

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

DJIBOUTI

Africa East

Dialogue | Trust | Partnership

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WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Doraleh port complex	Houses the Doraleh Multipurpose Port and SGTD Container Terminal, the operational core of Djibouti's logistics economy, alongside China's first-ever overseas military base	Port operations, logistics, maritime services
Djibouti International Free Trade Zone (DIFTZ)	A USD 3.5 billion, China-linked zone aiming to become Africa's largest free trade zone; offers zero corporate taxation, full foreign ownership and freedom of foreign exchange transactions	Logistics, light manufacturing, trade and distribution
Damerjog Industrial Development Free Trade Zone	Multibillion-dollar flagship project under the government's Vision 2035 strategy	Industrial development, manufacturing
Tadjourah and Ghoubet ports	Secondary port assets within the broader Djibouti Port and Free Zones Authority portfolio	Port and maritime logistics diversification
Off-grid solar and renewable energy sites	Specifically identified by a September 2026 World Bank Group diagnostic as a priority area for new private investment, explicitly separate from logistics	Solar power generation, off-grid energy infrastructure
Data centre and digital infrastructure sites	Also specifically identified by the same World Bank diagnostic as carrying genuine private investment potential	Data centres, submarine cable infrastructure, digital services
Tourism development zones	The third sector specifically named in the World Bank diagnostic as holding investment potential outside the logistics model	Tourism and hospitality development

INVESTOR ENTRY ROUTES

- **FOREIGN DIRECT INVESTMENT:** The Djibouti International Free Trade Zone offers specific, codified incentives including zero corporate taxation, full foreign ownership and unrestricted foreign exchange transactions.
- **JOINT VENTURE:** The established model in the port sector, where the state indirectly owns 76.5% of the port holding company alongside stakes held by three Chinese companies in the DIFTZ.
- **STRATEGIC PARTNERSHIP:** Relevant to renewable energy, data centre and tourism projects specifically flagged by the World Bank as distinct from the state-dominated port and logistics model.
- **PPP / INFRASTRUCTURE:** Relevant to continued port expansion and renewable energy projects, both cited as drivers of a possible 2026 return to fiscal deficit.
- **ACQUISITION / PRIVATISATION:** Limited current evidence of an active privatisation pipeline given continued state-owned enterprise dominance across telecommunications, utilities, media, ports, airports and free zones.
- **EXPORT → DISTRIBUTION → LOCALISATION:** The core model underpinning Djibouti's transshipment economy, though the World Bank's own diagnostic suggests new private capital should look beyond this model specifically.

MARKET-ENTRY OBSERVATION

A Djibouti entry strategy should take direct account of a genuinely pointed, very recent signal: a September 2026 World Bank Group Country Private Sector Diagnostic identified at least USD 600 million in private investment potential and around 12,000 jobs specifically in off-grid solar, data centres and tourism, stating plainly that logistics is not part of this opportunity set. Investors should read this as a direct steer away from the state-dominated port model that has historically absorbed the vast majority of capital, toward genuinely under-served non-logistics sectors.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Formal IMF debt distress classification	External public debt stood at 68.9% of GDP in 2024, and the IMF assesses Djibouti as in debt distress with debt deemed unsustainable; China's Export-Import Bank holds approximately USD 1.47 billion, roughly half of all external debt	Treat sovereign counterparty risk as elevated; monitor whether Djibouti can refinance its Chinese debt before the existing moratorium ends in 2027
Extreme economic concentration	The Djibouti-Ethiopia corridor generates more than 75% of GDP, and port and logistics activities alone account for nearly 70%, leaving the economy highly exposed to any disruption to this single corridor	Diversify exposure toward the specific non-logistics sectors identified by the World Bank; avoid treating port-sector strength as a proxy for broader economic resilience
State-owned enterprise dominance	SOEs continue to dominate telecommunications, utilities, media, ports, airports and free zones, and account for most external debt and government-guaranteed loans, limiting space for independent private investment outside designated free zones	Focus engagement on free-zone-structured investment with codified, rather than negotiated, incentives
Two-sided Red Sea disruption exposure	Regional shipping attacks have raised foreign military base rents even as they drive away port traffic, meaning the same regional conflict can simultaneously help and hurt Djibouti's two main income sources; a Houthi advance on Yemen's Red Sea coast in September 2026 has pushed more than 3,700 people across to Djibouti's northern shores and raises further security and economic-spillover risk, even though the African shore of Bab el-Mandeb itself has not been taken over	Model both revenue streams, port traffic and base rents, separately rather than assuming they move together
Weak job creation despite strong growth	The IMF states directly that Djibouti's infrastructure-led logistics hub strategy has driven economic growth but has not led to significant job creation	Prioritise genuinely labour-intensive investment in the sectors identified by the World Bank diagnostic
Low tax revenue base	Tax revenue as a share of GDP remains low due to exemptions granted to free zones, port activities and military bases, alongside tax evasion, constraining the government's own fiscal space	Do not assume government co-financing capacity beyond what is explicitly committed and disbursed

INVESTOR RISK NOTE

Djibouti presents genuinely strong, broadly convergent growth figures, with the World Bank estimating 6.5% growth in 2025 and projecting 5.9% in 2026, alongside inflation close to zero, even as the country sits in formal IMF debt distress. The economy rests on two income sources: moving Ethiopia's trade and leasing land to foreign militaries, with rents from foreign bases totalling over USD 125 million annually. President Ismail Omar Guelleh, in power since 1999, won a sixth term in April 2026 with approximately 97% of the vote. Djibouti's economy has shown real resilience amid regional conflict and the Red Sea crisis, with GDP growth in 2024 partly driven by rising transshipment demand as shipping diverted around regional disruption; investors should nonetheless watch this dynamic directly, since further escalation could just as easily depress port traffic as support it.

