to financial institutions carrying out KYC. As such, physical presence is required when opening a bank account, which is a challenge for migrants who do not frequently travel to their country of origin. Private banks are working in isolation to provide digital products such as internet and mobile banking, ATMs, and mobile wallets. This fragmented approach results in little or no interoperability between the different players.

There are ongoing initiatives to resolve some of the above bottlenecks, including implementing a centralized national identification database, developing the D-Money (mobile money) product, implementing a large value payment system or RTGS (Real Time Gross Settlement), and implementing a retail payments national switch. There are plans to authorize banks and non-banks to participate in national retail payments. Djibouti has received support from the World Bank to establish its retail payments infrastructure. Part of the requirements is to allow non-banks such as microfinance, MNOs, and fintechs to participate. These projects would resolve several domestic and cross-border payment infrastructure bottlenecks as far as remittances are concerned. Once implemented, all the above initiatives would reflect the general recommendations of the project so far, which are to resolve domestic interoperability first, and then regional, promote mobile money for last-mile distribution, and digitize national IDs, among others.

Personal identification cards: A few separate, insular identification programmes have their own databases. These databases are fragmented and are neither interoperable nor harmonized. The Direction Générale de la Population et de la Famille (DGPF), within the Ministry of Interior, is responsible for issuing national identification (NID) cards, known as the *carte d'identification nationale numérique*. Djibouti does not have a robust identification system. It is currently working on digitizing the identity cards. The Department of Police also issues identity cards. The cards contain historical police and immigration records, records of passport applicants, and information regarding foreigners presently living in Djibouti.

Automatic teller machines: The number of automated teller machines (ATMs) reached 114 in 2020 in Djibouti, according to the BCD, representing a 34.1 percent increase year-on-year.[10]

Point-of-sale terminals and cards: There is no recent data available on point-of-sale terminals and cards.

Post office: The Djibouti post office plays a role in remittance disbursement by offering money transfer services, particularly in rural areas. It also provides cross-border money transfer services in partnership with Western Union and the Postal Union. Other services include new e-document services to enable people to order official legal documents (such as copies of marriage certificates) securely online.

10 Helgi Library, *Number of ATMs in Djibouti,* www.helgilibrary.com/indicators/number-of-atms/djibouti/ (Accessed on 19 September 2022)

PRODUCTS

According to the Djibouti National Financial Inclusion Strategy (2022-2027), 26 percent of the adult population has a bank account, an additional 4 percent of the population uses microfinance services, and the 70 percent remaining are completely excluded from regulated financial services.[11]

Irregular migration from Djibouti is a major factor causing remittances to be sent to Djibouti through informal means.[12] According to the MOFA, remittances to Djibouti are largely sent informally through the *hawala* system, whereby money is paid to an agent in the country of origin, who then instructs a local associate in the country of destination to pay out the money to the recipient. Migrants with an irregular status do not have the means to access formal channels for remitting in their country of destination because formal identification is required in many countries to meet the know-your-customer (KYC) requirements for cross-border transfers through official channels.

Also, there are hardly any financial products and services marketed to women and men migrants and their families. The financial institutions have not been actively targeting migrant workers because of a lack of accurate data on where migrants are, their status of employment in those countries, and the lack of clarity on regulations and challenges in handling remittances.

11 Djibouti National Financial Inclusion strategy (2022-2027) (Accessed on 18 January 2023)
12 Leon Isaacs, Remittances in ACP Countries: Key challenges and ways forward (Brussels, IOM, 2017) (Accessed on 19 September 2022)

ROADMAP

The assessment and stakeholders' consultations have resulted in developing remittance-related enablers, inhibitors and recommendations for reform. Enablers are factors that contribute to the enhancement of remittance flows, while inhibitors are factors that restrict efficient remittance flows, and recommendations are options to improve the current enabling policy, regulatory and payment infrastructure to increase remittance flows. All of these have been categorized under five key areas:

i. **Legal and regulatory framework**: This includes options for reform relating to authorities, roles, responsibilities and mechanisms for coordination, including legal and regulatory factors that support cross-border remittances.

ii. **Financial and payment system infrastructure**: This includes options for reforming policies, standards and rules related to national payment systems, improving the network of access points, improving access to interoperable systems and platforms, and establishing national ID systems that support e-ID and ID requirements adjusted on a risk basis.

iii. **Market practices**: This includes options for reforms supporting cross-border remittances, especially on a foreign exchange regime that provides clear guidance and mechanisms to capture remittance-related data at the transaction level, as well as data analysis and sharing.

iv. **Consumer protection**: This includes options for reforms related to data protection, privacy, and confidentiality for remittance-related data and relevant components of consumer protection laws that guide consumer protection and complaints resolution mechanisms for financial services, including cross-border remittances.

v. **Cooperation and collaboration**: This includes recommendations on establishing mechanisms and processes to foster coordination between different stakeholders, including through memoranda of understanding and bilateral (or multilateral) agreements; public-private collaboration mechanisms on matters related to the development and implementation of cross-border remittance policies; harmonization of laws and regulations; and establishment of regional bodies to coordinate regional initiatives, and mechanisms for coordinating and implementing policy issues at the regional level. This aspect includes leverage and consistency with other regional and subregional instruments and institutions.

