

FAQs on investment in DIFTZ

A. Project progress

1. What are the key milestones of construction of DIFTZ?

DIFTZ was officially opened for business on 5 July 2018;

Djibouti International Office Tower and Djibouti International hotel in DIFTZ were officially opened in November 2019;

Djimart.com, the B2B e-Commerce platform, was officially launched in May, 2020;

Sea-Air Multi-mode Transport Service was officially launched in September, 2021.

2. What is the total area of the project? How about that of phase 1 development?

The total project area is 48.2 km². Phase 1 development covers 6 km², including a 2.4 km² pilot zone which is largely completed.

B. Leasing and property rights

1. How long are the leases? Are the property rights transferable?

We offer long-term leasing for 95 years and 30 years, as well as short-term leasing for 1 year. Leasehold rights are transferable upon DIFTZ's approval.

2. Are the rent payments one-off or are they made on a regular basis?

For long-term lease of land, in principle one-off payment of rent should be made. Short lease of land, advance payment of rent should be made annually.

We accept installment payments to support the business development of customer in DIFTZ, details can be discussed.

3. What types of business or operation are allowed in DIFTZ?

Commercial logistics and export processing are the two major business types in DIFTZ. For other kinds of business and operation, please check with our representatives.

4. What is the leasing rate?

Short term :1-year long-term leasing: USD 13.5/sqm;

Long term : 30-year long-term leasing: USD 180/sqm; 95-year long-term leasing: USD 220/sqm;

5. What is the minimum area of land that can be rented?

long-term leasing: 5,000 sqm;

Short-term leasing: 1,000 sqm.

6. Are the property rights of land or buildings transferrable?

Subleasing is allowed upon KAF's approval. Additional fees may be charged by KAF.

7. Does DIFTZ offer factory-building services?

Yes, we do. Please submit your architectural proposal and requirements to us in advance.

C. Operations inside DIFTZ

1. What are the charges for water, electricity communication and property management etc. inside DIFTZ?

Please refer to the table of charges in Business Proposal.

2. What are the preferential policies offered to corporations inside DIFTZ (taxation, charges, use of personnel etc.)?

Existing policies inside DIFTZ are listed as follows. In the meantime, we are still making efforts to negotiate better terms.

Items	Current regulations	Regulations under investment agreements
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Restrictions on foreign labour	No limitation on working types which are not currently found in Djibouti. Free trade zone will offer help for foreign staff.	In the first five years, foreign labour can account for 70% of all staff. The percentage should reduce to no more than 30 after five years. Under current regulations, DPFZA is entitled to relax restrictions on foreign labour on specific projects after KAF has made such request.
Employment visa	1124 USD/person/year (outside the Park) ~150 USD/person/year (inside the Park)	Same as current regulations
Minimum wage	200 USD/month	Not applicable
Statutory working hours	48 working hours/week	Same as current regulations
Social welfare	Amount of contributions payable by employee and employer is 6% and 15.7% of relevant income respectively (outside DIFTZ) Amount of contributions payable by employee and employer is 6% and 10.2% of relevant income respectively (inside DIFTZ)	Same as current regulations
Dismissal	Notification period (normal payroll): General staff: 15 days Management: 1 month Senior Management: 3 months Statutory compensation : No more than 2 months of salary (if total number of	Same as current regulations

	<p>employees more than 11) No more than 4 months of salary (if total number of employees between 11 and 49) No more than 6 months of salary (if total number of employees more than 49) *Not applicable for staff dismissed due to gross negligence or wilful misconduct</p>	
Type of taxes	Tax rate outside the Park	Tax rate inside the Park
Corporation tax	25% of profits or 1% of revenue, whichever is higher	0
Value-added tax	10% (no tax in the first year)	0 (Applicable if commodities are to enter Djibouti market from Bonded Area)
Individual income tax	<p>Progressive taxation above 50,000 DJF/month 50,000-150,000 DJF: 18% 150,000-600,000 DJF: 20% >600,000 DJF: 30%</p>	<p>None for foreign staff Same for local staff as stated under 'tax rate outside the Park'</p>
Profits tax	5%	0
Land tax	<p>Vacant land: area*market price*25% Infrastructure/building/facility: area*market price*coefficient (as below) <1.12 million DJF: 10% 1.12-3.84 million DJF: 18% >3.84 million DJF: 25%</p>	0

3. Apart from export and processing, can I carry out businesses that involves transactions directly with customers, such

as sales of products and accessories, maintenance and operating leasing services?

Currently there has been no prior examples inside DIFTZ. Whether this could be carried out has to be further confirmed with the government of Djibouti. In principle, remedial tax needs to be paid for local sales operation.