MARKET ACCESS

The World Bank Group published a Country Private Sector Diagnostic for Djibouti on 13 September 2026, identifying at least USD 600 million in private investment potential over five years and around 12,000 jobs, specifically in off-grid solar, data centres and tourism. Djibouti reached a debt-service moratorium with China's Export-Import Bank, which the IMF characterises as temporary relief rather than a structural fix, with the moratorium's 2027 expiry a specific date for investors to track. The Djibouti International Free Trade Zone continues to expand under the government's Vision 2035 strategy, alongside the Damerjog Industrial Development Free Trade Zone; a July 2026 judgment formally recorded that the state indirectly owns 76.5% of the port holding company. On governance,

Djibouti has been tightening DIFTZ's regulatory framework around a dedicated administration and licensing 'one-stop shop,' following UNCTAD recommendations to apply stricter project-selection criteria and gradually align free-zone tax treatment with national rules; the explicit aim is to shift the zones from a largely logistics/transit model toward attracting 'patient capital' for industrial diversification (digital services, energy storage, light processing) rather than land plays. On security, Djibouti joined 13 other countries in July 2026 to establish a Multinational Maritime Defence Alliance, and Djibouti Code of Conduct signatories committed in August 2026 to a combined anti-piracy task force.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Djibouti Port and Free Zones Authority	Largest beneficiary of state-guaranteed external debt and the central institution overseeing port, logistics and free-zone operations	Port and free-zone project access, licensing
World Bank Group / IFC	Published the September 2026 diagnostic identifying USD 600 million in non-logistics private investment potential	Diagnostic follow-up, project facilitation in solar, data centres and tourism
IMF	Assesses Djibouti's debt as unsustainable and monitors the China Exim Bank moratorium's status ahead of its 2027 expiry	Debt-sustainability monitoring, macro-stability tracking
China Export-Import Bank	Holds approximately USD 1.47 billion, roughly half of Djibouti's external debt, and granted the current debt-service moratorium	Understanding sovereign debt dynamics relevant to any government-linked project
Chinese DIFTZ partner companies	Hold direct stakes in the Djibouti International Free Trade Zone alongside the port authority	Free-zone joint-venture and co-investment introductions
Government of Djibouti (Vision 2035 agencies)	Sets strategic priorities including the Damerjog Industrial Development project and broader diversification agenda	Strategic-project access, Vision 2035-aligned introductions

CURRENT INTERNATIONAL BUSINESS CHANNELS

China remains Djibouti's dominant investment and creditor relationship, financing the Doraleh Multipurpose Port, the Djibouti-Ethiopia railway, a water pipeline from Ethiopia, and holding direct stakes in the DIFTZ, alongside overtaking the US as Djibouti's largest trading partner in 2009. The United States and France maintain long-standing military basing relationships, with successive US administrations describing Djibouti as a key partner on security and regional stability, while officials have separately voiced concern that Djibouti's debt to China could shift the regional balance of power. The World Bank Group's new diagnostic represents an emerging, distinct multilateral channel specifically oriented toward non-Chinese, non-logistics private investment.

INVESTOR PROFILE BEST SUITED

Following the World Bank's own explicit steer, the strongest emerging profile is off-grid solar and renewable energy developers, data centre and digital infrastructure investors, and tourism and hospitality developers. Alongside this, DIFTZ-based logistics, light manufacturing and free-zone trading investors remain relevant given the zone's codified incentives, as do development-finance partners engaging directly with the World Bank's new diagnostic findings.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Market Intelligence

Map the sector, project location, applicable free-zone regime and counterparties.

STEP 2: Investor Fit

Match capital, technology and risk appetite to a defined Djiboutian project, with explicit regard to the World Bank's identified non-logistics priority sectors.

STEP 3: Partner Identification

Identify government counterparts, the Port and Free Zones Authority, World Bank/IFC contacts and relevant international companies.

STEP 4: Strategic Introductions

Use Waverley's business-diplomacy and institutional-relations capability to facilitate selected, purposeful introductions.

STEP 5: Market Entry

Support the investor through feasibility, partner negotiations, financing discussions and implementation planning.

WAVERLEY'S ROLE

- Market Entry & Investment
- Business Diplomacy & Strategic Introductions
- Trade Missions & Market Access
- Trade & Geopolitical Risk Advisory
- Government & Institutional Relations
- Research & Investment Intelligence

INVESTOR CALL TO ACTION

International investors, companies, institutions and strategic partners seeking further market intelligence or selected introductions may contact Waverley to discuss their objectives.

Market Intelligence → Investor Assessment → Strategic Introduction → Market Engagement → Potential Investment

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Internal intelligence should track: project sponsor; location; sector; project stage; CAPEX; financing need; investor type; government counterpart; local partner; free-zone status; relevant international company; conference/mission opportunity; introduction status; and next action. Public Gateway pages should reveal enough to generate investor interest without exposing commercially sensitive intelligence.

POSITIONING

Waverley Investment Gateway - From Market Intelligence to Trusted Market Connections.

Waverley helps international investors understand selected emerging and frontier markets, identify relevant opportunities and navigate the relationships required to explore market entry.

SELECTED SOURCES

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- US Congressional Research Service - "Djibouti and China have significantly expanded economic ties" and "China's Engagement in Djibouti."
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