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Djibouti:

Country Private Sector Diagnostic

SEPTEMBER 2026

About the Country Private Sector Diagnostic

The private sector is an engine of long-term economic growth and a catalyst for global social and economic development. When functioning well, it promotes innovation and entrepreneurship, improves access to and the quality of economic opportunities, and supports the sustainable use of natural resources. In developing economies, the private sector creates the vast majority of jobs, generates tax revenue, and accounts for significant investment.

The Country Private Sector Diagnostic (CPSD) reports seek to unlock private investment and job creation through policy action to remove impediments to private investment. Prepared jointly by the institutions of the World Bank Group, each report analyzes specific sectors of the economy in which increased private investment could accelerate growth if appropriate policy and regulatory issues are addressed.

Designed from the perspective of an investor or entrepreneur, CPSDs seek to identify untapped private investment opportunities and the barriers that stand in their way (earlier reports can be found here). Subsectors of the economy are chosen based on their potential to attract private investment, create more and better jobs, generate domestic revenue, and foster sustainable, inclusive growth in response to targeted policy action. The report aims to help policy makers prioritize impactful actions that can be taken in the near term to remove disincentives to private investment, while delivering on broader development goals.

The CPSD is a core country diagnostic of the World Bank Group produced to guide the design and implementation of country strategies, public and private investment projects, budget support operations, advisory services, and other analytical work. It is intended to be of interest to domestic and foreign investors, government officials, Bank Group staff and management, civil society, and other development partners.

CPSDs are a central instrument of the World Bank Group's jobs agenda as articulated in the 2025 Development Committee (DC) Paper on Jobs: The Path to Prosperity, which emphasizes translating private sector development into large-scale employment opportunities. CPSDs support this agenda by providing country-level, sector-specific diagnostics that help identify systemic barriers to private investment critical to job creation. They also align with the DC's three-part approach to private sector development and job creation: investing in human capital and infrastructure to establish the basic preconditions for job, supporting business-enabling policies, and mobilizing private capital at scale to help firms create more and better jobs.

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Acknowledgments

The Djibouti Country Private Sector Diagnostic was prepared by a team from the World Bank Group, led by Jean Michel Marchat and Nada Farid. The core team comprised Juliana Somerville Beall, Jacqueline Irving, Maxime Kamdem, Gal Komem, Wouter Schalken, Guy Zibi, and Laura Monteagudo Molina. The project benefited from sector-specific insights and research support from Audrey Ariss, Abel Brook, Georges Joseph Ghorra, Adèle Yvette Paris, Alex Pio, Carlo Maria Rossotto, and Dina Rifaat. Adama Badji provided administrative support and editorial assistance.

Peer reviewers Lucine Lominy, Diderot Guy D'Estaing Sandjong Tomi, Frédéric Pierre René Picard, Karla Díaz Clarke, Shaun Mann, Dolele Sylla, and Sylvia Solf provided very valuable comments.

The management team was led by Cheick-Oumar Sylla and Stéphane Guimbert who cleared the report. Paolo Mauro, Nadir Mohamed, Sandeep Mahajan, Fatou Fall, Jeff Chelsky, Maiko Miyake, Djibrilla Issa, and Yira Mascaró provided continuous guidance and strategic advice.

We also gratefully acknowledge the support and contributions from all local stakeholders, including the Ministry of Economy and Finance, the Djibouti Chamber of Commerce, and the Multisectoral Regulatory Authority of Djibouti, whose collaboration was critical to this work.

Executive Summary

The Country Private Sector Diagnostic (CPSD) is a core country diagnostic of the World Bank Group, produced to guide the design, implementation, and prioritization of policies that can be implemented within three to five years.

CPSDs are intended to be of interest to investors, government officials, civil society, and other development partners. Designed from the perspective of an investor or entrepreneur, CPSDs seek to identify untapped private investment opportunities and the barriers that stand in their way. Subsectors of the economy are chosen based on their potential to attract private investment, create more and better jobs, generate domestic revenue, and foster sustainable, inclusive growth in response to targeted policy action.

This report and the underlying data collection were completed in early April 2026. Preparation involved desk research, value chain analysis, and stakeholder consultations. The report complements the 2023 Private Sector Diagnostic (IFC 2023) by extending the sectoral analysis and identifying targeted policy actions to address constraints to private sector development in specific subsectors.

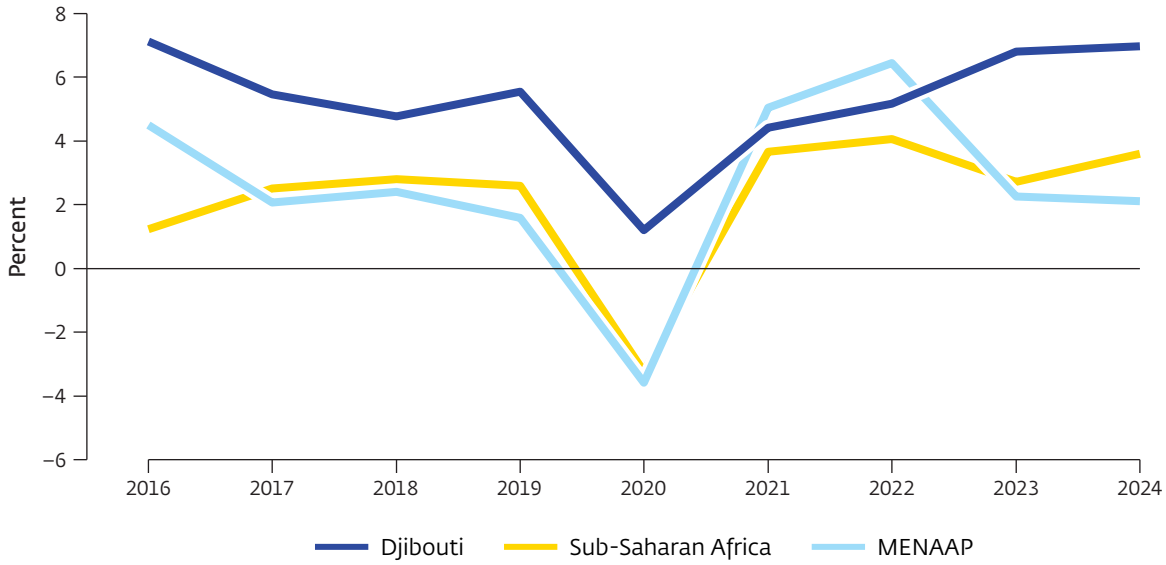
Djibouti Has Enjoyed Robust Growth, but Challenges Remain

Djibouti possesses strategic growth factors. It benefits from a strategic location in East Africa at the Bay-el-Mandreb Strait, a vital maritime gateway that governs access to the southern entrance of the Red Sea and connects the Red Sea with the Indian Ocean, adjacent to some of the world's busiest shipping lanes. It is also home to eight operational submarine cables and is a regional information, communication, and technology (ICT) hub. As such, the country has attracted substantial foreign direct investment (FDI) and has the potential to attract more domestic and foreign investments in select sectors if key constraints are addressed.

Djibouti has experienced robust growth in recent years (figure ES.1). Gross domestic product (GDP) growth averaged 5.3 percent annually from 2016 to 2024, outperforming

Figure ES.1

A Robust GDP Growth



Source: World Development Indicators, April 2026.
Note: GDP = gross domestic product, MENAAP = Middle East, North Africa, Afghanistan, and Pakistan.

the Middle East, North Africa, Afghanistan, and Pakistan and Sub-Saharan Africa regions. Growth was driven primarily by trade and logistics services, thanks to the country's key role as a maritime gateway and a hub for submarine cables and regional ICT. Other growth factors include political stability, substantial FDI focused on port infrastructure, and the country's role as a transit and reexport hub for Ethiopia. The presence of foreign military bases also contributes significantly to the economy.

However, Djibouti faces significant challenges, related to debt, diversification, and poverty. While infrastructure development has been important and has had a positive impact, it has come at the cost of high external debt, which stood at 68.9 percent of GDP in 2024. Debt service difficulties have led to arrears and ongoing negotiations with major creditors, including China and India. In addition, economic diversification remains limited. The services sector, dominated by trade with Ethiopia, accounts for nearly 78 percent of GDP and employs about 93 percent of the workforce. Finally, poverty and unemployment remain high with close to one-fifth of the population living below the international poverty line.

Private Sector Development Needed to Address These Challenges Is Impeded by Cross-Cutting Structural Constraints

The *business environment* is hampered by high utility costs, especially electricity tariffs. Costs can be extremely high—commercial tariffs are US¢25 per kilowatt-hour (kWh), well above the Africa region average of US¢14 per kWh. As such, energy remains the largest single cost factor for businesses operating in Djibouti. In addition, monopolistic control of key sectors by state-owned enterprises (SOEs), including telecommunications, water, and electricity, hampers the proper working of markets and the establishment of competitive prices.

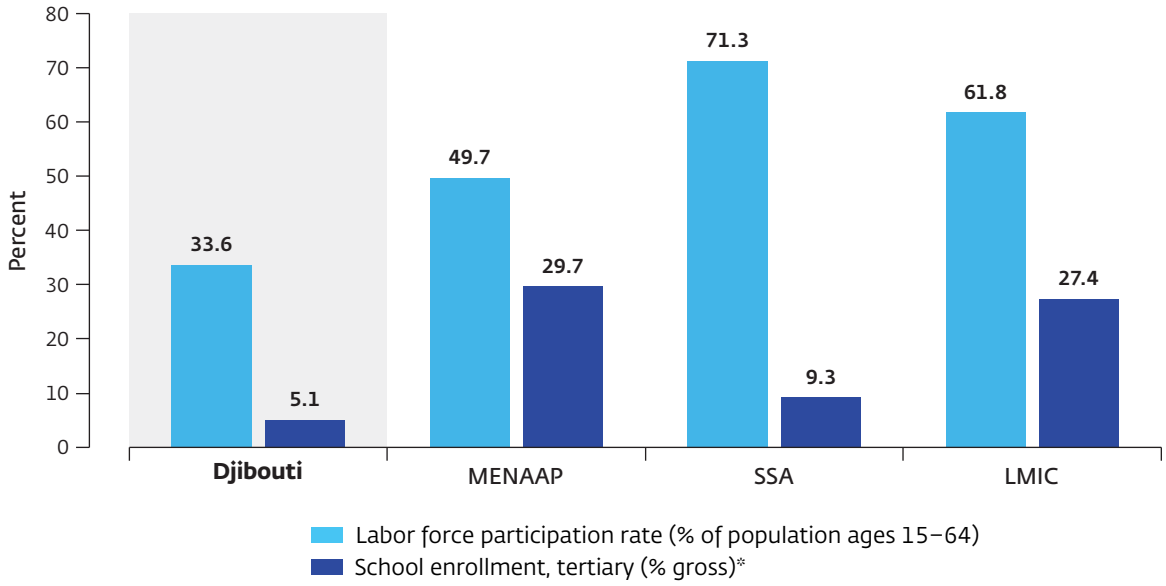
***Access to serviced land* remains a significant constraint.** Outside the free zones, serviced land is scarce, unaffordable, or subject to delays and risks. The state, as the primary owner of all land, generally allocates it unserviced and at low prices through a process that could be improved in terms of competition and transparency, resulting in missed private investment opportunities and foregone state revenues. The government recognizes the limitations of the current framework and is drafting a new "National Land Policy." Once finalized and adopted through the legislative process, the policy is expected to modernize land governance, improve tenure security, and address pressured on urban and rural land.

***Access to finance* is limited,** particularly for micro, small, and medium enterprises, including women-owned firms. This constraint stems from limited collateral options, weak creditor rights, and a lack of reliable borrower information, all of which heighten lending risks and reinforce banks' risk aversion. Current efforts to strengthen banking sector intermediation, including the Djibouti Guarantee Fund (FOGAD), secured transactions and leasing reforms, credit information systems such as the Central Bank's "Centrale des Risques," and fintech development, are promising but require acceleration to achieve meaningful impact. These efforts take place in a financial system with no active capital market and where banks account for about 97.5 percent of total assets. Bank credit also remains costly, particularly for longer-term financing.

***Low skill levels and high labor costs* hamper economic activity (figure ES.2).** Formal private employers often cite skills gaps among Djiboutian job seekers. This partly reflects the limited educational attainment of the workforce: 50.6 percent of employed workers have no formal education, and the share of population with tertiary education is low. In addition, a significant share of unemployed persons have upper secondary or tertiary education but are unable to find employment, suggesting a mismatch between available skills and labor market demand. Labor costs may also discourage labor-intensive activities, such as manufacturing. The public sector, which offers tenure and relatively high wages,

Figure ES.2

Labor Force Participation and Education Remain Low



Source: Based on September 2025 data, World Development Indicators.
Note: LMIC = lower-middle-income countries; MENAAP = Middle East, North Africa, Afghanistan, and Pakistan; SSA = Sub-Saharan Africa.
* For Djibouti, the tertiary gross enrollment ratio is based on 2011 data, the latest year available.

attracts the majority of Djiboutian workers with at least secondary education, leaving fewer skilled workers available for the formal private sector and likely increasing labor costs. Continued efforts to improve the education system must be pursued to better align workforce skilles with private sector needs.

To Sustain Its Strong Growth, Djibouti must Diversify its Economy to Foster Investment and Job Creation

To this end, this CPSD has identified three subsectors where private investment can be boosted by concrete policy actions to remove impediments. The selection of sectors followed a rigorous, systematic process that included analysis of quantitative and qualitative indicators, subject to availability, and stakeholder consultations, including interviews with private investors, companies, technical experts, policy makers, and development partners. Recognizing that an element of judgment is involved, the selection is not intended to be exhaustive. Rather, it aims to facilitate focused analysis and concrete recommendations. The selected sectors are off-grid solar energy, data centers, and tourism. These sectors align with Djibouti's key economic characteristics.

Investment potential in Djibouti is strongly tied to the specific characteristics of its small economy, while success in attracting sector-level investment depends on addressing the cross-cutting constraints and sector-specific issues.

Off-Grid Solar

Djibouti's energy mix relies on thermal generation from heavy fuel oil and diesel and, increasingly, on renewable energy. Although Djibouti imports clean energy from Ethiopia, fossil fuels continue to play a significant role, especially during the hot season. The government has set an ambitious target to produce 100 percent of the country's electricity from renewable energy sources by 2035. To achieve this objective, Djibouti has initiated a series of strategic projects and partnerships focused on renewable energy development.

A central challenge facing Djibouti is the high cost of electricity, which significantly affects the competitiveness and performance of all economic sectors. Electricity pricing remains a systemic issue that constrains industrial development and limits broader economic growth. The country's long-term strategy rightfully focuses on improving grid stability, reducing public sector consumption and nonpayment, and implementing tariff reform to ultimately lower electricity prices. However, these reforms will require time to materialize.

There are critical gaps in energy supply and affordability that present a clear opportunity for decentralized energy solutions, particularly for industrial applications. Distributed renewable energy, such as captive solar or hybrid systems, can help mitigate the immediate cost burden on productive sectors while contributing to energy diversification and resilience.

Interest in off-grid solar solutions is high. Several installations were deployed by private investors between 2022 and 2025 to reduce electricity costs. Together, these installations amount to about 10 megawatts of off-grid solar capacity. Other solar installations are under preparation, including those by Wingu Africa and the Sheraton, as well as installations in tourism areas near Lake Abbe, the Day Forest, and the Moucha Islands.