Tables (a)-(e) present enablers, inhibitors, and recommendations for reform across the five key areas listed above.

(a) Legal and regulatory framework

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
The NPS law authorizes the central bank to facilitate the operations necessary for the regular functioning of banking and financial institutions by facilitating payments and movement of funds made in writing and constantly keeping liquidity at their disposal. The law also incorporates the concept of e-money and allows non-banks to provide financial services, including issuing e-money. The NPS law considers integrating with other countries' payment systems.	Currently, the direct participation of non-bank financial service providers in the NPS provided by the BCD is limited, making them reliant on banks in service provision, despite holding a large share of customers' liquidity. The private non-banking sector comprises e-money providers such as mobile money telecommunication companies, single-purpose stored value cards, e-commerce, aggregators/integrators and remittance companies.	Legal frameworks on the NPS could consider allowing direct access of non-bank RSPs to the NPS without necessarily going through banks. Allowing non-banks to access payment systems can improve retail payment system efficiency by increasing competition, potentially lowering fees and broadening the alternatives open to end-users. In other situations, non-banks can contribute expertise that the incumbents lack and cooperate with banks to provide innovative services such as mobile payments.	Short-term: can be implemented within one year
The MFI law recognizes the importance of MFIs in supporting the transformation of the lives of vulnerable segments of the Djiboutian population by providing them with basic financial services (credit, savings, fund transfers, money exchange, insurance, domiciliation of salaries/pensions/ payments, etc.). In addition, the law does not restrict MFIs from dealing with forex.	Law No. 119/AN/11/6th L on establishing and supervising credit institutions and financial auxiliaries provides that only a financial auxiliary or credit institution can provide a money transfer service outside Djibouti's borders. Law No. 179/AN/AN/07/5th L of 16 May 2007, relating to the regulation of microfinance activities in Djibouti, allows MFIs to undertake money transfers within Djibouti only.	The BCD may consider amending Law No. 119/AN/11/6th L and Law No. 179/AN/AN/07/5th L so that RSPs can partner with MFIs to leverage the MFIs' existing distribution networks. MFIs could terminate international money transfers to leverage their existing distribution networks while taking advantage of the existing payment infrastructure to extend networks into and across peri-urban areas for enhanced distribution channels for inward remittances.	Medium-term: can be implemented within 2–3 years