4. Is it convenient to clear customs inside DIFTZ?

DIFTZ is the most efficient free trade zone in Djibouti. We have already completed all related customs-clearing procedures. Besides, we are working together with Customs on developing IT system to facilitate business inside DIFTZ which will make customs-clearing simpler and easier. Operation team can carry out agent service of customs clearance for clients.

5. Are there any dedicated banks for corporations inside DIFTZ to handle bank-related businesses? Or should I do it with local banks outside DIFTZ?

There are many banks in Djibouti for customers to choose. Clients may handle bank-related businesses according to their own needs and choose the bank they want. Bank of China has set up its branch in Djibouti.

6. In the future, which shipping companies will dock at DMP?

Major clients (cargo vessels): ESL, LMC. Due to exclusive license agreement in SGTD, all cargo vessel operation will be carried out in SGTD. Major clients (bulk carriers): COSCO and others. Currently, there are no fixed service routes for bulk cargoes, all bulk carriers arriving at ports in Djibouti are rented by cargo owners

7. What is the policy regarding visas for staff working inside DIFTZ?

Currently, visas for staff working inside the Park is 150 USD/year/person, visas for staff working outside DIFTZ is 1,124 USD/year/person.

D. Life in DIFTZ

1. What facilities are/will be provided in the DIFTZ pilot zone?

A hotel along with staff apartments, an office building, staff dormitories and a commercial center that includes supermarket(s), bank(s), indoor/outdoor sports facilities (e.g. gym, table tennis rooms, tennis/basketball/badminton courts).

2. Will accommodation be provided to overseas employees in DIFTZ?

Rental apartments can be provided. The number available should be further discussed.

E. Other questions

1. Employment visas for working inside and outside DIFTZ are different, in terms of both its nature and cost. If I have an employment visa for working inside DIFTZ, can I sell vehicles or spare parts directly to the local market and carry out maintenance service? Or do I need to apply for employment visa for working outside DIFTZ?

Up to now, employment visas for working inside the Park only allows work inside the Park. Our company is actively negotiating with DPFZA on opening up our service scope. We will offer assistance to future incoming corporations on employment visa application. According to current regulations of DIFTZ, corporations inside the Park are not allowed to engage in businesses outside DIFTZ. If corporations wish to engage in businesses outside DIFTZ they could consider registering a company outside the Park instead of establishing branches within DIFTZ.

2. Are there limitations on scope of business or ratio of foreign-funded shares for corporations running outside DIFTZ?

Scope of businesses and ratio of foreign-funded shares are not specified. You may refer to investment law of Djibouti.

3. Overtime payment

Inside DIFTZ	Outside DIFTZ
0500AM-1000PM: 1.5 times 1000PM-0500AM: 1.75 times	Over 48 hours: daytime salary: 48-56 hours: 1.25 times 56-62 hours: 1.5 times

	>62 hours: 1.75 times Night-time salary (1000PM-0500AM): 1.75 times
Public holidays : 0500AM-1000PM: 2 times 1000PM-0500AM: 2.5 times	Public holidays : 0500AM-1000PM: 1.5 times 1000AM-0500PM: 2.5 times

F. Tariffs

1. There is no bilateral zero-tariff agreement between Djibouti and Ethiopia.

Djibouti is a Member State of the Common Market for Eastern and Southern Africa (**COMESA**), a free trade area with 21 Member States that include:

Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somali, Sudan, Tunisia, Swaziland, Uganda, Zambia, Zimbabwe.

14 of them are full FTA Members trading on a full duty free and quota free basis, the remaining 5 countries are at a various stages of joining the FTA. Ethiopia is one of the non-FTA members of COMESA.

Rules of Origin that apply to trade with Ethiopia:

The COMESA treaty provides that goods shall be accepted eligible for preferential tariff treatment if they originate in the Member States. Goods shall be accepted as originating in a Member State and comply with one of the five conferring criteria lists below:

- a) Goods wholly produced in Member State (that is, no raw material from outside the regions have been used in their manufacture); or
- b) Goods satisfying the change of tariff heading resulting from their process of manufacture where some raw material are

- imported; or
- c) Goods produced in a Member State and the CIF value of any foreign (that is non-COMESA) materials used does not exceed 60% of the total cost of all materials used in the production; or
 - d) Goods produced in Member States whose added value resulting from the process of production accounts for at least 35% of the ex-factory cost of the goods; or
 - e) Goods produced in Member States designed in a list by the Council to be of particular importance to the economic development of the Member State and containing not less than 25% value added notwithstanding the provision states in No.3 above

This is to say, goods that contain at least 25% of added value resulting from the process of production in Djibouti are eligible for the certificate of origin. Zero tariffs apply when they are exported to full Free Trade Area (FTA) Member States, including strong economic powers in East Africa like Egypt and Kenya. As Ethiopia is not a full Free Trade Area (FTA) Member State yet, 10% of the tariffs will be exempted for export to Ethiopia. Also, Eritrea offers 80% off to COMESA Member States.