Investors in the sector face numerous economy-wide constraints that hinder their ability to do business. Unsurprisingly, access to finance for off-grid solar projects is difficult. Banks operating in Djibouti typically have limited interest in the sector, largely because of the limited number of bankable opportunities and limited knowledge of the sector. In addition, delays in obtaining products needed for installations, such as photovoltaic panels and fittings, can be lengthy and affect project completion. However,

some banks are now showing interest and have been financing imports of solar panels since the early 2020s.

Key constraints to attracting private investment in the sector include:

- ***Regulatory constraints.*** Low self-generation capacity limits restrict the adoption of commercial off-grid solar solutions, as many systems would exceed these capacity limits. In addition, the absence of clear power purchase agreement (PPA) or feed-in tariff framework limits incentives to redirect surplus energy to the main grid.
- ***Institutional weaknesses.*** The recent creation of the Multisectoral Regulatory Authority of Djibouti (Autorité de Régulation Multisectorielle de Djibouti; ARMD) is a positive step for the market, but the authority does not yet have full operational capacity. Similarly, the Djibouti Agency for Norms and Quality (Agence Djiboutienne des Normes et de la Qualité; ADN) is nascent and has limited technical resources. These two key agencies cannot yet provide the required market oversight.
- ***Skills shortage.*** The limited availability of trained renewable energy professionals slows project development and increases reliance on costly foreign expertise.

To foster investment and job creation in the sector, Djibouti may consider raising self-generation capacity limits, clarifying PPA procedures and feed-in tariffs, strengthening the two key regulatory institutions that oversee the market (ARMD and ADN), and supporting skills development through training and adjusted work permit policies.

Implementing these policy actions could generate up to US$394.4 million in investment and create 8,700 jobs over five years.

Data Centers

Djibouti hosts eight operational submarine cables, which are core enablers of data center development. However, data center development remains limited, with the two main facilities nearing full utilization.

Additional data centers are under development. Djibouti Telecom (DT) is completing a new facility in the Ras Dika area of the capital, which will also function as a landing point for the 2Africa cable. Another facility, Afridata Park, has been under development by a group of local investors but has not yet started construction. A third data center initiative was announced in 2024 by pan-African provider Pan Africa Internet Exchange and Djibouti's Sovereign Wealth Fund but had not yet started construction as of late 2025.

Djibouti-based data centers provide an established, onshore capacity marketplace for African carriers looking to diversify their onward capacity options to European hubs. Demand for international bandwidth in East Africa has been strong, fueled by skyrocketing internet traffic, global provider expansion with local points of presence, and rising demand from burgeoning cloud and artificial intelligence computing requirements. Across Kenya, Uganda, and Tanzania, some of the region's top internet markets, capacity usage has grown by three to five times over the past three years.

Djibouti's position at the intersection of several countries and its emergence as an interconnectivity hub for regional internet traffic provide a wide range of opportunities for private investors upstream and downstream of the data center value chain. These include the development and construction of new carrier-neutral data center facilities, the provision of renewable energy to power data center facilities, the development of internet exchange platforms, the provision of cloud services, and internet capacity resale.

However, Djibouti's ICT sector remains highly concentrated. While new licenses have been awarded to two private sector providers, TO7 and Afrifiber, state-owned DT remains the dominant player. In particular, DT remains the main provider of Internet Protocol (IP) transit capacity to customers in Djibouti. While TO7 has been licensed to offer international bandwidth services, the company had yet to start selling international wholesale capacity as of mid-2025. Such market concentration has resulted to high capacity prices (figure ES.3), at least twice as high as capacity prices out of Mombasa, Kenya, East Africa's other submarine cable hub.

Key constraints to attracting private investment in the sector include:

— *Limited visibility and transparency* in the data center licensing process, combined with the absence of a clear regulatory framework for data center operations, has discouraged private investment and lengthened project development pipelines.

— *Limited flexibility in energy provision constrains the ability of data center operator* to power their facilities, amid high electricity costs and constrained public grid capacity.

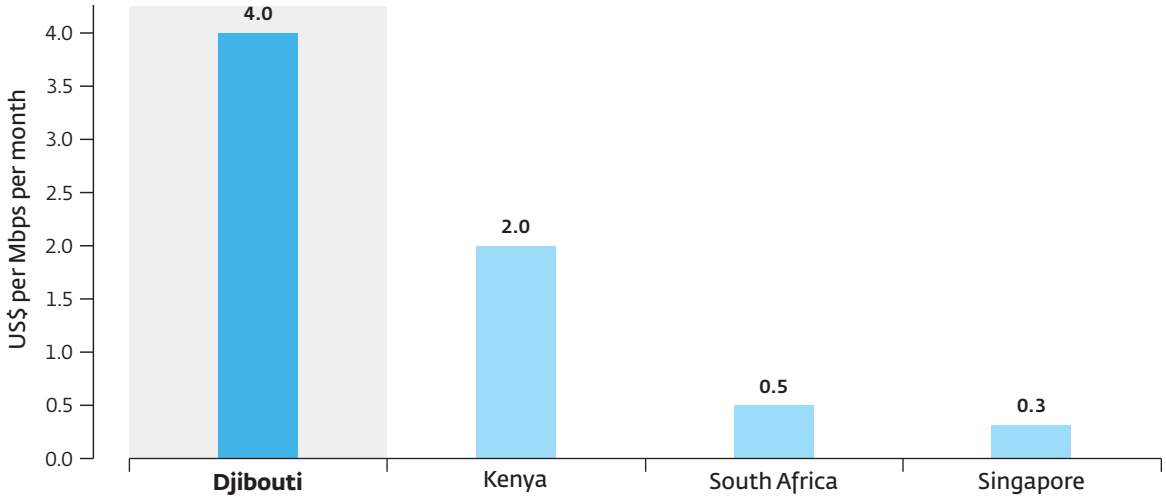
— *A SOE exercises de facto control over the wholesale internet capacity market*, while access to Djibouti's cable landing stations remains highly restricted.

To realize the sector's full potential, the authorities would need to implement key measures. The passing of the 2025 Digital Code is likely to support market development and promote the country's digital transformation. It is very important to prepare and implement key decrees under the new Code to provide a clear framework for data center licensing and operations, ease restrictions on local provider access to submarine cable landing and internet exchange points, and allow private solar independent power

Figure ES.3

Wholesale Internet Bandwidth Prices Are High in Comparison with Other Digital Connectivity Hubs

Djibouti versus sample markets



Sources: Based on CPSD Mission Research (Djibouti); Xalam Analytics (Kenya and South Africa); Telegeography (Singapore).
Note: Mbps = megabits per second. Pricing is based on a minimum capacity of 1 gigabit per second.

producers to sell electricity directly to data center users at a freely negotiated price. Such measures would unlock more private investment into the sector.

In total, potential cumulative investment in data center construction and expansion over the next five years could range from US$160 million to US$240 million. The potential number of direct, indirect, and induced jobs created in the sector could range from 700 to 1,300 jobs.

Tourism

Djibouti's tourism sector is driven by nonleisure arrivals, mainly related to its shipping sector and foreign military bases. In 2012, 47 percent of visitors listed business and professional reasons as their travel motivation. Leisure tourism, which accounts for approximately 25 percent of arrivals, remains highly seasonal and is driven by French tourists, who account for over 40 percent of leisure arrivals, with growing interest from US and Chinese visitors linked to their countries' military presence.

Figure ES.4

Estimated Tourism Arrivals to Djibouti

Source: Based on 2025 data, United Nations World Tourism Organization database.

Djibouti features unique natural attractions and cultural distinctiveness that offer strong potential to combine leisure tourism with business tourism. Natural attractions include Lake Assal, the lowest natural point on the African continent; the Goda and Mabla Mountains, which offer hiking opportunities; and the Day Forest National Park, with its unique flora and fauna. Other attractions include the Ardoukoba Volcano, the limestone chimneys of Lake Abbe, vibrant coral reefs along the coast of Tadjoura, and the crystal-blue waters surrounding islands like Moucha, where visitors can swim with whale sharks. However, road infrastructure to these sites is inadequate, and basic facilities for visitors, including shade, water, interpretation and directional signage, and sanitation facilities, are missing. Djibouti's multiethnic heritage and coastal traditions provide an authentic, undercommercialized cultural layer that could strengthen its tourism position if curated respectfully and inclusively. The country also benefits from good geographical accessibility. Proximity to regional hubs, including the Arab Republic of Egypt, Ethiopia, and the United Arab Emirates, and short regional flights offer potential for add-on trips and short-stay itineraries.

Djibouti has untapped potential in meetings, incentives, conferences, and exhibitions (MICE) and business tourism, as well as cultural and nature-based tourism (NBT), and could capitalize on recent global travel trends to attract more visitors. First, demand for exciting travel experiences has intensified across global market segments in recent years. The internet helps travelers identify immersive activities that cater to their varied

interests, while social media creates a "flywheel effect" that has helped make experiences powerful decision drivers: the possibility of a life-changing travel moment motivates people to book a trip and choose a destination. Second, travelers are not only taking well-traveled routes but also making detours to experience new places. These detour destinations are less well known but are worth including on an itinerary, either as an add-on or as the main destination. Djibouti, with its distinctive nature-based experiences and status as a lesser-known novelty destination, may benefit from these trends.

Key constraints to attracting private investment in the sector include:

— *The licensing regime* does not allow for the proper organization of developments across valuable tourism areas, which has led to both clustered and scattered areas. This negatively impacts feasibility and competitiveness, thereby limiting the sector's investment appeal.

— *Skills shortage* in the domestic workforce lead to significant reliance on specialized foreign staff, who are heavily taxed. This increases operating costs and restricts the industry's ability to improve operational standards in the MICE and NBT segments.

— *Limited availability of tourism data* hinders investment planning and profitability analysis in the MICE and NBT segments.

To foster investment and job creation, the authorities may implement regulatory improvements, including the introduction of site-specific licenses that specify development capacities and permitted activities, and the establishment of clear processes for unsolicited investment proposals. They may also further support skills development through training and adjusted work permit policies, as well as develop a publicly available, regularly updated tourism data and statistics system to inform policy and investment decisions.

The estimated impact of these measures over five years would range from US$66 million to US$180 million in private investments. These measures would create an estimated 2,600 tourism jobs, excluding jobs in MICE.

Table ES.1 provides a summary of the recommendations of the report. Because energy is a key driver of costs for the economy, policies related to energy and the off-grid solar segment should receive priority attention. These policies would also support the development of data centers and tourism.

Table ES.1

Summary of Recommendations

Sector	Recommended actions
Off-grid solar	
Rationale • Critical gaps in energy supply and affordability present a clear opportunity for decentralized energy solutions, particularly for industrial applications. • Distributed renewable energy, such as captive solar or hybrid systems, can help mitigate the immediate cost burden on productive sectors while contributing to energy diversification and resilience.	
1. Regulatory constraints Low self-generation capacity limits restrict commercial off-grid solar adoption. In addition, the absence of a clear power purchase agreement (PPA) or feed-in tariff framework limits incentives for surplus energy injection to the grid.	**1a.** Increase the self-generation capacity limit by updating Decree No. 2019-025/PR/MERN to establish revised capacity limit values for electricity generation facilities from renewable energy. **1b.** Clarify the PPA procedure by updating Decree No. 2019-013/PR/MERN and Decree No. 2019-026/PR/MERN to establish application fees, annual concession, and license fees for independent power producers.
2. Institutional weaknesses The regulatory agency, ARMD, lacks full operational capacity, while the quality assurance agency, ADN, is nascent with limited technical resources. These two key agencies cannot yet provide the required market oversight.	**2a.** Update Law No. 74/AN/20/8th L to enable ARMD to (1) regulate the activities of self-producers; (2) supervise authorizations, licenses, and concessions for private operators; and (3) develop a framework for purchase prices and pricing rules. **2b.** AND: Provide technical assistance to ADN to accelerate the elaboration or adoption of international standards for renewable energy equipment and to develop a quality assurance framework for solar systems.
3. Skills shortage The limited availability of trained renewable energy professionals slows project development and increases reliance on costly foreign expertise.	**3.** Revise Article 2 of Law No. 28/AN/13/7th L from 2013 to reduce the yearly cost of work permits in the sector to the previous level of US$112. This revision should require employers to set up effective training programs for local staff to ensure knowledge transfer. Compliance should be verified through an appropriate mechanism, and penalties should be applied where the required knowledge transfer has not taken place.

(Table continues next page)

Table ES.1

Summary of Recommendations *(continued)*

Sector	Recommended actions
Data centers	
Rationale • Djibouti's strategic location and emergence as an interconnectivity hub for regional internet traffic provide a wide range of opportunities for private investors upstream and downstream of the data center value chain.	
1. Lack of visibility and transparency in the data center licensing process, together with the absence of clear regulatory framework for data center operations, has discouraged private investment and lengthened project development pipelines.	**1a.** Implement the dispositions of Article 189 of the Djibouti Digital Code by developing a clear framework for data center licensing and operations in Djibouti. This framework should define the conditions for data center licenses, establish licensing procedures, and a list of the applicable requirements ("cahier des charges") for licensees.
2. Data center operators lack flexibility in securing the energy to power their facilities, amid high electricity costs and constrained public grid capacity.	**2.** Develop implementing directives under Law No. 90/15/7 of 2015 on the liberalization of the energy sector to allow private wind and solar independent power producers to sell electricity directly to data center users at freely negotiated prices.
3. A state-owned enterprise exercises de facto control over the wholesale internet capacity market, while access to Djibouti's cable landing stations remains highly restricted.	**3a.** Prioritize the development of implementing decrees under Article 230 of the Djibouti Digital Code pertaining to provider access to submarine cable landing points. **3b.** Prioritize the development of implementing directives under Article 231 of the Djibouti Digital Code pertaining to provider access to internet exchange points located in Djibouti. **3c.** Develop implementing directives under Articles 212–218 of the Djibouti Digital Code pertaining to network interconnection and provider access to international fiber networks.

(Table continues next page)

Table ES.1

Summary of Recommendations *(continued)*

Sector	Recommended actions
Tourism	
Rationale • Djibouti's unique natural attractions and cultural distinctiveness offer opportunities to combine leisure tourism with business tourism. • The country has untapped potential in meetings, incentives, conferences, and exhibitions (MICE) and business tourism, as well as cultural and nature-based tourism (NBT).	
1. The licensing regime does not adequately regulate developments across valuable tourism areas.	**1a.** Introduce site-specific tourism concession licenses under the new 2025 Act, specifying the permitted capacity and type of development within specific sites and areas. **1b.** Introduce a clear assessment and validation process for unsolicited investment proposals, including guidelines for communication and stakeholder consultation. **1c.** Expand camp and campsite licensing regulations to recognize campsites and temporary, including seasonal, accommodation licenses.
2. Skills shortages require reliance on specialized foreign staff, who are heavily taxed, increasing operating costs for both MICE and NBT.	**2.** Revise Article 2 of Law No. 28/AN/13/7th L from 2013 to reduce the yearly cost of work permits in the sector to the previous level of US$112. This revision should require employers to set up effective training programs for local staff to ensure knowledge transfer. Compliance should be verified through an appropriate mechanism, and penalties should be applied where the required knowledge transfer has not taken place.
3. A lack of timely and comprehensive data hinders investment planning and profitability analysis for both for MICE and NBT.	**3.** Introduce a publicly available, regularly updated tourism data and statistics system to inform policy and investment decisions.