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
The AML/CFT law specifies rules and procedures for KYC for cross-border remittances. The country joined FATF-GAFI in 2018, and there are ongoing discussions for the country to join the Egmont group. RSPs are making an effort to train their staff on compliance issues There are existing MoUs with a number of countries regarding the exchange of information on AML/CFT.	The law provides for proportionate risk-based KYC or customer due diligence (CDD). However, it does not specify threshold amounts for transactions. Verifying a natural person's identity takes place against the presentation of a valid original official document, including a photograph and address. Address verification must take place against the presentation of relevant documentary evidence. In practice, address verification acts as a barrier to access to financial services, especially for poorer people who do not have any documentary evidence of their address. Anyone opening an account must be physically present at the financial institution where they are opening an account. There are no guidelines on e-KYC.	The BCD may consider introducing guidelines for proportionate CDD to implement the already existing AML/CFT laws on risk-based customer supervision so that the market players do not place an unwarranted burden on lower-risk RSPs. The BCD could consider guidelines that will clarify that compliance with (AML/CFT) obligations in the law does not require financial institutions to refuse or terminate business relationships with entire categories of customers that they consider presenting a higher overall money laundering/terrorist financing risk. The guidelines can also allow for e-KYC to help women and men migrants and their families to open bank accounts remotely in their country of origin. The BCD can introduce guidelines for conducting outreach and education for risks covered under AML/CFT regulatory frameworks. The guidelines can provide for outreach and educational programmes to raise awareness among the entities and the wider community of the risks associated with money laundering and the financing of terrorism and proliferation, and to avoid prohibitive implementation of some legal clauses. The BCD can simplify account-opening procedures: consider account-opening requirements that are not prohibitive. For example, requiring a customer to present a "verified employment and source(s) of income" may be a disincentive for self-employed individuals in the informal sector.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Non-bank RSPs are allowed to operate as long as they can meet the required minimum capital of DJF 50 million, a requirement for licensing a remittance provider business.	The minimum capital requirements are not based on the risk and scope of operations. According to the BCD Instruction No. 2017-02 of 4 July 2017—*Mechanism for the Prevention of Money Laundering and Financing Terrorist Activities - Article 11: Obligation to carry out transfers of funds by credit institutions or financial institutions*—any transfer to or from abroad of funds, for a sum greater than DJF 1 million ($5,627 approximately) must be made by a credit institution or an authorized financial institution, or through it. Banks can conduct remittance business based on their banking license, but MFIs and other financial institutions cannot.	The BCD can consider introducing risk-based capital for non-bank RSPs in the regulatory frameworks based on the risk assumed by the RSPs and the scope of operations. Non-deposit-taking RSPs usually provide only a minority of a sender's overall payment needs. Consequently, they do not require the application of heavy prudential requirements as the failure of an RSP is unlikely to cause systemic risk. The BCD can consider adopting a consistent legal approach for licensing and authorizing non-bank RSPs. The BCD can consider establishing a regulatory framework based on proportionality that provides the requirements for licensing or procedures to obtain registration or approval for conducting remittance business, mode and scope of operations, consumer protections and dispute resolution mechanisms, market conduct, adequate disclosure, transparency, reporting requirements, handling of AML/CFT issues, etc. The limit of DJF 1 million for RSPs is prohibitive and a disincentive to strong non-bank RSPs to establish a business in Djibouti. The BCD may consider reducing the minimum capital requirements in line with international best practices. There is a need for a dedicated regulation so RSPs can ensure clarity and guidance on how to conduct the business. The BCD may consider introducing mutual recognition criteria in the regulatory frameworks. A certain level of confidence may be placed on the partner states regulatory regimes such that minimum requirements for operation and supervision are put in place for establishing branches and subsidiaries from partner states. In this case, a license issued by a central bank in one of the partner states is recognized by other partner states' supervisory authorities, and the licensed RSP can be allowed to operate in all partner states upon simple notification to the supervisory authority of the destination country of the migrant. Supervision of the RSP can be mutually agreed upon among the Member States with a preference toward supervision by the migrant's country of origin or shared by the migrant's country of destination and origin.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Law No. 118/AN/15/7th L of 16 July 2016 establishes the NPS, and its regulations authorize the use of agents.	No agent instruction can specifically define activities to be carried out by an agent, a framework for offering agency business services, or minimum standards of customer protection and risk management for agency business services, etc. As a result, RSPs must establish branches by complying with the full list of establishments.	The BCD may consider introducing an agent instruction to define activities that an agent can carry out, provide a framework for offering agency business services, and set minimum standards of customer protection and risk management for the conduct of agency business service. The agent instruction could allow RSPs to use MFIs' outlets for their services and financial service providers to use non-financial service providers' agents for service provisions. The agent instruction should explicitly discourage RSPs from imposing exclusivity conditions on agents, thereby fostering competition.	Medium-term: can be implemented within 2–3 years
Recognition of the significance of digital innovations.	There is a lack of regulatory frameworks for fintech that could allow market participants to test new financial services or models with live customers, subject to certain safeguards and oversight. The BCD capacity constraints to support the remittance market, and slow regulatory approval rate may weaken innovation.	The BCD may consider having regulatory sandboxes in place to encourage market entry. This regulatory and authorization framework supports experimentation, test-and-learn, and deployment processes. It is a temporary experiment of innovative financial products, services, and business models or delivery mechanisms in the payment systems ecosystem. This framework can provide a conducive environment for innovation in payment services while ensuring the protection of consumers and public interest is upheld. The aim is to introduce new service offerings targeting fintechs and innovation among existing RSPs and, subject to a detailed review, to consider the need to widen the scope of players who can be authorized to participate in the NPS ecosystem to increase competition and choice.	Medium-term: can be implemented within 2–3 years

(b) Payment Infrastructure

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Mobile financial services (MFS) or mobile money is a trusted channel for receiving remittance transfers because of convenience, speed, security and reduced cost. Djibouti Telecom introduced D-Money, a mobile money service. The existence of other mobile services like WAAFI enables payment of bills, sending and receiving money, and self-onboarding.	Separate infrastructure catering for mobile money (D-money) from other retail payments presents additional or duplicate costs. Likewise, maintenance costs of the separate infrastructure increase recurring costs. BCD has several infrastructure projects underway that relate to retail payments, including mobile money. This could delay mobile money integration initiatives, as all the various projects require attention.	BCD should prioritize the ongoing integration with mobile money. Djibouti Telecom can champion efforts to improve the uptake of D-Money products by developing several use cases, and ensuring the product is interoperable with platforms of several RSPs including banks, MFI, and fintechs. This is alongside a public awareness programme.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Djibouti has 13 retail banks and three licensed microfinance institutions. The banks provide digital products such as mobile banking, internet banking, and proprietary ATM access to their customers. Funds have been secured to set up a payment switch.	Digital payment interoperability is limited with D-Money and WAAFI. Most digital services are not interoperable and only serve their customers within the same payment ecosystem. Each financial service provider implements its own proprietary distribution network, e.g., each bank (ATM, Mobile banking, POS). It is noted in the country's financial inclusion strategy that 60-70 percent of the access points such as ATMs and electronic funds transfer at points of sale (POS) and other potential networks of agents are in the capital. This has created a physical access problem for remittance receivers outside Djibouti City. This problem is aggravated by the fact that the ATMs and POS of the different banks are not interoperable, and, as such, individuals are bound to incumbent providers. There are limited and non-interoperable retail payment systems and, therefore, limited options for cross-border remittances. The existing corridors include correspondent banking, which is also limited because of the de-risking practices by foreign banks. RSPs are often rejected because of the perception that the region is involved in terrorist financing. It is, therefore, hard to get correspondent banks.	The BCD can improve the payment infrastructures by developing interoperable retail payment systems that cover wide geographical areas. This can reduce risks and costs associated with using cash and checks, and support the central banks' interest in achieving financial inclusion with all geographic regions and income groups. The BCD can integrate the RTGs with retail payments, including mobile financial services. The remittances will be efficient and well-functioning when the RTGS, retail payment, and settlement systems are well-integrated. The BCD can enable the environment to deploy and use the shared infrastructure. This reduces the capital and operational investment for both banks and non-banks in remittances.	Medium-term: can be implemented within 2–3 years