Member States exporting goods within the quota to EU and America can also enjoy preferential tariff policies.

The above information is obtained from the website of Addis Chamber (<http://www.addischamber.com/index.php?subPageName=bsCOMESA>). You may also refer to the website of COMESA for more, (<http://www.comesa.int>) (For example, goods being exported to Ethiopia are subject to 10% of tariff and it would be reduced to 9% with the certificate of origin)

2. AGOA

Under the existing US trade programs, the dependence of Sub-Saharan African (SSA) countries on the US is much greater than the other way round.

Although AGOA promises access of more than 6,000 products to the US market, only a few, including textile products, gasoline, mineral products (diamond, lead), automobiles, are granted access, among all textile products are the most notable items. Export trades under AGOA only comprise a small portion of African countries' non-gasoline exports. In 2011, 79% of US imports from SSA countries came from Nigeria (47%), Angola (19%) and South Africa (13%)

3. Everything but Arms (EBA)

EBA arrangement was signed between the EU and African, Caribbean and Pacific countries in 2011, which gives all least developed countries full duty-free and quota-free access to the EU for all their exports. EBA is a part of Generalized Scheme of Preferences (GSP), in which Djibouti is a beneficiary country. Since 1 January 2017, the EU adopts the Registered Exporter system (the REX system) as the system of certification of origin of goods. According to EU regulations, if a product is wholly obtained or produced completely within one country the product shall be deemed having origin in that country. For a product which has been produced in more than one country the product shall be determined to have origin in the country where the last substantial transformation took place. In general the criterion of last substantial transformation is expressed in three ways:

3.1 by a rule requiring a change of tariff (sub) heading in the HS nomenclature;

3.2 by a list of manufacturing or processing operations that do or do not confer on the goods the origin of the country in which these operations were carried out;

3.3 by a value added rule, where the increase of value due to assembly operations and incorporation of originating materials represents a specified level of the ex-works price of the product.

REX system requires that in order to make statements of origin, exporters will be required to undergo a registration process with the competent governmental authorities in GSP beneficiary countries, and it is the responsibility of the competent authorities in GSP beneficiary countries to determine whether products fulfil the rule of origin.

G. How to register a company in DIFTZ

Capital requirements		
FZE Minimum capital required: USD 140,000 Registration fee: USD 4,000	FZCO Minimum capital required: USD 70,000 Registration fee: USD 4,000	Branch Deposit funds: USD 10,000 Registration fee: USD 4,000
Required supporting documents		Remarks
1	Signed land/warehouse/office building leasing agreements	The to-be-established company can be the contract party in the agreements, but please check with DPFZA in advance.
2	Business Plan	The Business Plan should be carefully written
3	For sole proprietorship/joint venture companies	Both domestic and local notarisations are needed
	1. Corporate Charter of the applicant company	
	2. Certificate of Registration of the applicant company	
	3. Board Resolution	
4. Signatures of the Director/General Manager/Shareholder/Authorized Representative		

	5. Copies of passports of the Director/General Manager/Shareholder/Authorized Representative	
	For branch companies	
	1. Certificate of Registration of the parent company	Both domestic and local notarisations are needed
	2. Corporate Charter of the parent company	
	3. Board Resolution of the parent company on establishing the Branch	
	4. Information about the General Manager of the Branch	
4	Registration Application Firm	Location of land zone/warehouse/office stated in the contrast will be the corporation's registration address
During the review process, DPFZA might request for an in-person interview to answer queries it might have		
Steps to establish a company		

- A. Fill out the Application Form from DPFZA
- B. Sign land/warehouse/office building leasing agreements
- C. Submit supporting documents
- D. DPFZA reviews the application and issues bank account opening letters
- E. Open bank account, settle up paid-in capital and licensing fees
- F. License issuing and registration

1. Notarization

As China is not a Hague Apostille Member Country, when a document issued in other countries is used for legal purposes in China, or the other way round (i.e. issued in China, used in other countries), both domestic and local notarizations are required. Legal documents issued in Mainland, China requires certification and there are agencies in Hong Kong that provide this service. However, if the document is notarized in Hong Kong, no certification is required.

2. Resolution

A resolution shall be adopted by a majority vote of the directors entitled to vote on the resolution. Written resolutions need to be certified in Beijing, while no certification is needed for resolutions adopted in board meetings held in Hong Kong.

Disclaimers:

- **All information is intended for reference only. Although the information is compiled from sources believed to be reliable to the best of our knowledge, no truth, accuracy, completeness or timeliness of the information is guaranteed and no liability is accepted.**