Note: ADN = Agence Djiboutienne des Normes et de la Qualité (Djibouti Agency for Norms and Quality); ARMD = Autorité de Régulation Multisectorielle de Djibouti (Multisectoral Regulatory Authority of Djibouti); MICE = meetings, incentives, conferences, and exhibitions; NBT = nature-based tourism; PPA = power purchase agreement.

1 Country Context and Business Environment

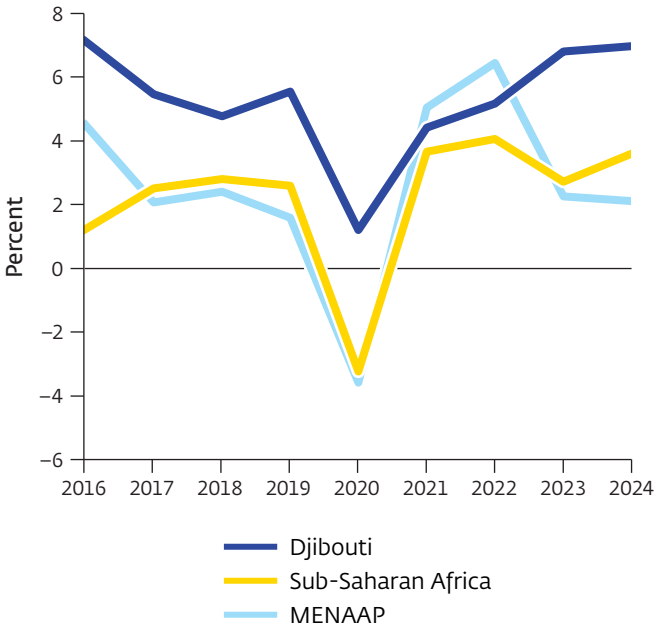
1.1 Djibouti Has Enjoyed Robust Growth, but Challenges Remain

Djibouti is a small country, with a population of 1.16 million people in 2024, that has enjoyed remarkable growth in recent years, driven by buoyant trade and logistics services (figure 1.1). From 2016 to 2024, Djibouti's average gross domestic product (GDP) growth averaged about 5.3 percent a year—more than twice the averages for the Middle East, North Africa, Afghanistan, and Pakistan (MENAAP) region, at 2.5 percent, and Sub-Saharan Africa, at 2.2 percent (figure 1.1 and table 1.1). Consequently, Djibouti recently graduated to lower-middle-income status, with a gross national income per capita of US$3,640 in 2024.[1] Djibouti is a key gateway to East Africa and a maritime crossroad for trade.

Djibouti's strong growth can be attributed to a few key factors. *First,* the country benefits from a strategic location in East Africa at the Bab-el-Mandreb Strait, a vital maritime gateway that governs access to the southern entrance of the Red Sea and connects the Red Sea with the Indian Ocean, adjacent to some of the world's busiest shipping lanes. The country is also home to eight operational submarine cables and is a regional information and communication technology (ICT) hub. As such, Djibouti has

Figure 1.1

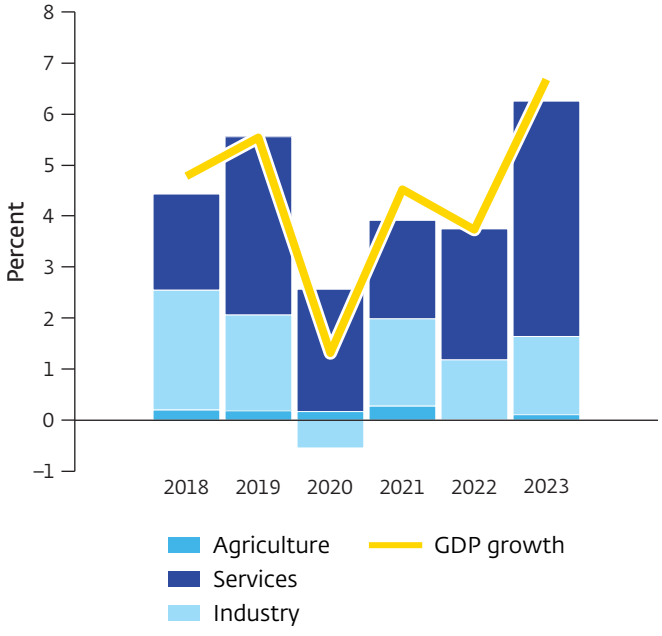
Djibouti Experienced Significant Growth in Recent Years



Source: Data from World Development Indicators as of April 2026.

Figure 1.2

Services Drive GDP Growth



Source: World Bank staff calculations.

Table 1.1

Djibouti's Growth Was Supported by Strong Investments Financed through Debt

	2016–20, averages	2021	2022	2023	2024
GDP (current US$, billions)	2.9	3.4	3.6	3.9	4.2
Real GDP growth (CPI annual %)	4.8	4.4	5.2	6.8	7.0
GNI per capita, Atlas method (current US$)	2,596	2,990	3,310	3,500	3,640
Gross fixed capital formation (% of GDP)	28.4	29.7	29.0	24.6	24.2
Inflation (CPI annual %)	1.6	1.2	5.2	1.4	2.1
Overall balance, general government (% of GDP)	–1.3	–3.1	–3.6	–2.0	2.6
External debt (% of GDP)	69.8	71.4	68.9	69.9	68.9
Current account balance (% of GDP)	7.8	–6.6	18.4	18.5	14.7
Total reserves, including gold (US$, billions)	0.5	0.6	0.6	0.5	0.3
Total reserves (months of imports)	1.6	1.3	1.3	1.1	0.9
FDI, net inflows (% of GDP)	5.7	4.9	5.2	3.5	1.6

Source: World Development Indicators and IMF World Economic Outlook Dataset.
Note: CPI = consumer price index; FDI = foreign direct investment; GNI = gross national income.

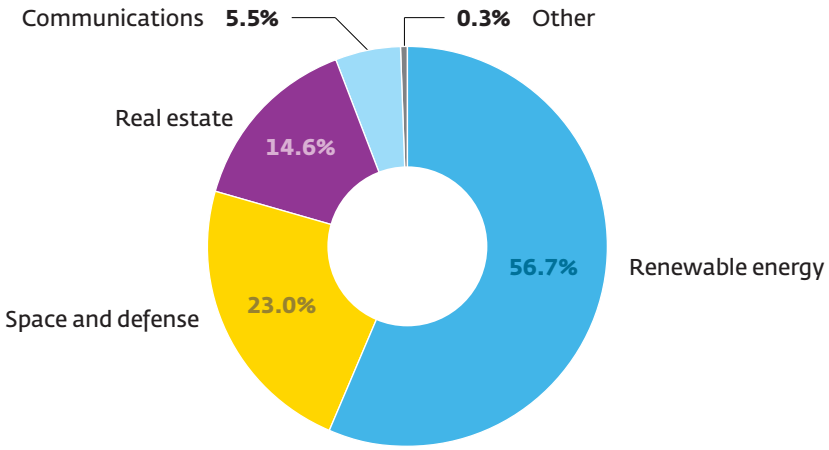
attracted substantial foreign direct investment (FDI), with cumulative net inflows of US$1.39 billion over 2016–24, or a yearly average of 4.9 percent of GDP, against 2.9 percent in MENAAP, primarily focused on developing a deep-water port and related infrastructure. At the same time, FDI announcements also underlined a move toward renewables (figure 1.3). *Second,* Djibouti benefited from its role as a transit and reexports hub for Ethiopia, its largest landlocked neighbor and one of Africa's fastest-growing economies. Approximately 80 percent of the merchandise handled in Djibouti's ports consists of onward transit and reexports to Ethiopia, mostly agricultural products, hides and skins, and live animals. Port fees from this trade generate annual revenue of about US$300 million, according to IFC estimates. *Finally*, the establishment of foreign military bases in Djibouti contributed to the country's growth, generating approximately US$130 million in annual revenue, or about 3.2 percent of GDP at current prices in 2024.

Despite its success, Djibouti currently faces several challenges. The development of infrastructure has been important in recent years and has benefited the country. For

Figure 1.3

FDI Announcements Focused on Renewables in Recent Years

Distribution of capital expenditure, 2020–24



Source: fDi Markets, Financial Times Ltd.

example, it has allowed the Port of Djibouti to strengthen its position as a key entry point and implement efficient digital procedures[2] to support trade. However, infrastructure development has been financed through borrowing, leading to a difficult situation in terms of indebtedness. Finally, as a result of the economic importance of the port, economic activity remains undiversified and generates limited job opportunities. Therefore, poverty and unemployment—especially among women and youth—remain significant.

— *Debt distress.* Due to a public-investment driven growth model with a high dependence on state-owned enterprises (SOEs), debt has increased significantly. External debt to GDP reached 68.9 percent at the end of 2024 (table 1.1), mainly due to borrowing for infrastructure related investments by SOEs.[3] The country is not only in a *debt distress status* but also assessed as having *unsustainable* debt (IMF 2025a). This reflects the accumulation of sizable external arrears and protracted breaches of sustainability thresholds for overall and external debt-to-GDP ratios, as well as breaches of the external debt service-to-revenue ratio (IMF 2025a). Indeed, due to the expiration of debt relief initiatives after the COVID pandemic, debt service increased sharply, coinciding with a growth slowdown linked to the conflict in Ethiopia. As a result, the authorities halted debt service, leading to the accumulation of arrears (IMF 2024). As of end-2024, China was the country's primary creditor. An agreed debt service moratorium with Exim Bank China, which limits interest payments for the railway and water projects, offers only temporary relief. The authorities thus aimed to renegotiate debt terms with Exim Bank China. The Djiboutian government has also started negotiations with India, their

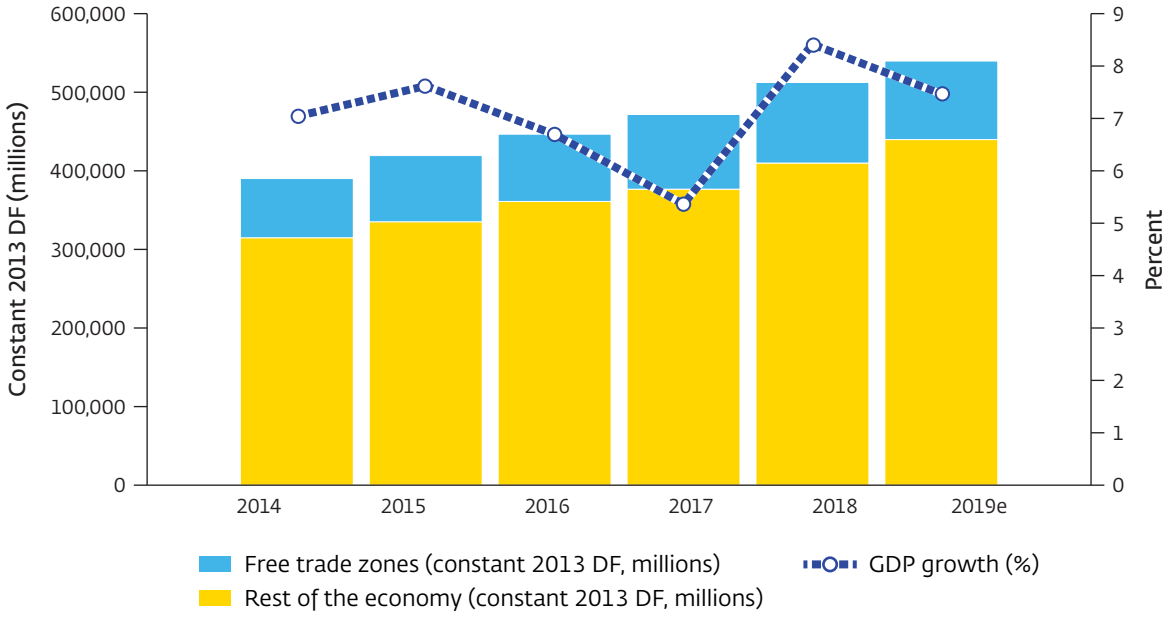
second-largest creditor and is in discussions with the Paris Club (IMF 2025b).

— *Lack of diversification and a narrow growth base.* While the international port and (to a lesser extent) military bases have been the engine of Djibouti's growth, they have created economic dependence. Activity in the two free-trade zones significantly grew in the 2010s (figure 1.4) and roughly accounts for one-fifth of the economy. There are about 180 companies from more than 30 countries operating in these two zones (Direction Générale du Trésor 2024a). However, they do not generate enough spillovers for an economy which remains largely undiversified (figure 1.5). The services sector—dominated by trade with Ethiopia—accounts for almost 78 percent of the country's GDP and employs about 93 percent of the working population. The share of industry in GDP averaged about 13.7 percent over 2014–24. Agriculture, on the other hand, is hindered by the arid climate, limited arable land (89 percent of the country is desert wasteland), and accounts for about 1.8 percent of GDP.

— *Poverty and unemployment are high.* An estimated 19.1 percent of the population lived below the international poverty line of US$2.15 per day in purchasing parity terms in 2017. Rural areas, as well as the Balbala and Boulaos communities in Djibouti City, are home to most of the extreme poor. Labor force participation was low, at 33.6 percent in 2023, accounting for much less than half of the working-age population. The most recent official national unemployment rate was 36.4 percent[4] in 2025. Among women,

Figure 1.4

Free-Trade Zones Partly Drive the Economy

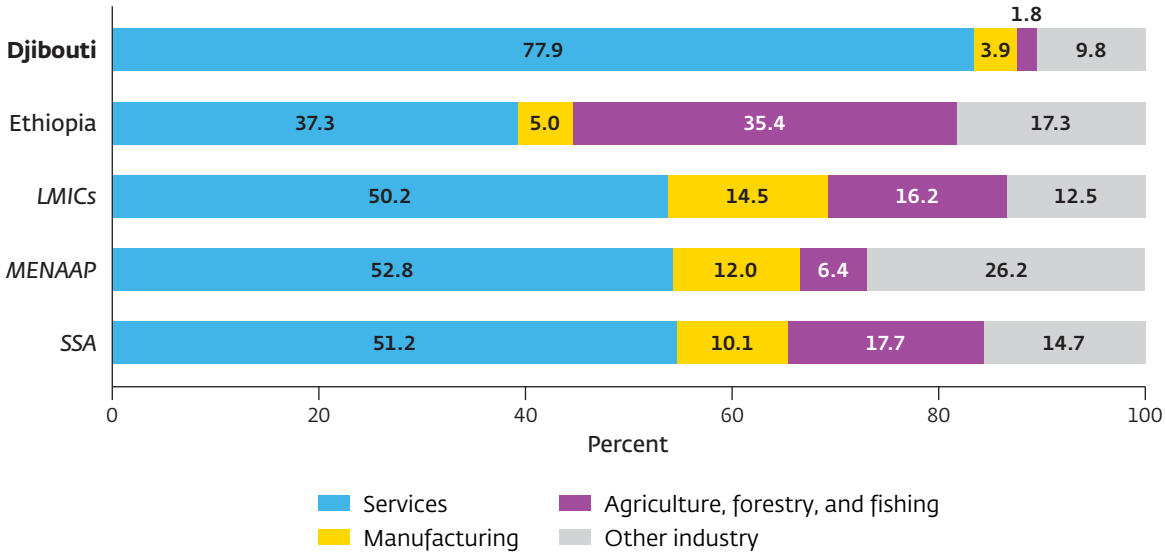


Source: IFC (2023).
Note: DF = Djiboutian franc; GDP = gross domestic product.