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
There is an enabling law to manage systematic risk: Law No. 118/AN/15/7th L of 16 July 2016 that establishes the National Payment System (NPS). Its regulations and its supervision allow the use of agents.	System failures and channel downtime associated with digital payment instruments cause delayed payment, affecting consumers' willingness to use digital payment services. This explains increasing account dormancy and the dominance of cash, especially for low-value retail payments. Insecure payment systems undermine not only financial system integrity but also undermine national security.	The BCD can agree on a harmonized and coordinated cyber-reporting framework as the first step for collective efforts and sharing of experiences necessary to implement sufficient safeguards. A standard security framework, ISO/IEC 27001, can be adopted. The BCD can consider introducing guidelines for business continuity plans for all MTOs. This includes requiring RSPs to implement appropriate governance and risk management practices to improve remittance services' safety and soundness, and help protect consumers.	Medium-term: expected to be implemented in the next 2–3 years
Interoperability of card-based and mobile-based transactions exists through bilateral arrangements. There are MTOs such as Dahabshiil, which has a presence in over 30 African countries, including in the IGAD Member States.	The partial domestic and cross-border interoperability among RSPs increases the complexity, time, and costs associated with making payments. Limited interoperability with mobile financial services and digital platforms also limits payment options available to consumers. Implementing digital platforms without fully open Application Programming Interfaces (APIs) presents additional costs when developing any interoperability. Existing MTOs are not interoperable with the provider of Mobile Financial Services or Mobile Money. The opening of APIs has been bilateral within RSPs, limiting competition, innovation, and choice. Mobile and digital PSPs are yet to fully open up access to their APIs with the intent of opening the industry. This limits innovation and the ability of new products to be rolled out at scale and at affordable cost. Payment reconciliations take a long time due to the transaction messaging that is not standardized. Businesses rely on specific invoicing and receipting requirements for their internal reconciliation. Transaction notifications from different payment providers differ in the market, making it difficult for businesses to reconcile the payments.	The BCD can consider issuing guidelines on improvements in transaction infrastructures through the adoption of shared and internationally agreed standards for messaging (ISO 20022), the adoption of shared equipment and software standards to allow interoperability at POS among competing networks, and the facilitation of interconnectivity among the proprietary networks for handling the transactions. Standardized formats could enable RSPs to process payment instructions without requiring expensive manual interventions. Greater interoperability, rules, procedures, and operating hours that support straight-through processing could be a step towards harmonizing regional remittance services. The BCD can consider introducing guidelines to harmonize API protocols for data exchange across payment infrastructures to enable more efficient payment data and digital identifier exchange in cross-border payments. Such action could help improve coverage and reduce the cost to end users of remittance services. The guidelines could encourage technology providers to provide standard APIs to enable other players to develop interoperable applications.	Medium-term: can be implemented within 2–3 years

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Presence of an ID system. The Direction Générale de la Population et de la Famille (DGPF), within the Ministry of Interior, is responsible for issuing national ID (NID) cards, known as the *carte d'identification nationale numérique*. The government plans to digitize the national ID to provide smooth access to government services.	Djibouti does not have a robust identification system. Instead, it has a few separate identification programmes with their own databases. These databases are fragmented and are neither interoperable nor harmonized. The lack of a robust ID system makes it complex and costly to securely identify beneficiaries, a major prerequisite for gaining access to digital forms of payment. The inability to promptly, correctly, and cost-effectively confirm a beneficiary's identity causes delays and increases costs. The DGPF introduced a national identity card, which costs about DJF 2,498 ($14) per person. Few individuals applied for the card as it was expensive. Besides this NID, the Department of Police also issues identity cards. The scenario as regards fragmented identity systems influences how payment systems can be integrated to enable the e-KYC process.	The DGPF and other relevant authorities like the national police can work toward a centralized Identity system. The DGPF can also work toward enabling more security features on issued NID, like secure chips that hold the biometric data of all citizens. The relevant authorities should make the cost of attaining an NID more affordable. Digitization of the NID positively affects financial inclusion and is also an enabler in combating AML / CFT. The BCD and relevant institutions such as DGPF can integrate the ID system with the payment infrastructure: Once the ID system is improved, the payments infrastructure should also be enhanced to integrate with digital identity systems. Access to CDD information will play a significant role in lowering the risk perception of persons and reducing the cost of compliance.	Short-term: can be implemented within one year

