

THE WAVERLEY SERIES

DJIBOUTI

An Insight of Investment, Trade and Economy

September 2026

For Advisory & Partnership

LORD WAVERLEY

office@lordwaverley.com • www.lordwaverley.com

DJIBOUTI — AT A GLANCE

Capital	Djibouti City
Population	≈ 1 million
Real GDP growth	6.5–6.8% (2025, sources vary); projected between 5.9% (World Bank) and 6.8% (AfDB) for 2026, with the range reflecting differing assessments of Red Sea and Hormuz Strait disruption risk
GDP per capita	≈ USD 4,681 (nominal, 2026)
Inflation	Fell sharply to -0.3% in 2025 from 2.1% in 2024; projected to rise to 2.4% in 2026 before easing to 1.7% in 2027
Fiscal position	Deficit projected to widen to 1.9% of GDP in 2026 before narrowing to 1.0% in 2027
Current account	A genuinely unusual surplus, projected at 14.1% of GDP in 2026 and 14.6% in 2027, reflecting Djibouti's role as a logistics and services hub rather than a goods exporter
Debt	Already assessed as in debt distress, with at least one major unpaid arbitration award against the state exceeding USD 100 million
Currency	Djiboutian franc (DJF), fixed to the US dollar at 177.721
Principal partners	Ethiopia (landlocked and dependent on Djibouti's ports), United States, China, France, Japan and Italy (each hosting military bases); World Bank, IMF, African Development Bank
Governing framework	National 'Vision 2035' development strategy; World Bank Country Partnership Framework FY22-FY27; hosts multiple foreign military bases generating significant state revenue

Djibouti occupies a genuinely unique economic position: a nation of roughly one million people sitting at the intersection of some of the world's busiest shipping lanes, hosting military bases for the United States, China, France, Japan and Italy simultaneously, and serving as the essential maritime gateway for landlocked Ethiopia, Africa's second most populous country. This month, a new World Bank diagnostic delivered a sobering verdict alongside that success story: Djibouti has largely exhausted what it can earn simply monetising its geography, is already assessed as in debt distress, and must now build genuine productive capacity in sectors like off-grid solar, data centres and tourism to sustain growth. This economic transition unfolds under a political system in which President Ismail Omar Guelleh, in power since 1999, secured a sixth consecutive term in April 2026 with 97.81% of the vote after parliament unanimously removed the age limit that would otherwise have barred his candidacy.

1. INVESTMENT & FDI

A landmark World Bank diagnostic argues Djibouti must move beyond monetising geography, identifying \$600 million in private investment potential deliberately outside its traditional port and logistics strength.

The World Bank Group's Country Private Sector Diagnostic for Djibouti, released on 13 September 2026, identifies reforms that could unlock at least \$600 million in private investment and create around 12,000 jobs over five years across three specific sectors: off-grid solar energy, data centres and tourism. Notably, logistics and ports are deliberately excluded from this list, a choice the report frames as central to its argument rather than an oversight, reflecting the finance ministry's own description of the needed shift as moving 'from monetising geography to transforming it.'

- **A \$600 million reform-contingent opportunity:** the identified investment potential is explicitly conditional on specific policy reforms rather than committed capital, meaning the pace and scale of actual deployment will depend on how quickly Djibouti implements the diagnostic's recommendations.
- **Off-grid solar as the largest single opportunity:** at up to \$394.4 million and roughly 8,700 jobs, off-grid solar energy represents the largest individual sector identified, reflecting both genuine renewable-energy potential and the high electricity tariffs the report cites as a current constraint on broader private-sector growth.
- **A debt-distress classification and unresolved arbitration awards:** Djibouti is already assessed as being in debt distress, and at least one construction claimant holds an arbitration award against the state exceeding \$100 million that remains unpaid, a concrete legal and payment-reliability consideration for prospective investors and contractors.
- **Structural constraints identified:** the World Bank diagnostic specifically cites high electricity tariffs, limited access to finance, skills gaps and restrictions on competition in key sectors as the primary barriers currently constraining private-sector expansion beyond the state-dominated logistics model.

2. TRADE & BUSINESS

Ports and logistics remain the backbone of the economy even as competition risk from alternative Ethiopian trade routes and Red Sea disruptions looms.

Djibouti's ports have a combined capacity of approximately 18 million tonnes, supported by an electrified railway to Addis Ababa and extensive road connections to neighbouring markets, cementing the country's position as the primary maritime gateway for landlocked Ethiopia. This logistics-driven model produces a genuinely unusual current account surplus, projected at 14.1% of GDP in 2026 and 14.6% in 2027, even as persistent tensions in the Red Sea and around the Hormuz Strait have begun affecting maritime traffic and raising freight and energy costs.