Figure 1.5

Services Are the Main Sector of the Economy

Average value added by sector, 2014–24



Source: World Development Indicators.
Note: LMICs = lower-middle-income countries; MENAAP = Middle East, North Africa, Afghanistan, and Pakistan; SSA = Sub-Saharan Africa.

the employment-to-population ratio is only 14 percent, against 38 percent for men. Instability in some neighboring countries has generated an inflow of 36,364 refugees and asylum seekers, adding pressure on the job market (March 2026 United Nations High Commissioner for Refugees estimate).[5]

1.2 Cross-Cutting Constraints Limit Private Sector Expansion despite the Country's Important Assets

Djibouti possesses valuable assets that can be leveraged to expand its market and attract international private investors. In the fragile Horn of Africa, Djibouti has successfully leveraged its geostrategic location to turn its resource-constrained, small economy into a fast-growing regional transport and logistics hub. Despite its small size, Djibouti benefits from its strategic location, proximity to Ethiopia, membership in the Common Market for Eastern and Southern Africa and the Intergovernmental Authority on Development, as well as extensive connectivity through multiple submarine and terrestrial

telecommunications cables. These factors create potential for business opportunities, FDI inflows, and job creation (World Bank 2018).

Still, Djibouti's private sector remains small and consists primarily of micro, small, and medium enterprises (MSMEs), many of them informal. The total number of enterprises, formal and informal, is about 18,000, with 4,880 formally registered in 2020 (Chamber of Commerce of Djibouti, 2021). The tertiary sector, trade and noncommercial services, represents about 77.1 percent of formal firms. The remaining formal firms are in construction, 21.6 percent; industry, 0.6 percent; and the primary sector, 0.7 percent (Chamber of Commerce of Djibouti 2021). Small firms with five to 19 employees account for roughly 67.3 percent of formal firms (World Bank Enterprise Survey 2025).[6] The informal sector is concentrated on microentrepreneurial activities, mostly related to commerce, domestic import and export, construction, and small miscellaneous services.

Various constraints, linked to the *financial sector*, the *business environment*, the *labor market*, and *market competition* create a difficult context for investors.

1.3 A Difficult Business Environment

Two issues critically affect investors' incentives: *utility costs*, and *access to land*.

High utility costs. Djibouti's utility sector is dominated by SOEs that operate without serious competition and at high cost.

— *The high cost of electricity hinders firm competitiveness.* Electricity accounts for roughly 25 percent of operating expenses in Djibouti (Direction Générale du Trésor 2023). Tariffs can be extremely high: commercial tariffs are at around US¢25 per kWh, way above the Africa region average of US¢14 per kWh (World Bank InfraSAP 2022a). As such, energy remains the largest single factor affecting costs for businesses operating in Djibouti. As of 2025, high energy costs remain despite improvements in energy generation.

— *ICT costs remain a critical challenge.* At the international level, Djibouti is a hub for submarine cables and has an advanced internet exchange point. This contrasts with the domestic market, which remains one of the few monopolies in the world, dominated by Djibouti Telecom. Broadband adoption is limited, and the economy does not fully benefit from the country's powerful submarine cable and data center infrastructure. The sector is marked by incomplete coverage, high prices, and weak quality of service (World Bank 2024a). For example, an entry-level fixed-broadband basket costs the equivalent of 5.27 percent of gross national income per capita in 2024, against a world average of 2.66 percent (2025 International Telecommunication Union data set).

— *The high cost and scarcity of water is also an issue.* Djibouti is an arid country with limited water resources, greatly reduced by successive periods of drought since 2009. Water availability is constrained by high production costs and network losses. Large disparities across regions exist in the provision of potable water and sanitation, while ONEAD (Office National de l'Eau et de l'Assainissement de Djibouti), the SOE responsible for water distribution and wastewater treatment, has limited efficiency and weak management, exacerbated by its monopoly status (Direction Générale du Trésor 2021).

Access to serviced land remains a significant constraint. Outside the free zones, serviced land is scarce, unaffordable, or marked by delays and risks. The state, as the primary owner of land, allocates it unserviced and at low prices through a process that could be improved in terms of competition and transparency, resulting in missed private investment opportunities and foregone state revenues (World Bank Group 2026a). Within Djibouti's free zones, regulations indicate that companies may lease warehouse, office space, or a plot of land for construction, and the National Investment Promotion Agency (Agence Nationale pour la Promotion des Investissements) assists investors in obtaining land for investment programs. Despite these facilities, however, the complexity and length of the land acquisition process remain constraints. The temporary nature of many land certificates also prevents holders from using land as collateral. The government recognizes the limitations of the current framework and is drafting a new National Land Policy. Once finalized and adopted through the legislative process, the policy is expected to modernize land governance, improve tenure security, and address pressures on urban and rural land.

1.4 Access to Finance Is Difficult within a Small Financial Market

Access to finance is limited, particularly for MSMEs, including women-owned firms (IFC 2023; World Bank Group 2026a). This constraint stems from limited collateral options, weak creditor rights and a lack of reliable borrower information, all of which heighten lending risks and reinforce banks' risk aversion (World Bank Group 2026a). Current efforts to strengthen banking sector intermediation, including the Djibouti Guarantee Fund[7] (FOGAD), secured transactions and leasing reforms, credit information systems[8] such as the the Central Bank's "Centrale des Risques," and fintech development, are promising but require acceleration to achieve meaningful impact (World Bank Group 2026a). Access to finance nevertheless remains difficult: 35.1 percent of firms report being fully or partially credit constrained (2025 World Bank Djibouti Enterprise Survey data). Although close to the regional average of 34 percent in MENAAP, this share is much higher than in East Asia and Pacific (20.9 percent) and high-income economies (16.8 percent).

This takes place in a financial system with no active capital market and where banks account for 97.5 percent of total assets (Banque Centrale de Djibouti 2024). The increase in commercial banks from two to 13 banks since 2005 has somewhat reduced banking concentration, although just under half of total bank assets and loans are still with three banks (IMF 2024). Banks headquartered in China, France, Morocco, and the subregion have significant ownership stakes in the banking sector.

Bank credit remains costly, particularly for longer-term financing. Outstanding medium- to long-term bank loans declined by 11 percentage points as a share of total loans in the year to end-2023, to 55 percent.[9] Bank lending transactions declined by 13 percent during the same period, while interbank transactions increased by 25 percent. Interbank transactions, mainly involving local bank transactions with parent and correspondent banks, comprised 46 percent of bank assets and accounted for more than two-thirds of banking sector profits in 2023.

Banking sector stability indicators have improved over the past several years, although increasing exposure to SOEs has raised some concerns.[10] Bank capitalization increased to 17.5 percent by the second quarter of 2023, from 14 percent in 2021. Nonperforming loans (NPLs) fell from 9.3 percent of total loans in 2021 to 4.2 percent by end-2023 (table 1.2). The decline in the NPL ratio was due in part to the regulatory reclassification of NPLs and increased credit provisioning.[11]

Table 1.2

The Banking Sector Is Stable but Underserves the Private Sector

	Djibouti		Regional comparator	LMIC comparators
	Most recent[a]	Five-year average	(average)	(average)
Domestic credit to the private sector (% of GDP)	22.5	20.8	43.9	35.6
Bank credit penetration (assets % of GDP)	22.5	20.8	44.8	33.5
Capital adequacy ratio (% of RWA)	23.3	18.2	19.6	20.4
NPLs (% of loans)	4.2	7.0	2.9	5.3
Provisioning rate for NPLs (%)	72.7	86.8	56.4	85.2
Loans in foreign currencies (% of loans)	73.1	53.9	28.3	32.4

Sources: CERMR and Central Bank of Djibouti.
Note: GDP = gross domestic product; LMIC = lower-middle-income country; NPLs = nonperforming loans; RWA = risk-weighted assets
a. Dec. 2023 for NPL ratio and provisioning rate for NPLs.

1.5 High Labor Costs and Scarce Skilled Human Resources

The Djiboutian private sector faces human resource challenges and generally performs weakly by international comparison, with most indicators below those of comparative groups (table 1.3).

Two key features are prominent for investors.

— First, formal private employers often cite skills gaps among Djiboutian job seekers when looking to hire foreign workers, which also remains difficult.[12] Indeed, in the 2025

Table 1.3

Human Capital Remains Weak

	Djibouti	MENAAP	LMICs	Sub-Saharan Africa
Labor force supply				
Population ages 15–64 (% of total population)	66.0	62.8	64.5	56.1
Labor force participation rate (% of population ages 15–64)	33.6	49.7	61.8	71.3
Learning-adjusted years of school	n/a	7.4	6.3	5.0
School enrollment tertiary (% gross)*	5.2	30	27	9
Labor market conditions				
Unemployment, total (% of total labor force)	25.9	8.0	4.4	5.8
Share of firms identifying an inadequately educated workforce as a major or very severe constraint (%)	18.8	23.4	15.7	13.7
Employment by sector (% of total employment)				
Industry	6.0	26.2	22.6	12.5
Agriculture	1.1	21.7	39.2	49.0
Services	92.9	52.1	38.3	38.5

Source: Approach follows that used in the World Bank Group Growth and Jobs Reports and includes data from World Bank World Development Indicators; International Labour Organization, modeled figures for 2024, sectoral employment from 2023; Human Capital Index, learning-adjusted years of school adjusts school years for how much students learn for each year they are in class using results from standardized tests; UNESCO, data form Djibouti is from 2011 and all other countries are the lates available.
Note: MENAAP = Middle East, North Africa, Afghanistan, and Pakistan; LMICs = lower-middle-income countries.
*Last available data from 2011.

World Bank Enterprise Survey, 17.7 percent of formal exporters identified inadequate workforce education as a major or very severe constraint. This gap partly reflects overall limited education level of the workforce: 50.6 percent of employed workers have no formal education (World Bank Group 2026b), and the share of the population with tertiary education is low, estimated by UNESCO at 7.1 percent in 2017.[13] At the same time, 40.3 percent of unemployed persons have upper secondary or tertiary degrees (World Bank Group 2026b). Their inability to find employment suggests that skills mismatch also contirbute to the observed gap. This highlights the need to better align education outcomes private sector needs and develop vocational training programs, similar to those available elsewhere in the MENAAP region.

— Second, labor costs may discourage labor-intensive activities such as manufacturing (IFC 2023). The public sector, which offers job security and relatively high wages, attracts about 70 percent of Djiboutian workers with at least secondary education, leaving fewer skilled workers available to the formal private sector and likely increasing labor costs for such workers (World Bank Group 2021). Based on wages in the cross-border transport sector, wage levels in Djibouti are estimated to be two to three times as high as those in Ethiopia (World Bank Group 2018; IFC 2023).

1.6 State Footprint, Market Structure, and Governance

The strong footprint of the state, as well as regulatory constraints, hampers firm creation and expansion. SOEs hold dominant positions in key sectors, which can limit competition. In addition, corporate governance weaknesses and a relatively high perception of corruption inhibit both investors and entrepreneurs.

— *State-owned enterprises hold dominant positions in major sectors.* Djibouti is home to an estimated 77 registered SOEs (IMF 2024), which accounted for 60–70 percent of GDP in 2014 (AfDB, 2022), with significant control over ports, shipping, railways, national airline, telecommunications, water, and electricity. They employ around 20 percent of the formal workforce, but their contribution to the budget remains modest, at less than 2 percent of government revenues in 2022. However, they have accounted for about 80 percent of external borrowing since 2013 (IMF 2024), contributing significantly to increasing debt levels. Despite recent significant and welcome progress, including the 2016 Code of Good Governance, the creation in 2021 of an Executive Secretariat for the State Portfolio (Secrétariat Exécutif en charge du Portefeuille de l'Etat), and the creation of the multisector regulator, ARMD (Autorité de Régulation Multisectorielle de Djibouti), in 2022, SOEs still face corporate governance challenges, including weak compliance with financial reporting requirements and a lack of transparency

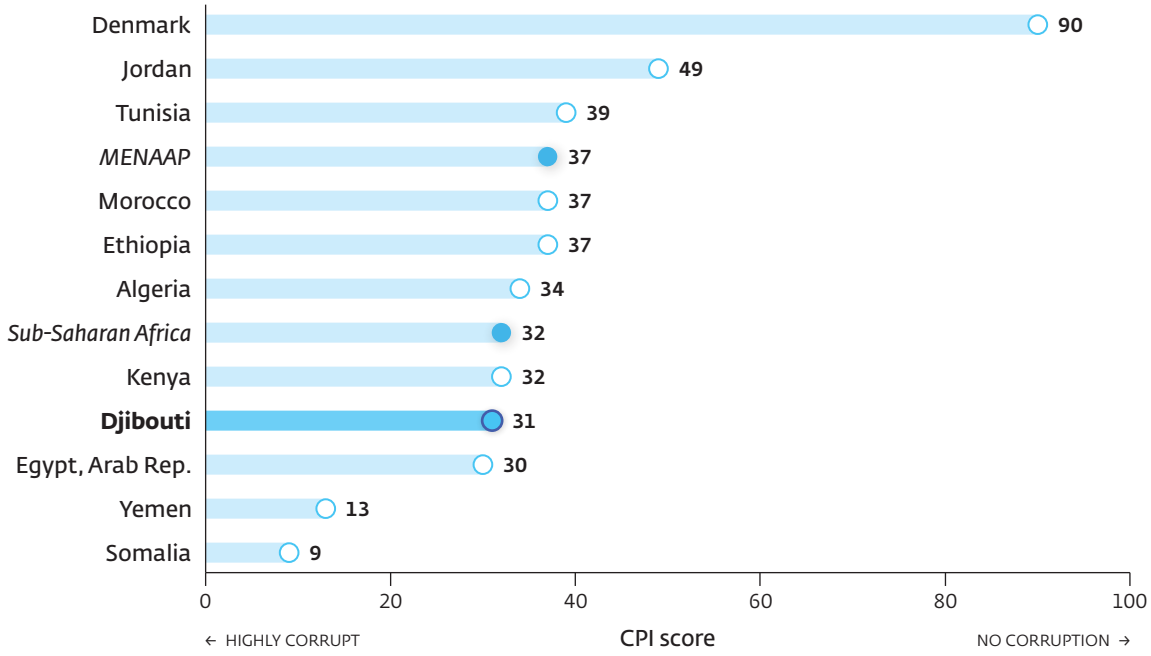
(IMF 2024; World Bank 2022a). These issues increase fiscal risks and hinder effective monitoring and decision-making.

— *Limited competition.* Many SOEs, including in telecommunications and energy, hold dominant positions, limiting the ability of private companies to enter the market due to regulations or an uneven playing field (IFC 2023). Critical sectors, such as telecommunications, water, and electricity, are monopolized by SOEs, and direct government involvement extends to port operations, cement production, and real estate. This limits the private sector's ability to compete on a level playing field and generates high prices for public services. For example, Djibouti is among the three most expensive countries in the region for high-speed mobile internet (World Bank 2024a). The small size of the market can lead to market concentration: nearly 30 percent of manufacturing markets in Djibouti are monopolies, duopolies, or oligopolies (World Bank 2018). Finally, separate tax regimes create competition distortions among firms, as tax breaks granted to companies operating under the tax-free zone and incentives provided to large companies under the Investment Code place a high tax burden on small and medium enterprises operating under ordinary law (World Bank Group 2018).