(c) Market aspects

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
The government and private stakeholders recognize the importance of access to information on migration, financial literacy and awareness for the remittance users.	Low financial and digital literacy levels, especially among women, affect their ability to use digital payments. This is further exacerbated by complex and non-intuitive steps to affect payments, thereby inhibiting the use of digital payment services. Some migrants lack the financial literacy to identify and compare alternative remittance services. The RSPs lack knowledge about the market, such as the market size in key corridors. Consequently, RSPs regard remittances as unattractive because senders typically have relatively low incomes.	The ministries responsible for foreign affairs can hire a liaison officer who will communicate with and inform the diaspora and the associations of women and men migrants on the one hand, and the administrations involved in the promotion of investment in the country on the other hand. They should also liaise with RSPs of interest to their country to disseminate literacy courses. The liaison officer can prepare public education and awareness programmes, particularly for women and men migrants. The education seminars should cover customer-journey mappings, such as steps involved in sending remittances, pre-departure opening of a bank account and/or mobile wallets to be used by the remittance recipients, electronic cards security and other important features such as safety, practicality and ease of use, and available financial products. The education and awareness initiative should involve the central banks, informing how various payment mechanisms and products can easily be accessed. The liaison officer should coordinate with embassies and consulates to participate in developing databases, including names, jobs, and contacts. Online communication and virtual meetings can be organized to strengthen proximity with migrants in the long term, and to better understand their concerns and expectations. Networking with non-governmental organizations and associations of women and men migrants abroad will ensure a better channelling of remittances to projects in their country of origin. The liaison officer can also develop online tools. This makes it possible to network migrant skills abroad to mobilize them for advice, expertise, and remittances to their country of origin. The liaison officer can encourage the entry of new operators into the remittance space. One of the easiest ways to lower transaction costs is to encourage the entry of new legitimate operators in a given corridor and to inform migrants about their ability to choose among existing remittance-transfer mechanisms. This supports increased competition among RSPs, thereby improving efficiency and lowering costs.	Medium-term: can be implemented within 2–3 years