- **A rare current account surplus:** the projected 14.1-14.6% of GDP surplus through 2026-27 reflects Djibouti's structural position as a services and logistics hub rather than a goods exporter, a genuinely distinctive feature among the frontier markets covered in this series.
- **Regional maritime disruption as a direct risk:** ongoing Red Sea and Hormuz Strait tensions are already raising freight and energy costs and affecting maritime traffic patterns, with the IMF explicitly warning that continued disruption would directly reduce port revenue and growth.
- **Ethiopian trade-route concentration risk:** the IMF has specifically flagged the risk of Ethiopian trade patterns shifting toward competing regional ports as a medium-term threat to Djibouti's logistics-dependent economic model, independent of the Red Sea situation.

- **An unexpected maritime-safety role:** since 2023, several commercial vessels damaged in attacks by Yemen's Houthi movement have docked in Djibouti, an unplanned but concrete illustration of the country's practical importance to regional maritime safety amid ongoing Red Sea instability.

3. MAJOR ECONOMIC DEVELOPMENTS

A sixth consecutive presidential term, secured after age limits were specifically removed to allow it, coincides with a formal debt-distress classification and a deteriorating fiscal position.

On 26 October 2025, all 65 members of Djibouti's National Assembly unanimously passed legislation lifting the presidential age limit that would otherwise have barred President Ismail Omar Guelleh, then 78, from seeking a sixth term. In the resulting 10 April 2026 election, Guelleh won 97.81% of the vote against a single opponent whose party holds no parliamentary seats, extending his tenure since 1999 to 27 years; two of the country's main opposition parties have boycotted elections since 2016, and independent monitors have characterised the political system as an electoral autocracy. Guelleh was inaugurated for his sixth term on 9 May 2026 and unveiled a new 26-member cabinet, including eight women, on 17 May.

- **Age limits removed specifically to enable this term:** the unanimous October 2025 parliamentary vote to lift the presidential age limit, followed directly by Guelleh's candidacy and landslide re-election, represents a clear, well-documented sequence of events investors should understand when assessing Djibouti's political continuity and succession outlook.
- **A stability narrative with genuine regional resonance:** Guelleh has explicitly framed his continued leadership as preserving stability in a historically volatile region, a case supporters note carries real weight given ongoing instability in neighbouring Somalia and Ethiopia specifically.
- **Severe youth unemployment:** estimates of youth unemployment ranging as high as 70-77% represent one of the starkest gaps between Djibouti's strategic economic importance and the lived economic reality for much of its population, particularly younger workers.
- **A deteriorating fiscal trajectory:** the fiscal deficit is projected to widen to 1.9% of GDP in 2026 before narrowing to 1.0% in 2027, a trajectory that compounds the country's already-formal debt-distress classification.
- **A fresh regional refugee pressure:** in September 2026, Djibouti called for international assistance as thousands of Yemenis fled to the country, adding a further humanitarian and fiscal burden atop the government's existing economic management challenges.

4. MAJOR PROJECTS & INFRASTRUCTURE

The Djibouti International Free Trade Zone continues attracting land sales even as the World Bank argues genuine diversification requires looking beyond logistics infrastructure alone.

- **Djibouti International Free Trade Zone (DIFTZ):** more than 100,000 square metres of land were sold in the first quarter of 2026 alone, part of a long-term plan for the zone to eventually cover 4,800 hectares with projected investment exceeding \$3.5 billion.
- **Established logistics infrastructure:** the combined 18-million-tonne port capacity, the electrified Addis Ababa railway and extensive regional road connections represent more than a decade of infrastructure-led development that continues generating the bulk of current economic activity.

- **AgriConnect Compact launch:** on 14 September 2026, the government, the World Bank Group, private-sector representatives, financial institutions, producer organisations and development partners jointly launched a compact aimed at strengthening food security, boosting private investment and creating jobs in the agricultural sector.

5. CONFERENCES, FORUMS & EXHIBITIONS

The World Bank's diagnostic launch and the AgriConnect Compact signing were this month's most consequential investment-related convenings.

- **Country Private Sector Diagnostic launch:** the 13-14 September release of the World Bank Group's diagnostic represented the most significant investment-strategy event of the month, directly reframing Djibouti's development narrative toward productive-capacity building.
- **AgriConnect Compact launch event:** the 14 September multi-stakeholder launch brought together an unusually broad coalition spanning government, multilateral institutions, private-sector representatives, financial institutions and agricultural producer organisations.

6. BUSINESS & INVESTMENT EVENTS

The AgriConnect Compact brought together an unusually broad coalition of government, multilateral and private-sector actors this month.