— *Corruption.* According to Transparency International's Corruption Perceptions Index, Djibouti ranked 127th out of 180 countries in 2024. Djibouti's score of 31 is lower than the Sub-Saharan Africa average of 32 and the MENAAP average of 37, as well as below many countries in the region (figure 1.6). Djibouti also fare poorly compared with MENAAP and Sub-Saharan Africa averages in two key dimensions of country risks (figure 1.7): *government effectiveness risk,* including issues with the influence of vested interests, quality of the bureaucracy, and red tape; and *legal and regulatory risk,* mostly linked with the judiciary, competition, and private property rights.

Figure 1.6

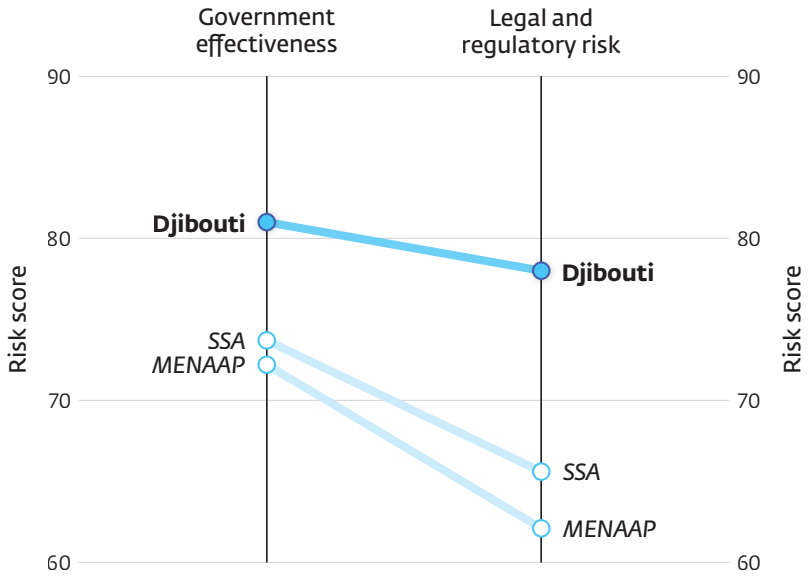
Djibouti Scores Low on Corruption Perceptions, 2024



Source: Transparency International.
Note: CPI = Corruption Perceptions Index. The CPI ranks countries annually by their perceived levels of public sector corruption. The index ranges from 0 (highly corrupt) to 100 (no corruption).

Figure 1.7

Government Effectiveness and Legal Framework Risks Are Elevated in Djibouti, Q2 2025



Source: Economist Intelligence Unit, Country Risk.
Note: The higher the score (up to 100), the higher the risk. Risk classifications are as follows: very high, 81–100; high, 61–80; moderate, 41–60; low, 21–40; and very low, 0–20.

2
Sector Selection

This Country Private Sector Diagnostic (CPSD) identifies three sectors of the economy where concrete policy actions can generate commercially viable opportunities for private investors.

The selection of sectors presented here is not intended to be exhaustive. Private investors may well identify potential profitable opportunities in other sectors. The focus is on sectors where targeted public policy actions can feasibly address key constraints to private investment.

The selection of sectors followed a rigorous process that included desk research, data analysis, internal consultations with World Bank Group experts, and in-country consultations. The process applied the following selection criteria:

1. Potential to attract significant private capital if reforms to alleviate constraints are undertaken.
2. Potential development impact, with a particular focus on creating more and better jobs.
3. Feasibility of removing key constraints through government action in the near term.

Sector selection is not intended to be exhaustive or to imply that other sectors may not have investor or growth potential. Private investors may well identify profitable opportunities in other sectors. Inclusion of a sector does not imply that it is a priority for current or future support from the World Bank or International Finance Corporation. The focus here is on sectors where identified constraints to private investment can feasibly be alleviated by public policy actions and thereby generate commercially viable opportunities for private investors, both foreign and domestic. Recommended actions are not necessarily sufficient on their own. Their impact on investment and job creation will likely require complementary measures and capacity building, in some cases extending beyond the medium term. The CPSD is intended to complement other core diagnostics, particularly the "Jobs and Growth" report, which covers, among other things, cross-cutting constraints to private sector development.

The potential for investment in Djibouti is strongly tied to the specificities of its small economy, while the success of attracting sector investments is highly linked to addressing cross-cutting constraints, most importantly high input costs, access to land, and vulnerability to macroeconomic risks. Djibouti's economy is built around the rent of the port and foreign military bases, and the country faces severe constraints related to the energy and information and communication technology (ICT) costs that hamper its attractiveness. After careful analysis, the following sectors were assessed as

having potential for increased investments: *off-grid solar*, *data centers*, *meetings, incentives, conferences, and exhibitions (MICE)*, and *nature-based and seaside tourism*.

- ***Renewables: off-grid solar.*** Energy is a key constraint for most investors in Djibouti because of its high cost. However, the country's natural endowments make it a favorable location for renewable energy, such as solar, wind, and geothermal. As wind power presents intermittency issues and geothermal has yet to show results, *solar* appears to be the most attractive renewable energy option in the short run. Foreign direct investment (FDI) has already occurred in the sector, and renewable energy is a government priority. The sector received greater FDI in 2018–23 than in prior years (IFC 2024). However, despite increased on-grid solar investments, energy costs remain high due to grid distribution and transmission issues. Off-grid solar systems could therefore be a viable solution if regulatory hurdles are addressed, while also generating strong development impact and job creation.
- ***ICT: data centers.*** Djibouti has strong underlying ICT infrastructure. The ICT sector is also a priority in terms of both private sector interest, with foreign investors currently looking for opportunities in data centers, and government interest. However, market structure, regulatory hurdles, and high energy costs discourage investors. The sector's potential development impact, including on job creation, is medium to high, as it can support productivity gains and business opportunities in services, including digital financial services.
- ***Tourism: MICE and nature-based tourism.*** During 2011–19, growth in Djibouti's travel service exports, at around 14 percent, exceeded the world average of 3.9 percent. Most of the visitors to Djibouti spend their time in the city, with limited travel to the countryside. Personnel from existing military bases constitute a market whose needs are largely unaddressed.[14] There is unmet demand for leisure and nature-based tourism and business activities, offering investment opportunities if regulatory hurdles are addressed. Tourism also offers potential for job creation, mostly for lower-skilled workers, and is a government priority.

The rationale for selecting the proposed sectors is summarized in table 2.1.

Table 2.1

Proposed Sectors and Subsectors for the Djibouti CPSD

Sector	Subsector or product level	Private investment potential if reforms are undertaken	Feasibility of implementing reforms in near term	Development impact	
				Job creation	Other development impact
Renewables	Off-grid solar	**HIGH**	MEDIUM	**HIGH**	**HIGH**
Information and communication technology	Data centers	**HIGH**	MEDIUM	MEDIUM	**HIGH**
Tourism	Business MICE and nature-based and seaside tourism	MEDIUM	**HIGH**	MEDIUM	**HIGH**

3 Sector Deep Dive: Off-Grid Solar

AT A GLANCE

- Djibouti aims to transition to 100 percent renewable energy by 2035. Given Djibouti's high solar irradiation, off-grid solar is attractive, especially for commercial and industrial users facing unreliable grid supply and high electricity prices. **Energy demand is also growing in key sectors, such as telecommunications**, data centers, and tourism.
- **Investors face several challenges: (1) key regulatory bottlenecks, including** low self-generation limits and the absence of a clear power purchase agreement (PPA) framework; (2) limited capacity at the Multisectoral Regulatory Authority of Djibouti (Autorité de Régulation Multisectorielle de Djibouti; ARMD) and the nascent Djibouti Agency for Standardization and Quality (Agence Djiboutienne des Normes et de la Qualité; ADN); and (3) a shortage of skilled labor in renewable energy technologies.
- Suggested actions include raising self-generation limits, clarifying PPA procedures and feed-in tariffs, strengthening the ARMD and ADN, and supporting skills development through training and adjusted work permit policies.
- Implementing these policy actions may generate up to US$395 million in investments and create 8,700 jobs over five years.

3.1 Sector Context and Potential Opportunities.

Djibouti's energy mix relies on thermal generation from heavy fuel oil and diesel and, increasingly, on renewable energy. Although Djibouti imports clean electricity from Ethiopia, fossil fuels continue to play a significant role, especially during the hot season. The government has set an ambitious target to produce 100 percent of the country's electricity from renewable energy sources by 2035.[15] To achieve this objective, Djibouti has initiated a series of strategic projects and partnerships focused on renewable energy development.[16] The current breakdown of electricity generation capacity is summarized in table 3.1.[17]

The establishment of an 80-megawatt (MW) transmission line to Ethiopia in 2011 has allowed Djibouti to meet 70 percent of its needs from Ethiopia's vast hydropower generation capacity. Further integration is expected with the construction of a second transmission line, supported by the World Bank, which will increase power trade capacity to 220 MW. The project will improve grid stability, enabling further renewable energy generation by independent power producers (IPPs).

The energy sector is dominated by the state. Electricité de Djibouti (EdD) is a vertically integrated state-owned enterprise responsible for the generation, transmission, distribution, and sale of electricity. EdD operated as a monopoly in electricity generation, transmission, and distribution until mid-2015, when the government liberalized generation from renewable energy sources to incentivize exploration of the country's renewable energy potential. However, EdD continues to operate as a monopoly in electricity transmission and distribution. Other institutions, like the Ministry of Energy, in charge of Natural Resources (Ministère de l'Energie en charge des Ressources Naturelles;

Table 3.1

Energy Mix in 2023

Power source	**Installed capacity** (MW)	**Plant's location**	**Contribution to generation** (%)
Thermal (heavy fuel oil and diesel)	126	Tadjourah, Boulaos	68
Wind energy	60*	Ghoubet and Lake Assal	33
Total	186		
Hydroelectricity	80 MW imported from Ethiopia		

Source: Africa Energy Portal (2023); IFC (2025).
*Commissioned by Tractebel-Engie in 2023; further 45 MW expansion planned.

MERN), the Djiboutian Energy Management Agency (Agence Djiboutienne de la Maîtrise de l'Energie), the ARMD, and the Djibouti Office for Geothermal Energy Development (Office Djiboutien du Développement de l'Energie Géothermique), have more of an oversight and regulatory role.

A central challenge facing Djibouti is the high cost of electricity, which significantly impacts the competitiveness and performance of all economic sectors. Electricity pricing remains a systemic issue that constrains industrial development and limits broad economic growth (World Bank 2024b). While the long-term strategy focuses on improving grid stability, reducing nonpayment, and implementing a tariff reform—led by EdD and supported by the World Bank—with the objective of ultimately lowering electricity prices, these reforms will require time to materialize. In this context, the joint African Development Bank–World Bank Mission 300 initiative could support power sector development in Djibouti.

The cost of electricity charged to end users ranges from US¢15 per kilowatt-hour (kWh) for the poorest category to US¢31 per kWh for residential customers (Direction Générale du Tresor 2023), with an average commercial tariff of US¢25 per kWh. By comparison, in Niger, which shares similarities with Djibouti in terms of sector structure, the average electricity tariff was around US¢17 per kWh in 2021 (World Bank 2024b). The core driver of high prices is that about half of Djibouti's electricity consumption comes from the public sector, including hospitals, schools, government buildings, and other public institutions, which does not pay for its electricity usage. To remain financially viable, EdD distributes the required revenue across the remaining paying customers.

In the short term, critical gaps in supply and affordability present a clear opportunity for decentralized energy solutions,[18] particularly for industrial applications. Distributed renewable energy, such as captive solar or hybrid systems, can help mitigate the immediate cost burden on productive sectors while contributing to energy diversification and resilience.

The development of off-grid electricity solutions is driven mainly by industrial use due to the unreliability of the grid and high prices (Direction Générale du Tresor 2024b). Many commercial and industrial companies use their own generators to supplement supply during load shedding or to self-supply electricity and thus avoid high energy costs. The total solar off-grid installed capacity in Djibouti remains small, at about 1 megawatt-peak (MWp). Private investment is already happening on a pilot basis, including by French and US companies.[19] There is also notable potential in specific high-consumption sectors that are sensitive to energy costs, including military bases, ports, tourism, and telecommunications infrastructure. With demand from data centers expected to grow by 10–12 percent per year, total energy needs for Wingu are projected to reach at least 700

kilowatts (kW) by 2030. Energy demand has also been assessed in three major tourism sites, Lake Abbe, the Moucha Islands, and Day Forest, following guidance from the National Tourism Agency of Djibouti (Agence Nationale du Tourisme de Djibouti). Current energy demand at these sites is estimated at 1–2 MWp.

Interest in off-grid solar solutions is high. Several installations were deployed by private investors from 2022 to 2025 to reduce electricity costs. Other solar installations are under preparation, like those by Wingu Africa and the Sheraton Hotel, as well as in tourism areas near Lake Abbe, Day Forest, and Moucha Islands. Priority investment opportunities are likely to include the following:

— Solar mini-grids for rural and small-town public service and productive use:

- Villages and sites prioritized under the national access program offer operations and maintenance (O&M) concession opportunities with donor-funded capital expenditure. Bundling sites to reach adequate scale and using performance-based payments for service quality could make these opportunities investible for specialist developers (Cunill 2016; World Bank 2016).
- "Anchor-load" mini-grids around health posts, schools, and water pumping, including desalination and groundwater systems, in arid regions, are also attractive (Cunill 2016).

— Commercial and industrial rooftop and behind-the-meter solar and storage:

- Ports, dry ports, logistics parks, refrigerated storage, telecom towers, and industrial estates can reduce high retail tariffs and diesel use through self-consumption systems, often financed via leases or PPAs. Greater stability from the second interconnection reduces backup requirements and improves the profitability of these activities (World Bank Group 2022b; Py 2022).

— Hybrid systems tied to grid extensions:

- As EdD densifies distribution under the Sustainable Electrification Program, hybrid "grid-ready" mini-grids that can later interconnect or operate as feeders can provide a transition solution and investment opportunity (World Bank 2017).

Many off-grid solar suppliers, more than 10, are already present in Djibouti. Some are headquartered outside Djibouti and have implemented projects in the country, including Akuo Energy, Eiffage, and AMEA Power. Others are locally based companies involved in solar and wind projects, such as Red Sea Power, Magma Electric, and Djibpower.

A quality insurance framework is being developed, which is a positive step for the market. Such a framework is key to guaranteeing high quality standards of products in

Djibouti. In the past, the absence of standards allowed the importation of poor-quality products that became defective within a very short time. This created mistrust and intense tensions between private companies and consumers, according to the Solar Industry Association and the MERN. The creation of the ADN in 2022 is a good starting point for the development of a quality assurance framework on renewable energy that could support sector growth, restore consumer confidence, and attract private investment.