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Fairly stable and convertible exchange rate. Djibouti has a fixed exchange rate with USD; since 1973, $1 = DJF 177.5. According to the information gathered, for DJF 1 issued by the Central Bank of Djibouti, the equivalent in USD is deposited with the correspondents to ensure all the monetary coverage (currency board principle)	Lack of disclosure of applicable exchange rates used by RSPs. Each RSP in Djibouti sets its own pricing. However, the central bank requires these institutions to abide by BAL3 solvency, and as such, they share their detailed financial statements with the central bank every month.	The industry could be encouraged to agree on a common reference exchange rate (e.g., the interbank market rate at a specific time of day) to be used as a basis for calculating the price of the remittance service. Senders could then be advised on a total price that includes both the explicit fees/costs and the effect of any difference between the reference exchange rate and the actual exchange rate applied by the RSP. This would make it easier for senders to compare services.	Short-term: can be implemented within one year
Existence of some partnership arrangements between banks and international money remittance agents to allow inflowing remittances. Some bank RSPs have made an effort to reach out to migrants through their association so as to assess their needs and work together to provide financial solutions that meet their needs.	Inadequate migrant-centric products could incentivize them to transfer money back to their country of origin. The lack of migrant-centric products and value-added products/services, such as payments, savings, investment, credit, and insurance, to utilize the full potential of cross-border flows results in low uptake and usage of digital remittance services.	Governments, philanthropists, and the private sector, including fintech, can adopt a broader view of how to tap financing for development through remittances by designing varieties of appropriate products that will attract women and men migrants. For women and men migrants, direct investment is potentially valuable. Financial institutions should also develop a broader range of investment products targeting migrant investors, such as basic low-cost payment accounts and services for retail clients, migrant micro-savings bonds, endowment accounts, pension schemes, and insurance policies, which could then be used for remittances. Understanding customer profiles (i.e., migrant profiles to design products) is useful. Interface with labour, foreign affairs ministries, etc., may aid this process.	Short-term: can be implemented within one year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Existence of consulates in major remittance-sending corridors. Existence of a national diaspora strategy that aims to strengthen trust and communication between the government and the diaspora. .	Women and men migrants generally have difficulty accessing many financial services in their destination countries since they do not have the documentation that RSPs require.	The ministries responsible for foreign affairs can consider issuing consular identity cards to women and men migrants, especially those who do not have the documentation RSPs require to enable them to use formal remittance channels. Such cards may encourage women and men migrants (regardless of immigration status) to use formal remittance services and open bank accounts. Cooperation with the destination country's government is critical to ensure that the cards are acceptable to banks and government offices. The BCD can allow online bank account opening using consular cards. At the outset, women and men migrants could be given consular identity cards issued by the Ministry of Foreign Affairs and approved by the BCD, deemed compliant with national rules and regulations. The central bank should require that each migrant opens a domestic bank account that facilitates monitoring financial practices and preventing illegal activities. Online bank account openings can be allowed using these consular cards without any additional ID.	Medium-term: can be implemented within 2–3 years
The BCD compiles quarterly data on remittances, consisting of the funds received over the previous quarter, the country it was remitted from, the identity of the sender and receiver, and whether the transfers were personal or for business purposes. Every quarter, the BCD shares the data collected with a committee that works to counter transfers made irregularly.	The data on remittance flows and their impact is inadequate. Data is aggregated with information on phone numbers, ID cards used, amount and country, and contact of beneficiaries. The BCD does not collect or estimate data on remittances sent/received via informal channels. The lack of adequate data has inhibited targeted marketing and migrant-centric product development by FSPs.	The BCD may consider developing a reporting system for collecting, analysing, monitoring, and using remittance data. This will involve assessing the existing central bank data collection systems and developing a platform that will define appropriate remittance data architecture, data collection and repository systems, data measurement and analytics processes, and data monitoring and use, among others. Reliable data on remittances is key to enhancing the accuracy and comprehensiveness of the balance of payment data, effectively managing issues related to AML/CFT compliance, understanding the true impact of remittances on the economy, and forming more effective policies for managing remittances, including policies to incentivize their contributions to the economy. Remittance data collection, analysis, monitoring, and use are important for making decisions in remittance service processes. Consider collecting gender-disaggregated data to ensure that decision-making considers the unique needs of women and men migrants. Efforts should also be made to understand the scope, usage, and impact of informal remittances on the domestic economy.	Short-term: can be implemented within one year

(d) Consumer protection

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
There are provisions in different laws that cater to consumer protection. Law No. 28/AN/08/6th L relates to protection, repression, fraud and consumer protection. Article 40 of law No. 119/AN/11/6th L covers aspects of consumer protection where credit institutions and financial auxiliaries are required to inform customers of the conditions applied to their operations. Competition laws were adopted in 2008, prohibiting all forms of action between economic operators that tend to restrict competition, limit or control production and investment, or result in abusing a dominant position. The law does not cover state-owned enterprises. The BCD handles customer complaints, but for amounts below DJF 40,000, there is a commission for small litigation that handles these across sectors.	Djibouti does not have stand-alone consumer protection legislation. Some laws have provisions on complaint-handling mechanisms for consumers, but it is unclear and complex due to various consumer protection frameworks and a lack of enforcement mechanisms. No recourse mechanism has been purposely built for digital channels. Djibouti lacks harmonized financial consumer protection frameworks to ensure that data and money are well secured during cross-border transactions, especially cybersecurity and data protection. There is a lack of transparency in tariff-setting practices among RSPs. This affects customers' willingness to use formal remittance service channels. RSPs often get complaints from some of their customers about receiving less money. Customers do not know the charges. There is no law on data protection and privacy.	The BCD could develop a harmonized financial consumer protection framework through guidelines to ensure that data and money are secured, and to foster consumer trust and confidence. These guidelines, which would apply to all RSPs (licensed, registered, and supervised), would protect and empower remittance senders and recipients, especially in the key areas of (i) cybersecurity; (ii) data protection and privacy; (iii) complaints management; (iv) transparency and disclosure; (v) float and agent liquidity management; and (vi) financial education and customer awareness. • **Cybersecurity**: Cybersecurity policies will protect users and data, enabling users to enjoy frictionless and safe money transactions. • **Data protection and privacy**: Legal frameworks can clarify and strengthen data protection regulations, especially from financial and payment data perspectives. This should include how financial payments and other digital payment data are collected, held, stored, accessed, and shared, as well as pertaining to ownership and intellectual property rights, if any, and consumer consent and protections. The overall objective should ensure that payment data are used safely and securely to enhance users' privacy and customer-centricity. • **Complaints management**: The guidelines can provide for complaint-handling mechanisms and refund procedures. Guidelines should require RSPs to develop a complaints management plan, including the establishment of (i) a separate unit responsible for digital finance and remittance payments; (ii) a manual of operations that clearly explains how consumer complaints are addressed and reported, with clear responsibilities for each step of the process; and (iii) appropriate communication channels to address inquiries and complaints from digital finance and remittance consumers. If the complaint is not resolved to the customer's satisfaction, an out-of-court alternative dispute resolution (ADR) mechanism can provide further options for recourse. • **Transparency and disclosure**: The guidelines could require proper disclosure at the advertising, shopping, pre-contractual and contractual stages (and upon request), in line with Principle 3 of the G-20 High-Level Principles on Financial Consumer Protection, which states "all financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers". Guidelines should also require RSPs to provide information about any other relevant aspects of their service, such as: (i) the ability, if any, of the sender to revoke the transfer after it has been paid for; (ii) whether the RSP will inform the receiver when the funds are available; (iii) information about the rights of the consumer in the event of any problems (e.g., dispute or error resolution); (iv) the customer's ability to transfer products or services to another provider with reasonable notice; and (v) contact information. • **Float and agent liquidity management**: The guidelines can also consider introducing a code of conduct on float management because this is an implicit charge. Its effect is that the remittance service is slower, and the intermediary entity earns interest income from the funds. • **Financial education and customer awareness**: RSPs could establish financial education programmes for remittance consumers to raise awareness of basic information about remittance products and services, including charges and fees. The government can ensure that the entities responsible for financial consumer protection have clear mandates, sufficient capacity and expertise, and effective mechanisms for coordination and collaboration with internal and external stakeholders.	Medium-term: can be implemented within 2–3 years