- **A coordinated multi-stakeholder food-security initiative:** the AgriConnect Compact's explicit combination of government commitment, World Bank technical and financial support, private-sector participation and producer-organisation involvement represents a genuinely comprehensive approach to addressing both food security and agricultural private investment simultaneously.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Djibouti's unique position hosting multiple foreign military bases continues generating significant revenue alongside its logistics role for Ethiopia.

Revenues from foreign military basing, alongside port services for landlocked Ethiopia, form the backbone of Djibouti's economy according to independent analysis. The country simultaneously hosts military installations for the United States, China, France, Japan and Italy, a combination that has earned it recognition as hosting more foreign military bases than any other nation, reflecting its enduring strategic value at the Bab-el-Mandeb strait regardless of which specific government partnerships are most active in any given period.

- **Multiple concurrent military basing relationships:** Djibouti's simultaneous hosting of US, Chinese, French, Japanese and Italian military bases generates a diversified revenue stream from base-hosting arrangements that few other nations can replicate, reflecting sustained multilateral strategic interest in its location.
- **World Bank and IMF engagement:** the World Bank's Country Partnership Framework for FY22-FY27, supporting the government's Vision 2035 strategy, and the IMF's completed 2025 Article IV consultation and debt sustainability analysis together represent Djibouti's core multilateral development relationships.
- **A fresh regional humanitarian dimension:** Djibouti's September 2026 call for international assistance amid Yemeni refugee arrivals adds a new, active dimension to its relationships with humanitarian and development partners beyond the country's traditional economic and security partnerships.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The World Bank diagnostic identifies specific structural barriers constraining private-sector growth beyond the state-dominated logistics sector.

The absence of a developed domestic financial market significantly limits the mobilisation of local savings and private-sector financing in Djibouti, with limited access to long-term financing and a high cost of capital both cited as direct hindrances to productive investment beyond the state-anchored port and logistics sector. The AgriConnect Compact's explicit inclusion of producer organisations alongside government and financial-sector participants reflects a deliberate effort to extend investment promotion to smaller agricultural enterprises specifically.

- **An underdeveloped domestic financial market:** the absence of deep local capital markets means Djibouti's small and medium enterprises face genuinely limited formal financing options relative to the country's overall economic activity.
- **Targeted producer-organisation inclusion:** the AgriConnect Compact's structure, explicitly incorporating producer organisations alongside larger institutional participants, represents a concrete effort to ensure smaller agricultural enterprises are not excluded from the broader food-security and investment push.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Off-grid solar, data centres and tourism define the World Bank's identified diversification opportunities, deliberately distinct from Djibouti's traditional logistics strength.

- **Off-grid solar energy:** the largest single opportunity identified in the World Bank diagnostic, at up to \$394.4 million and approximately 8,700 jobs, directly addresses the high electricity tariffs the same report cites as a broader economic constraint.
- **Data centres:** Djibouti's position as a major subsea internet cable hub underpins the diagnostic's identification of data-centre development as a genuine, geography-leveraging diversification opportunity distinct from traditional port logistics.
- **Tourism:** the report identifies tourism potential tied to Djibouti's Red Sea and Gulf of Tadjoura coastal and marine assets, an underdeveloped sector relative to the country's natural endowments.
- **Continued DIFTZ land sales:** with more than 100,000 square metres sold in the first quarter of 2026 alone against an ultimate 4,800-hectare target, the free trade zone remains open for continued industrial and logistics-adjacent investment even as the World Bank argues genuine diversification lies elsewhere.

SUMMARY ASSESSMENT

Djibouti occupies a genuinely unique position among the markets this series covers: a strategically indispensable small nation generating a rare current account surplus through military basing revenue and its role as landlocked Ethiopia's essential port. This month's World Bank diagnostic delivers an important, sobering complement to that success story, arguing that Djibouti has largely exhausted what it can earn simply monetising its geography and must now build genuine productive capacity in off-grid solar, data centres and tourism to sustain its growth trajectory.

Set against this economic transition: Djibouti is already formally assessed as in debt distress, carries at least one significant unpaid arbitration award against the state, and continues facing a deteriorating fiscal position even as its unique geography generates persistent surpluses. Politically, President Guelleh's sixth consecutive term, secured after parliament unanimously removed the age limit that would have barred his candidacy, extends 27 years of continuous rule under a system independent monitors describe as offering no genuine electoral competition — a governance reality investors should weigh directly against the country's genuine strategic and logistics strengths.

For investors, the coming months offer concrete signals to watch: whether the specific policy reforms underlying the World Bank's \$600 million private investment estimate are actually implemented, whether the outstanding arbitration award and broader debt-distress classification see meaningful resolution, and whether the AgriConnect Compact and similar initiatives translate government-multilateral coordination into measurable private-sector outcomes beyond Djibouti's traditional logistics and military-basing revenue base.