Investors in off-grid solar face numerous economy-wide constraints that hinder their ability to do business. Access to finance for off-grid solar projects is difficult. Indeed, banks operating in Djibouti typically have little interest in the sector, largely due to the limited number of bankable opportunities and weak knowledge of this type of activity. Delays in obtaining products needed for installation, such as photovoltaic paned and fittings, can also be lengthy, impacting project completion. However, some banks are now showing interest and have been financing imports of solar panels since the early 2020s.

3.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. Low self-generation capacity limits. For off-grid electricity generation for self-consumption, Decree No. 2019-025/PR/MERN[20] sets the capacity limit values for renewable energy generation facilities, in accordance with articles 34, 35, and 36 of Law No. 88/AN/15/7th L. According to the law, any entity that generates electricity for its own consumption and does not plan to feed it into the national grid is considered a "small self-producer." Such entities can generate electricity exclusively for their own consumption, up to a maximum installed capacity of 20 kW, without a license. In the off-grid market, which is driven mostly by commercial and industrial installation (C&I), companies generally need installed capacities exceeding 20 kW to meet their energy needs. As a result, off-grid electricity generation projects cannot be developed by self-producers in category P1 under the 20-kW limit. This limit thus greatly impedes private investment by companies based in Djibouti and restricts the entry of international companies interested in developing off-grid C&I projects.

Table 3.2 shows the capacity limits for the declaration, license, or concession regime currently applicable to independent power production.

RECOMMENDATION 1. Increase the self-generation capacity limit. The current self-generation capacity limit is too low. The capacity limit for small self-producers, or P1 category, should be increased from 20 kW to 500 kW for off-grid self-generation for self-consumption. Decree No. 2019-025/PR/MERN, which sets the capacity limit values

Table 3.2

Capacity limits for Independent Power Production

Type of license	Energy source	Final use	Capacity limit value	Licensing requirement
Large producer	Renewable	Injection to the grid	2 MW to 500 MW	Concession or license mandatory
Large self-producer (G1)	Renewable	Self-consumption and injection to the grid	500 kW to 100 MW	License mandatory
Small producer	Renewable	Injection to the grid	100 kW to 20 MW	License mandatory
Small self-producer (P1)	Renewable	Self-consumption	1 kW to 20 kW	License not required

Source: Journal Officiel de Djibouti.

for electricity generation facilities from renewable energy, should be updated to reflect this proposed new capacity limit value for category P1.[21]

CONSTRAINT 2. Lack of a framework for power purchase agreements (PPAs). Distributed generation has no specific regulatory framework in Djibouti. Law No. 88/AN/15 applies equally to private entities feeding electricity into the national grid or to entities setting up an isolated installation. Under this law, private entities may obtain a license to generate electricity, but the law does not regulate the sale of electricity to end consumers; as a result, EdD remains the sole offtaker. In terms of interconnection of the off-grid systems into the national grid, Djibouti's current regulatory framework also does not yet provide detailed technical or commercial procedures for grid interconnection of mini-grids or distributed generation. However, the applicable laws, including Law No. 88/AN/15 and Decree No. 2019-013/PR/MERN, allow such integration under the oversight of the Regulatory Department of the Ministry of Energy, in coordination with EdD, which retains control over all grid infrastructure. Under this arrangement, many large self-producers, such as international hotels, Kempinski and Ayla, generate their own electricity and inject surplus into the grid, estimated at 2 MW from Kempinski and 1 MW from Ayla. However, these self-producers receive compensation due to the lack of a feed-in-tariff framework, limiting incentives for large self-producers that might otherwise be interested in the Djibouti market.

RECOMMENDATION 2. Clarify the PPA procedure. Decree No. 2019-013/PR/MERN does not establish a specific feed-in tariff, notably for electricity generated from solar photovoltaic installations. Clarifying the feed-in-tariff framework for IPPs would involve updating Decree No. 2019-013/PR/MERN and Decree No. 2019-026/PR/MERN

to establish application fees, annual concession fees, and license fees for IPPs. The update should include (1) a tariff calculation methodology, (2) maximum authorized revenue, and (3) factors to be considered in negotiations with EdD, as purchase prices are negotiated between EdD and IPPs holding a production license or concession.

CONSTRAINT 3. Weak regulatory agencies limit the proper functioning of the market. In 2020, the ARMD was established to oversee the regulation of both the energy and telecommunications sectors, a very positive development for the market. However, ARMD has not yet achieved full operational capability. It is not yet able to set, implement, and enforce licensing procedures, tariff rules, and other activities related to its mission. In addition, Law No. 88/AN/15/7th L, which regulates the activities of IPPs, gives EdD control over the operations of self-producers, effectively assigning regulatory functions to the utility. Further, the shortage of technical skills within ARMD represents a huge barrier to creating an enabling environment and attracting private investments in off-grid solar energy. The ADN became operational in 2022 under Law No. 100/AN/20 and Decree No. 2022-092/PR/MCT), an important step toward supporting economic diversification and consumer protection. ADN aims to develop, adopt and enforce standards, in line with international best practice, to guarantee the quality, safety, and reliability of goods and services marketed in Djibouti.[22] However, it is a young institution with resource constraints, in terms of funding and equipment, as well as limited technical skills of staff. It cannot yet fully ensure that goods, including those required for the off-grid solar energy sector, meet agreed quality standards.

RECOMMENDATION 3A. Strengthen ARMD's role by updating Law No. 74/AN/20/8th L to enable it to (1) regulate the activities of self-producers, which are currently under the prerogatives of EdD; (2) supervise authorizations, licenses, and concessions for private operators wishing to invest in the energy sector; and (3) develop a framework for purchase prices and pricing rules.

RECOMMENDATION 3B. Reinforce ADN's role by (1) accelerating the elaboration or adoption of international standards for renewable energy equipment, such as solar panels, solar batteries, inverters, and charge control units; and (2) developing a quality assurance framework for solar systems, including capacity building on standards, market compliance, market surveillance, and a preshipment conformity program.

CONSTRAINT 4. Limited skills are available for the renewable energy sector. Technical skills in solar energy, such as solar power plant designer, solar power plant operator, or solar power maintenance, remain very limited. International expertise is always required for implementation and O&M (Djibouti Solar Industry Association). For medium and large projects, the qualified workforce comes mostly from India, Ethiopia, and Kenya. Current efforts to establish formal training pathways for off-grid solar skills[23]

will take time to yield results. Because hiring foreign workers is expensive—Law No. 28/AN/13/7th L of 2013 sets the annual work permit fee for foreign workers at US$1,124[24]—skills constraints effectively hamper sector development and efforts to alleviate the country's energy challenges.

RECOMMENDATION 4. Update Article 2 of Law No. 28/AN/13/7th L of 2013 to reduce the annual cost of work permits in the sector down to US$112, the previous cost before the 2013 update. The reduced rate would apply to the hiring of foreign personnel with required sector-specific skills. It could be accompanied by an obligation for the employers to set up effective training programs for local staff to ensure knowledge transfer. Following a verification, penalties could be applied if the required knowledge transfer has not taken place.

3.3 Impact

Implementing these policy actions could contribute to about US$395 million in investments in installed capacity and create 8,700 jobs in five years, including roughly 7,600 direct jobs and 1,100 indirect jobs. These estimates assume an expansion of 134 MW in installed off-grid solar capacity during 2026–31 and required investment of US$850,000 for each additional megawatt of installed capacity.

The detailed methodology used for the calculation of these estimates is described in appendix A. Table 3.3 provides a synthesis of the proposed recommendations.

Table 3.3

Off-Grid Solar: Synthesis of Proposed Recommendations

Constraints	Recommended actions
1. Regulatory constraints Low self-generation capacity limit restrict commercial off-grid solar adoption. In addition, the absence of a clear power purchase agreement (PPA) or feed-in tariff framework limits incentives for surplus energy injection to the grid.	**1a.** Increase the self-generation capacity limit by updating Decree No. 2019-025/PR/MERN to establish revised capacity limit values for electricity generation facilities from renewable energy. **1b.** Clarify the PPA procedure by updating Decree No. 2019-013/PR/MERN and Decree No. 2019-026/PR/MERN to establish application fees, annual concession fees, and license fees for independent power producers.
2. Institutional weaknesses The regulatory agency, ARMD, lacks full operational capacity, while the quality assurance agency, ADN, is nascent with limited technical resources. These two key agencies cannot yet provide the required market oversight.	**2a.** ARMD: Update Law No. 74/AN/20/8th L to enable ARMD to (1) regulate the activities of self-producers; (2) supervise authorizations, licenses, and concessions for private operators; and (3) develop a framework for purchase prices and pricing rules. **2b.** ADN: Provide technical assistance to ADN to accelerate the elaboration or adoption of international standards for renewable energy equipment and to develop a quality assurance framework for solar systems.
3. Skills shortage The limited availability of trained renewable energy professionals slows project development and increases reliance on costly foreign expertise.	**3.** Revise Article 2 of Law No. 28/AN/13/7th L from 2013 to reduce the yearly cost of work permits in the sector to the previous level of US$112. This revision should require employers to set up effective training programs for local staff to ensure knowledge transfer. Compliance should be verified through an appropriate mechanism, and penalties should be applied where the required knowledge transfer has not taken place.

4
Sector Deep Dive: Data Centers

AT A GLANCE

- Djibouti data centers are well positioned to serve as landing points for submarine cables connecting Asia to Europe through the Red Sea. They also offer a transit springboard for African regional carriers looking to diversify their international capacity options. Proximity to the Ethiopian market presents a further opportunity to capitalize on internet traffic flows from a large, fast-growing, but landlocked digital market.
- The absence of a clear regulatory framework for data center operations, effective state-owned enterprise (SOE) monopoly control of the wholesale internet capacity market, and a lack of flexibility in energy provisioning have been major barriers to private investment in Djibouti's data center sector.
- Quick implementation of key directives under the newly enacted Djibouti Digital Code, relaxation of restrictions on local provider access to submarine cable landing points and internet exchange points, and increased flexibility in data center power provisioning would unlock more private investment into the sector.
- If the recommended reforms are pursued, potential cumulative investments in data center construction and expansion over the next five years could range between US$160 million and US$240 million. The potential number of direct, indirect, and induced additional jobs created in the sector could range from 700 to 1,300.

4.1 Sector Context and Potential Opportunities

Eight operational submarine cables land in Djibouti's data centers, representing a major asset for the country. This is the largest inventory of intercontinental submarine cables in Sub-Saharan Africa, on par with South Africa (table 4.1). A Djibouti landing station offers several benefits for international cable providers on Red Sea routes. First, a point of presence in a Djibouti data center enhances the resiliency of the cable system by making it easier to reroute internet traffic to other cable systems in the event of a cable cut north of Djibouti, which is not uncommon. Second, hosting infrastructure at a midpoint in Djibouti allows Asia-to-Europe cable operators to boost the overall cable system signal to European destinations, enhancing service quality and capability. Third, a landing point in Djibouti provides access to a broader base of carrier customers in the growing African international capacity market, unlocking a complementary source of revenue for global cable system carriers.

Table 4.1

Submarine Cables Landing Points in Djibouti, July 2025

Cable system	Status	Route	Djibouti landing party
AAE-1	Operational	Asia to Europe	Djibouti Telecom
DARE1	Operational	Africa regional	Djibouti Telecom
EASSY	Operational	Africa regional	Djibouti Telecom
EIG	Operational	Asia to Europe	Djibouti Telecom
SEA-ME-WE3	Operational	Asia to Europe	Djibouti Telecom
Aden-Djibouti	Operational	Africa regional	Djibouti Telecom
SEA-ME-WE5	Operational	Asia to Europe	Djibouti Telecom
Seacom	Operational	Africa to Europe	Djibouti Telecom
2Africa	Upcoming	Africa to Europe	Djibouti Telecom
PEACE	Upcoming	Asia–Africa–Europe	Djibouti Telecom
Africa-1	Upcoming	Asia–Africa–Europe	Djibouti Telecom
Sea-Me-We 6	Upcoming	Asia to Europe	Djibouti Telecom
IEX	Upcoming	Asia to Europe	Djibouti Telecom
Raman	Upcoming	Asia to Europe	TO7

Sources: Based on Djibouti CPSD mission research and Djibouti Telecom data.

At least six additional transcontinental cables are expected to be deployed in the Red Sea in the foreseeable future, reinforcing Djibouti's prominent role. New facilities in Djibouti would support growing demand for Red Sea interconnection hosting for the new wave of submarine cables. As security concerns around the Red Sea continue to rise, notably in potential rival alternative Horn of Africa hubs such as Sudan and Somalia, Djibouti's stability can provide an attractive alternative for international customers seeking a beachhead in the region.

However, compared with similar existing or aspiring digital hubs, Djibouti's data center development remains limited (table 4.2). As of July 2025, the country's commercial data center infrastructure consisted of two primary facilities, including the Djibouti Data Center, which is predominantly owned by Djibouti Telecom (DT) and became operational in 2013. A second facility went live in 2024 through a partnership between carrier-neutral data center provider Wingu and TO7, a local telecommunications service provider. Djibouti's facilities are relatively small, with a combined critical information technology (IT) load capacity of less than 3 MW. Older facilities are nearing full usage capacity, and some older landing points are increasingly constrained by the number of submarine cables they can accommodate, necessitating additional capacity.

Table 4.2

Djibouti's Market Is Small for Now Compared to Other Digital Connectivity Hubs

	Djibouti	Singapore	Oman	Mauritius	Bahrain	Kenya
Population (millions)	1.2	6.0	5.3	1.3	1.6	56.4
GDP at market prices (US$, billions)	4.1	547.4	106.9	16.0	47.7	124.5
Number of active submarine cables	10	26	14	4	3	7
Number of active commercial data centers	2	70	13	6	7	15
Cost of power, industrial customers (US$ per kWh)	0.25	0.22	0.07	0.20	0.08	0.17
Broadband penetration (% of population)	45	185	102	165	165	75

Sources: World Bank Development Indicators; EMA Singapore, MIDA, CEB, CA Kenya, Xalam Analytics.
Note: Population, GDP, and broadband penetration estimates as of December 2024; other estimates are as of July 2025.

Additional data centers are under development, signaling some investor interest in this activity. DT is completing a new facility in the Ras Dika area of the capital, which will also function as a landing point for the 2Africa cable. Another facility, Afridata Park, has been under development by a group of local investors but has not yet started construction. A third data center initiative was announced in 2024 by pan-African provider PAIX (Pan African Internet Exchange data centers) and Djibouti's Sovereign Wealth Fund but had yet to start construction at the time of this writing.