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Existence of some guidance on data protection and privacy. Article 13 of the Constitution of Djibouti concerns data protection and privacy. It states, ''The secrecy of correspondence and all other means of communication shall be inviolable. This inviolability shall be subject only to such restrictions made applicable by law."	Lack of data protection regulatory framework. The unauthorized use of customers' data in digital payments poses a challenge to cross-border payments and potentially creates a lack of trust for remittance service users.	The BCD can implement robust safeguards, and a financial sector data protection regulatory framework can be developed and enforced. The framework could have provisions related to data protection, privacy, confidentiality, and procedures for safe information sharing without conflicting with AML/CFT laws. It could also provide access to correspondent bank accounts and provide relevant customer identification data upon request to the correspondent bank or foreign business partners. This will reduce countries' risky practices that are detrimental to remittance services.[13]	Medium-term: can be implemented within 2–3 years

13 According to the Financial Action Task Force (FATF), de-risking is defined as "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk".

(e) Cooperation and collaboration

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Membership in various regional and international fora, including membership to IGAD.	Unharmonized policies, laws and regulations related to cross-border remittance across regional blocks. Lack of cooperation on AML/ CFT measures on cross-border remittance flows among member countries in the region, including sharing information	In collaboration with other central banks, the BCD can consider harmonizing remittance regulations within the IGAD region and other corridors. It can be challenging to use regional payment systems if the regulation in each participating system is not harmonized or if operating standards are different. Trade arrangements and financial liberalization commitments, especially those linked to the operation and licensing of financial entities, including RSPs, can be built upon. Other relevant public authorities can evaluate actions to collaborate in connecting or enhancing domestic and cross-border regulatory cooperation. This could be done by assessing the existing arrangements and challenges, creating the building blocks of a response to improve the current regional cross-border remittance arrangements, and establishing a road map of practical steps (with timeframes) needed to harmonize policies. An intended outcome is increased efficiency, affordability, and security of intraregional and cross-border fund transfers.	Short-term: can be implemented within one year

KEY TAKEAWAYS AND NEXT STEPS

Djibouti is implementing many developments, like digitizing the national ID and establishing a switch, etc., to create a smooth remittance flow. These, along with the recently drafted diaspora strategy, prove that the national government recognizes the valuable contributions that Djiboutian migrants living and working abroad can make to their country of origin. UNCDF has sought to provide a similarly ambitious and comprehensive diagnostic for the specific and fundamental question of optimizing migrant remittances. We recognize that the various recommendations also require various levels of effort and timeframes to implement.