Djibouti's information and communication technology (ICT) sector is highly concentrated. While new licenses have been awarded to two private sector providers, TO7 and Afrifiber, state-owned DT remains the dominant player across key market segments. In particular, DT remains the main provider of internet protocol (IP) transit capacity to customers in Djibouti. While another provider, TO7, has been licensed to offer international bandwidth services, the company had not yet started selling international wholesale capacity as of mid-2025. Such market concentration has resulted in high international capacity prices, at least twice as high as capacity prices out of Mombasa, East Africa's other submarine cable hub (figure 4.1). In addition, Djibouti's strategic position has meant that the country's digital strategy has largely been outward focused, limiting the development of a thriving local connectivity market. In turn, Djibouti's broadband penetration remains low, at around 45 percent in 2024.[25]

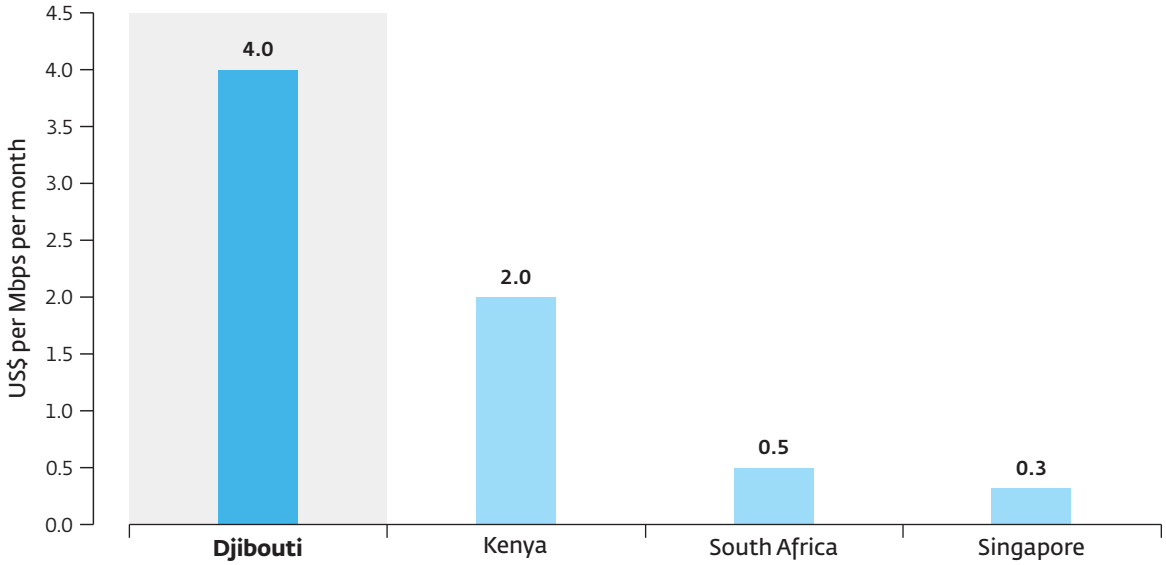
Existing Djibouti-based data centers provide an established, onshore capacity marketplace for African carriers looking to diversify their onward capacity options to European hubs. Demand for international bandwidth in East Africa has been strong, fueled by skyrocketing internet traffic, global provider expansion with local points of presence, and rising demand from burgeoning cloud and artificial intelligence (AI) computing requirements. Across Kenya, Uganda, and Tanzania, some of the region's top internet markets, international capacity usage has grown by three to five times over the past three years.

Only a handful of the roughly dozen Africa-focused cables on the continent's east coast provide a direct, uninterrupted connection to Europe. Most are regional cables that land in intermediary transit locations, such as Djibouti, with carriers needing to purchase onward capacity to Europe. Such transit points are an essential component of internet infrastructure resilience on Africa's east coast. They allow carriers to provision capacity from a broad variety of cables and reroute traffic from the Djibouti hub in the event of a cable cut. This is an increasingly important consideration due to the increasing incidence of cable cuts, longer cable repair timelines, and overall security uncertainty around the Red Sea and the Horn of Africa. Additional benefits for African carriers include lower latency from Djibouti hubs and access to competitively priced capacity across a mix of global cable systems.

Figure 4.1

Wholesale Internet Bandwidth Prices Are High in Djibouti in Comparison with Other Digital Connectivity Hubs

Djibouti versus sample markets



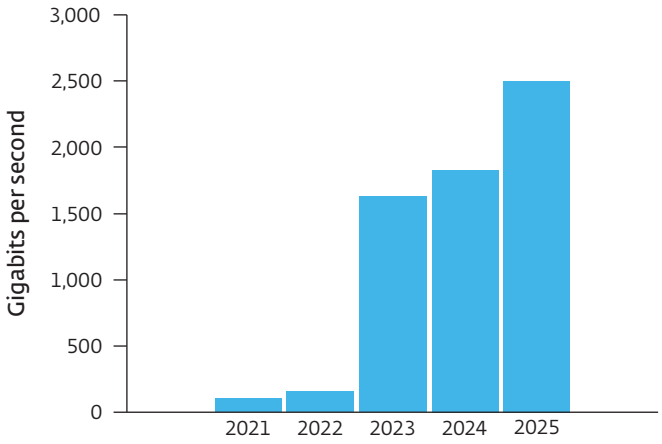
Sources: Based on CPSD mission research (Djibouti); Xalam Analytics (Kenya and South Africa); Telegeography (Singapore).
Note: Mbps = megabits per second. Pricing is based on a minimum capacity of 1 gigabit per second.

Djibouti provides a critical outlet for Ethiopia's fast-growing but landlocked internet traffic. As internet adoption continues to expand in Ethiopia, internet capacity usage has skyrocketed, reaching about 2.5 terabits per second in mid-2025, more than five times the level of five years earlier. This has put considerable pressure on Ethiopian carriers to expand and diversify their international capacity routes. With broader security uncertainty compromising alternative internet bandwidth routes through Somalia and Sudan, Djibouti offers the lowest-latency, multipath international capacity outlet for rapidly growing Ethiopian internet traffic.

However, Djibouti's internet exchange environment remains highly constrained. Internet exchanges have become essential components of an interconnected data center ecosystem, allowing networks, content and cloud providers, and other users to exchange traffic in an open, well-maintained hosting environment. At present, Djibouti has a single Internet exchange, AMS-IX, a partnership between the Dutch Amsterdam Internet Exchange and the Wingu data center. The exchange had 21 active members as of July 2025, of which DT was the only local internet service provider. Peak traffic as of the second quarter of 2025 was around 30 Gbps, about four times lower than the traffic in the rival Mombasa internet exchange.

Figure 4.2

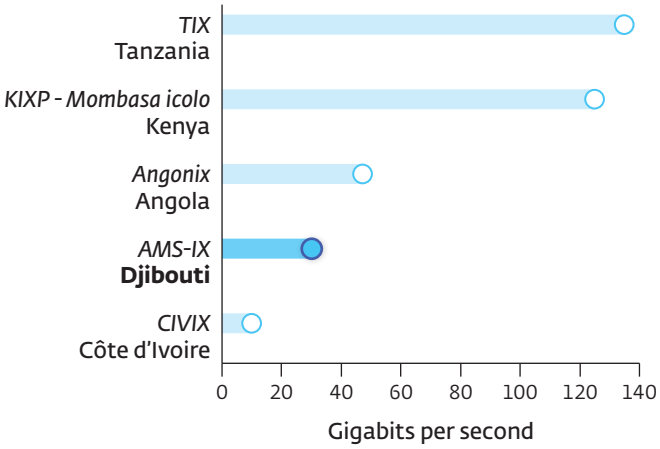
Ethiopia's International Bandwidth Capacity Is Growing Fast



Source: Ethio Telecom; Xalam Analytics estimates.
Note: Data are as of June 2025.

Figure 4.3

Peak Traffic on Sample Africa Internet Exchanges



Sources: Internet exchange data as of June 2025.

Cloud services adoption is still in its early stages in Djibouti. The development of a national sovereign cloud is a transversal pillar of Djibouti's Smart Nation roadmap, which is led by the Ministry of Digital Economy and Innovation (Ministère de l'Économie Numérique et de l'Innovation). Overall, however, cloud adoption remains limited, relatively unstructured, and largely undertaken at the agency or individual level. Key challenges to cloud adoption include the high cost of internet connectivity, the high cost of software-as-a service packages, which must be acquired in hard currency, and the absence of high-quality, locally based supply. Additional issues include the high cost of hosting in local data centers, which leads many large enterprises to continue maintaining their own server rooms. Similarly, the absence of a clear legal framework governing data hosting, processing, and storage has slowed progress toward cloud and managed services.

However, a few notable examples cloud adoption have emerged in Djibouti. Djibouti's Ports and Free Zones Authority (DPFZA) has made considerable headway in digitizing port processes. DPFZA deployed the Djibouti Port Community Systems, a platform to trace, manage, and analyze the extensive flow of cargo through its ports and across the border with Ethiopia. The platform leverages a mix of localized hosting and targeted public cloud tools to provide its customers with a real-time view of the status of their cargo. Similarly, the National Agency for State Information Systems (Agence Nationale des Systèmes d'Information de l'Etat; ANSIE) has been expanding its digital transformation efforts in the public sector as part of Djibouti's Smart Nation roadmap. Initial efforts include digitizing state archives and rolling out a digital platform for public sector requests for proposals.

ANSIE continues to look for partnerships with the private sector as it intensifies its efforts to digitize Djibouti's public administration.

Djibouti's geographic position and emergence as an interconnectivity hub for regional internet traffic provide a wide range of opportunities for private investors upstream and downstream of the data center value chain. These include:

- *Development of new carrier-neutral data center facilities* to host expected submarine cable deployments and localized cloud services deployments.
- *Data center construction, engineering, and project development*, including site selection, facility architecture design, mechanical and electrical engineering, civil works, equipment installation, network cabling, and other essential construction activities.
- *Renewable energy provision for data center facilities*. Independent power producers (IPPs) could complement the public grid and serve data centers, helping meet the sector's growing power needs at potentially lower operating costs while alleviating the rising pressure on Djibouti's public grid.
- *Development of internet exchange platforms* to increase exchange utilization by local firms, deepen the broader ecosystem, and potentially create additional exchange opportunities.
- *Provision of cloud services, managed services, and consulting* for digital transformation to serve private and public sector demand.
- *Internet capacity resale and terrestrial cross-border fiber links* through the deployment of cross-border fiber paths that complement East Africa's submarine cable networks and support Ethiopia's Internet growth.

4.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. Lack of transparency in data center licensing processes and the absence of a clear regulatory framework for data center operations have discouraged private investment and lengthened project development pipelines. Until recently, there has been no clear, dedicated legal framework governing the construction of data centers and, by extension, the provision of cloud services. The regulatory framework for digital services has long been fragmented across a wide range of regulatory sources, with limited transparency and laborious processes for facility developers seeking to obtain the necessary licenses and authorizations. Data center providers have received licenses and agreements intermittently from the Ministry of Communications, Post and Telecommunications (Ministère de la Communication, chargé des Postes et des Télécommunications); additional authorizations may be required

from the Ministry of Energy and Natural Resources (Ministère de l'Énergie, chargé des Ressources Naturelles). More recently, the creation of the regulatory body ARMD (Autorité de Régulation Multisectorielle de Djibouti) has added another layer of management to the data center legal framework.

RECOMMENDATION 1. Improve the regulatory framework for data centers by adopting executive decrees and other supplementary provisions for priority articles in the new Digital Code. A new Digital Code was introduced in 2025.[26] It is now critical to *implement the dispositions of Article 189 of the code by developing a clear framework for data center licensing and operation in Djibouti.* In particular, the implementation of the provisions in Book II (Livre Deuxième) of the code, pertaining to the regulation of electronic communications, should be prioritized due to their potential for significant near-term impact on Djibouti's attractiveness to private investment in data centers and the broader digital sector. These measures would establish a sturdier regulatory foundation for data centers, including licensing conditions for data center operations, data center licensing procedures, and applicable requirements (Cahier des Charges) for licensees.

CONSTRAINT 2. Data center operators have limited flexibility in securing energy to power their facilities, amid high electricity costs and constrained public grid capacity.

- *The high cost of public grid power is one of the most significant constraints to data center operation in Djibouti.* Electricity is the biggest contributor to data center operating expenses. High power costs are a key underlying anchor input for Djibouti's data center lease prices, which are estimated at two to three times the rates charged by facilities in competing connectivity hubs on the Red Sea and Africa's eastern coastline. High power prices and resulting high lease rates have also helped deter demand for hosting capacity in Djibouti.
- *Limited capacity of power available on Djibouti's public grid hinders the scalability of local data center facilities.* Djibouti has an estimated available capacity of about 266 MW. However, only a fraction of this capacity is generally available due to aging infrastructure and recurrent supply shortfalls from intermittent energy sources. As a result, the country's public grid has been under strain, limiting its ability to meet data center capacity requirements above certain levels of scale. While EdD (Electricité de Djibouti) has generally been ready to connect facilities to the public grid for requirements below 2 MW, market players note challenges in obtaining commitments for larger capacity blocks. In turn, data center providers must typically seek to develop alternative sources of power supply if they want to achieve higher IT loads for their facilities.
- Djibouti's data centers are legally allowed to generate their own off-grid power sources, and most have some form of solar energy build as part of their development roadmaps. *However, data center facilities are not allowed to purchase electricity directly from*

IPPs. In practice, facilities in Djibouti source most of their power from the strained public power grid. The new interconnection line project with Ethiopia is expected to considerably expand the public grid's ability to deliver power to data centers at the required scale and at relatively lower cost.

RECOMMENDATION 2. Develop implementing decrees under Law No. 90/15/7 of 2015 on the liberalization of the energy sector to allow private wind and solar IPPs to sell directly to data center users at freely negotiated prices. Data center power provisioning needs an institutional framework that allows for power sourcing flexibility while preserving the prerogatives of EdD. First, the proposed measure would allow private investors in renewable energy to avoid the price and uncertainty challenges that can result from having EdD as the only offtaker. Second, it would provide data center investors the flexibility to explore a full range of approaches to securing their facilities' most critical input. Third, it would alleviate financial pressure on EdD as the sole offtaker of IPP renewable energy generation. Finally, it would require EdD to guarantee access to its transmission networks and develop a transparent mechanism for determining transmission tolls.

CONSTRAINT 3. A SOE exercises de facto monopoly control of the wholesale internet capacity market and highly restricted access to Djibouti's cable landing stations keeps capacity prices high for local internet providers and data center customers, discouraging investment in the sector.

— *High wholesale fiber prices constrain demand for data center services in Djibouti.* High-capacity fiber links are a key component of data center architecture. They are the critical arteries that transport data traffic between locations, allow data center users to interconnect and exchange traffic with each other, and connect Djibouti to regional and global data center nodes. As such, the availability of affordable and diverse sources of domestic and international fiber capacity is a fundamental requirement for data center investments. While Djibouti is known for its extensive submarine cable assets, affordable and diverse bandwidth remains a considerable bottleneck for users of local data center facilities. Local customers pay around US$4 per Mbps for internet, or IP transit, capacity. While IP transit prices have declined markedly from a baseline price point of around US$30 per Mbps in 2019, they remain three to four times higher than capacity prices out of Mombasa, a rival regional hub, for similar bandwidth capacity requirements.

— *High IP transit prices result from a highly concentrated structure in the international capacity segment.* State-owned DT remains the main provider of IP transit capacity to customers in Djibouti. While another provider, TO7, has been licensed to offer international bandwidth services, the company was still looking to land its first cable in 2025 and had yet started selling international wholesale capacity. Djibouti's situation is all the more paradoxical as international customers can purchase Djibouti-to-Europe onward

capacity at globally competitive rates from the half-dozen capacity providers peering in Djibouti's data centers. By contrast, local customers must purchase directly from DT at comparatively higher rates.

— *Alternative fiber providers indicate being consistently restricted from accessing DT cable landing facilities* and are therefore unable to interconnect their networks to the multiple cables landing in the country. Similarly, and in a sharp break from global industry best practice, access to Djibouti's internet exchanges is highly constrained for local internet service providers (ISPs). DT is the only local provider active on Djibouti's lone internet exchange platform, AMS-IX.