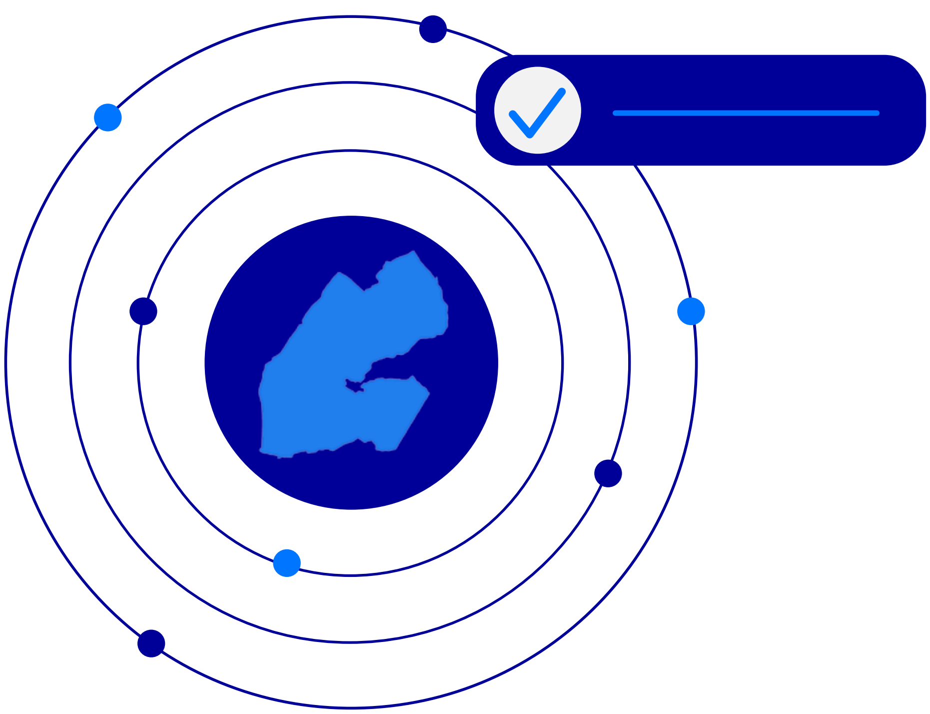
We look forward to reviewing this report in detail with key BCD and government stakeholders and accordingly identifying opportunities where UNCDF can provide specific support going forward. Along with consultations to review the content of this report, UNCDF will keep Djiboutian stakeholders updated on the comprehensive body of work we will be pursuing around migration and remittances. This work includes:

- **Demand-side research**: Despite digital solutions' great potential to improve the lives of migrants and their families, both access and uptake remain a challenge. Many migrants may lack practical access to a digital transaction account (such as a mobile wallet), whether because such services are simply unavailable in the locale where the migrant is working or because the migrant lacks the necessary documentation to open such an account, or due to some other external factor. Where access is available, the migrant may lack the necessary digital literacy to know how to register for such an account. Finally, some migrants, even those digitally adept, may not see digital solutions as better than cash-based solutions, which is perhaps not surprising since the use cases for digital remittance channels remain limited to date. Unless human-centred financial product development, focused on the financial needs and mobility considerations of migrants, is responsively designed and supported by the requisite last-mile delivery infrastructure, commercially viable financial inclusion for migrants and their families will not be achieved. UNCDF's demand-side research thus focuses heavily on human-centred design. We anticipate that the learnings from our human-centred design work will be applicable and valuable to the Djiboutian context.

- **Supply-side research**: Access and uptake of digital financial services, including remittances, requires a robust and inclusive digital finance ecosystem. Such an ecosystem must ensure the active participation of traditional and non-traditional financial service providers to support commercially viable digital remittance channels. The supply-side assessment work is aimed at reviewing the constraints faced by the providers—agent networks, liquidity management, business models, products, digital infrastructure, etc.—that currently limit their capacity to advance the usage of digital products.

- **Learning and implementation**: In parallel with the roll-out of the research strategy, UNCDF will be pursuing an ambitious capacity-building and learning agenda. We are partnering with leading academic and learning institutions to advance our understanding of shared challenges and opportunities about building enabling ecosystems, pursuing evidence-based decision-making, and designing migrant-centric financial products.

Finally, as we begin collaborating with the BCD to review this report, we also look forward to holistically considering the set of recommendations. The holistic approach is important for several reasons. First, all the work with UNCDF will ultimately support the central bank's efforts to improve remittance flows through regulated channels, giving regulators a more accurate picture of the true balance of payments. At the same time, the work will also advance the financial inclusion of migrants and their families, thus advancing the financial inclusion agenda for the country as a whole. UNCDF's recommendations in this report form a system, and changes to any single factor will likely cascade through that system. Tackling the diagnostic recommendations systemically, rather than looking at individual recommendations in isolation, will make their inter-dependencies and linkages more visible and align with the country's monetary, financial inclusion, and digitalization agendas, and will ultimately create the best path forward.



Impact Capital for Development

MIGRANT MONEY

ABOUT IGAD

The Intergovernmental Authority on Development (IGAD) is one of the eight regional economic communities (RECs) and building blocks for the African Union. IGAD was established in 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD), which was founded in 1986. The new and revitalized IGAD was launched during the 5th Summit of IGAD Assembly of Heads of State and Government—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—held on 25-26 November 1996 in Djibouti. The Summit endorsed the decision to enhance regional cooperation in three priority areas of food security and environmental protection, economic cooperation, regional integration and social development peace and security. The founding leaders of IGAD were motivated by a vision where the people of the region would develop a regional identity, live in peace, and enjoy a safe environment alleviating poverty through appropriate and effective sustainable development programmes.

ABOUT UNCDF

The United Nations Capital Development Fund (UNCDF) is the United Nations' flagship catalytic financing entity for the world's 46 Least Developed Countries (LDCs). With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial & business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance).

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