RECOMMENDATION 3. Relax SOE monopoly control of the wholesale Internet capacity market and restrictions on access to Djibouti's cable landing stations:

— **RECOMMENDATION 3A.** *Develop and adopt implementing directives under Article 230 of the Djibouti Digital Code pertaining to provider access to submarine cable landing points.* This measure would establish clear, transparent rules for local provider access to submarine cable landing points on an open-access basis, on cost-reflective terms, and under the supervision of ARMD. Such steps would remove restrictions on local provider access to cable landing points and contribute to reducing transit costs and improving internet service quality within Djibouti.

— **RECOMMENDATION 3B.** *Develop and adopt implementing directives under Article 231 of the Djibouti Digital Code pertaining to access to internet exchange points located in Djibouti.* This measure would open access to local internet exchange points for local ISPs and facilitate local network pairing with regional and global fiber networks. It would further contribute to reducing transit costs and improving internet service quality within Djibouti.

— **RECOMMENDATION 3C.** *Develop and adopt implementing directives under Articles 212–218 of the Djibouti Digital Code pertaining to network interconnection and provider access to international fiber networks.* This would remove restrictions on ISPs' and data center customers' ability to purchase capacity directly from regional and global carriers with a point of presence in Djibouti, at freely negotiated prices. The directives should establish a public reference offer for wholesale bandwidth and carrier colocation, outlining key conditions for access to existing wholesale networks. These measures would contribute to lowering the cost of wholesale internet capacity for Djibouti-based customers and establish a level playing field between international and local customers in the acquisition of Djibouti-based capacity.

4.3 Risks to Be Managed during the Reform Process

Limited regulatory capacity to effectively monitor key player activity in the telecommunications market, set rules, and enforce sector regulations present a risk to the implementation of the proposed reforms. Djibouti has a slowly liberalizing telecommunications market, characterized by two newly licensed entrants competing with a still-dominant, state-owned former monopoly. The ICT sector's regulatory framework is still in its formative stages, and the sector regulator, ARMD, is less than three years old. ARMD is not yet fully operational and is still looking to reinforce its human, legal, technical, and overall regulatory capacity to fulfill its role effectively.

Further, DT is one of the country's most prominent SOEs and it generates a sizable portion of its revenue from its international business. In the short term, increased market liberalization and other proposed reforms may strain a model that has long benefited from monopoly control over key segments of the connectivity and data center supply chain. Consequently, concerns about potential adverse effects on DT may temper the political will needed to see through the proposed reforms.

4.4 Impact

Implementing these policy actions could contribute to US$160 million to US$240 million in cumulative investments in data center construction and expansion. The potential number of direct, indirect, and induced jobs could increase by 700 to 1,300 over five years. Investment estimates rely on the construction of greenfield data centers and facility expansions to meet growing market demand arising from the proposed reforms. The analysis focuses on commercial facilities that lease colocation white space and power capacity to third-party customers on open commercial terms. Estimates also include facilities built by large "hyperscaler" cloud and AI service providers. The detailed methodology for these estimates is described in appendix A. Table 4.3 provides a synthesis of the proposed recommendations.

Table 4.3

Data Center: Synthesis of Proposed Recommendations

Sector	Recommended actions
1. Lack of visibility and transparency in the data center licensing process, together with the absence of a clear regulatory framework for data center operations, has discouraged private investment and lengthened project development pipelines.	**1.** Implement the dispositions of Article 189 of the Djibouti Digital Code by developing a clear framework for data center licensing and operations in Djibouti. This framework should define the conditions for data center licenses, establish licensing procedures, and a list of the applicable requirements (Cahier des Charges) for licensees.
2. Data center operators lack flexibility in securing the energy to power their facilities, amid high electricity costs and constrained public grid capacity.	**2.** Develop implementing directives under Law No. 90/15/7 of 2015 on the liberalization of the energy sector to allow private wind and solar independent power producers to sell electricity directly to data center users at freely negotiated prices.
3. A state-owned enterprise exercises de facto control over the wholesale Internet capacity market, while access to Djibouti's cable landing stations remains highly restricted.	**3a.** Prioritize the development of implementing decrees under Article 230 of the Djibouti Digital Code pertaining to provider access to submarine cable landing points. **3b.** Prioritize the development of implementing directives under Article 231 of the Djibouti Digital Code pertaining to provider access to internet exchange points located in Djibouti. **3c.** Develop implementing directives under Articles 212–218 of the Djibouti Digital Code pertaining to network interconnection and provider access to international fiber networks.

5 Sector Deep Dive: Tourism

AT A GLANCE

- Djibouti has good potential for private investment in meetings, incentives, conferences and exhibition (MICE) and nature-based tourism (NBT), thanks to its strategic location, unique resources, and a captive audience of local and expatriate residents. The country is well positioned to attract a growing share of regional visitors, in line with global trends that increasingly favor authentic, short-stay "detour" destinations outside major global hotspots. Compared to regional peers, Djibouti also offers a safe location for MICE tourism.
- However, a lack of a clear, consistent, and enforced licensing regime to safeguard investment value at the finite number of primary NBT sites create development uncertainty and limits investor interest. In addition, skills shortages in the domestic workforce require reliance on specialized foreign staff, who are heavily taxed, increasing operating costs and restricting improvements in operational standards. Finally, a lack of data hinders investment planning and feasibility analysis, reducing investment appetite.
- Removing obstacles to private investment will require targeted regulatory reforms, particularly to clarify, expand, and strengthen the tourism licensing regime and ensure that it is comprehensive and well enforced. It will also require targeted vocational training, reduced work permit fees for specific skills needed in Djibouti, and the introduction of a tourism data and statistics system. Improving access to infrastructure and destination facilities at natural attractions throughout the country is a prerequisite for NBT.
- In total, if the recommended reforms are pursued, potential cumulative investments for 2026–31 could range between US$66 million and US$180 million. The potential number of jobs created in the sector could reach 2,600.

5.1 Sector Context and Potential Investment Opportunities

Djibouti's tourism is driven by nonleisure arrivals, mainly related to its shipping sector and foreign military bases.[27] In 2022, 47 percent of visitors listed business and professional reasons as their travel motivation (UNWTO 2025 dataset). Leisure tourism, which accounts for approximately 25 percent of arrivals, remains highly seasonal and is driven by French tourists, who account for over 40 percent of leisure arrivals, with growing interest from US and Chinese visitors linked to their countries' military presence. In 2022, Djibouti received approximately 38 percent of its visitors from France, 29 percent from other European countries, and 8 percent from the United States, according to government figures. Visitors spent US$45.5 million in 2022, reflecting a reduction in expenditure per visitor compared with prepandemic levels, down from US$63.1 million in 2019. This decline reflects the pandemic's global effects on travel and, in part, shorter deployments of foreign military personnel, which reduced demand from their visiting family members. The number of international visitors to Djibouti has fluctuated widely over recent years, from 132,700 in 2017 down to 74,800 in 2020 due to COVID-19, before rising again to 114,900 in 2022 (figure 5.1).

Djibouti features unique natural attractions and cultural distinctiveness that offer a good potential opportunity for combining leisure tourism with business tourism.

Figure 5.1

Tourist Arrivals Are Highly Variable, 2025

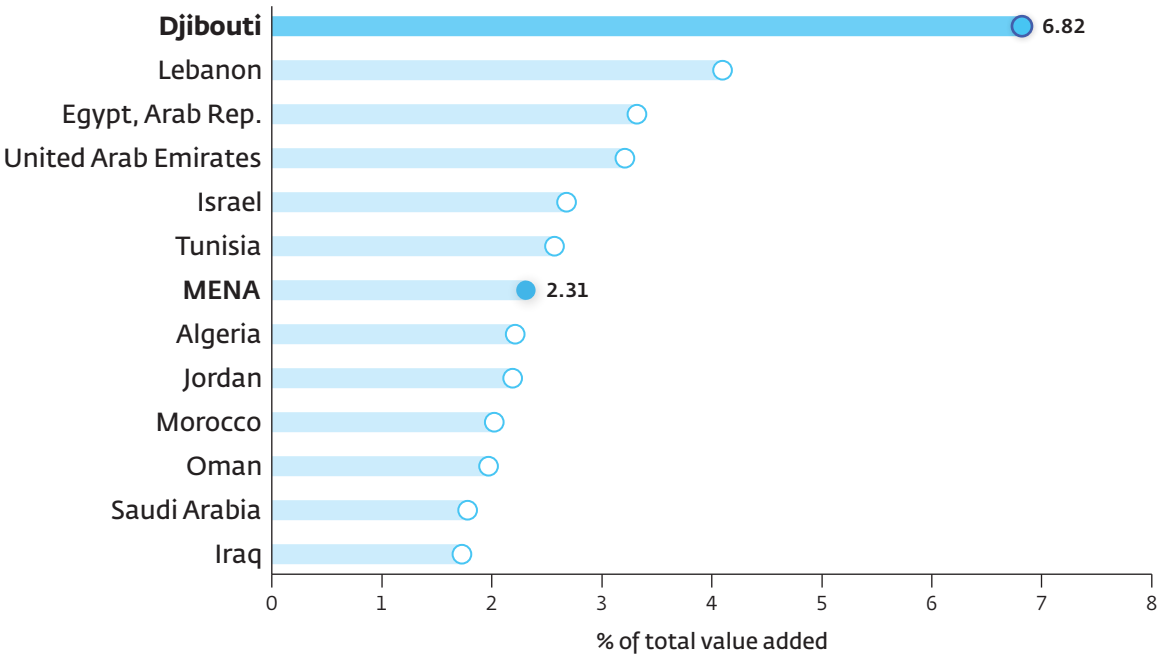
Source: Based on UNWTO data.

Natural attractions include Lake Assal, the lowest natural point on the African continent at over 150 meters below sea level, the Goda and Mabla Mountains for hiking, and Day Forest National Park with its unique flora and fauna. Other attractions include the Ardoukoba Volcano, the limestone chimneys of Lake Abbe, vibrant coral reefs along the coast of Tadjoura, and the crystal-blue waters surrounding islands like Moucha, where visitors can swim with whale sharks. Together, these attractions provide a collection of valuable primary sites spread across the country. Moreover, Djibouti's multiethnic heritage and coastal traditions provide an authentic, but commercially underdeveloped cultural layer that could enhance its tourism positioning if curated respectfully and inclusively. The country also benefits from good accessibility, given its proximity to regional hubs, including the Arab Republic of Egypt, Ethiopia, and the United Arab Emirates, where short regional flights can offer potential for add-on trips and short-stay itineraries.

Locally owned tourism micro, small, and medium enterprises have been dynamic in recent years. Global supply chain data from the EORA database suggest that the hotels and restaurants subsector leads the Middle East and North Africa region in total value added (figure 5.2). In 2021, the sector employed about 3,000 people, mostly in the

Figure 5.2

Hotels and Restaurants Account for a Higher Share of Total Value Added in Djibouti Than in Regional Peers, 2022



Source: Based on EORA global supply chain database.

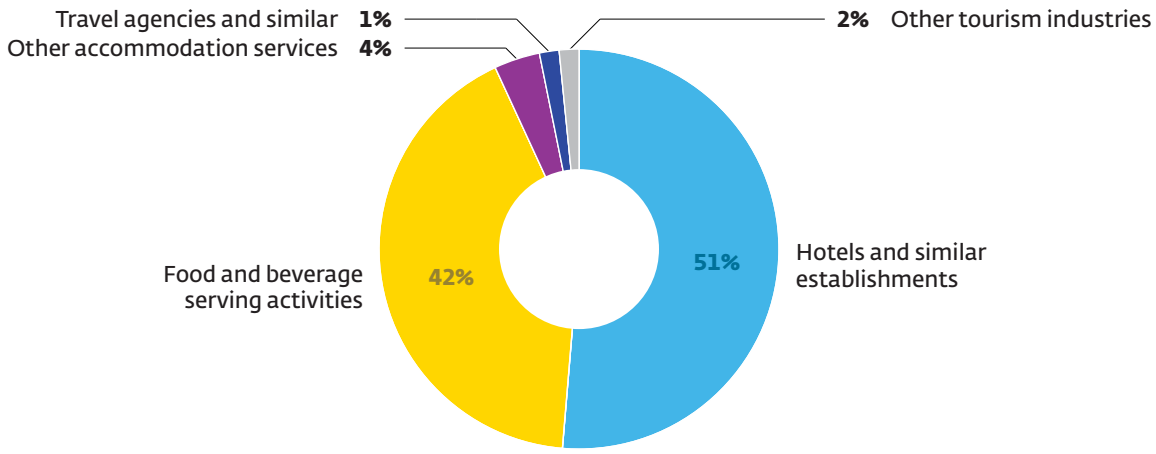
hospitality segment, of whom 35 percent were women (iOS/Chamber of Commerce of Djibouti 2021).

Climatic conditions contribute to a short travel season. The absence of surface water and limited natural vegetation to provide shade across the rocky, arid, and sparsely populated interior creates a challenging environment for travelers. Combined with high temperatures, these conditions yield a short travel season during the winter months, from October to March, with *whale sharks* present from November to January. In addition, high summer temperatures, over 40 degrees Celsius, and strong winds create rough seas that restrict ferry services and small boat transfers to popular islands, limiting coastal and marine tourism. Moreover, coral reef degradation and industrial and marine pressures threaten key marine assets. Without strong safeguards, climate risks could erode the very attractions underpin possible sector growth.

Djibouti's tourism sector faces strong competition. Djibouti is located near major regional destinations with well-established and large markets. These include the Arab Republic of Egypt; well-resourced and rapidly developing destinations like Saudi Arabia and Oman; and neighboring Eritrea, which offers world-class attractions, including diving and underground tombs in its marine national park in the Dahlak Archipelago. These competitors offer a spectrum of tourism experiences, including marine, desert, wildlife, and beach tourism, similar to Djibouti. However, their destination facilities, products and services are more developed, with greater capacity, diversity, and better overall value propositions.

Figure 5.3

Share of Employees by Tourism Industries, 2022



Source: Based on UNWTO data.

The supply side of the tourism sector is small and concentrated. *First, hotel accommodation is geographically concentrated within Djibouti City*, which accounts for roughly 85 percent of existing facilities. As of June 2025, Djibouti had 39 hotels, with a combined room capacity of 1,310 rooms and 2,097 beds. Several additional hotel development initiatives have been planned, stalled, or abandoned (table 5.1). For example, announcements by Accord Hospitality Group have not yet been realized.[28]

Second, accommodation is also concentrated in the higher-end segment. The ample supply of hotel rooms in the higher-end segments, rated four or five stars, has driven down average room rates and rates for MICE venues. Combined with high operating costs, especially for energy and telecommunications, this has sharply reduced operating profits, impacting the feasibility of future developments and the ability of international management brands to remain involved, which is essential for global market confidence in a volatile region. In addition, short-term rentals in the capital have grown. In July 2025, there were 51 Airbnb listings in the country, of which 39 were in Djibouti City.

Finally, beyond basic infrastructure and destination facilities with sufficient capacity, MICE requires effective and efficient coordination as well as cooperation between the private and public sectors to attract international events and conferences and drive

Table 5.1

Major Hotels Operating and Planned as of June 2025

Hotel name	Number of keys	Positioning	Year opened
Sheraton	185	Upper upscale	1981
Kempinski	320 (including 40 apartments)	Upper upscale	2006
Les Acacias	48	Midscale	2011
Escale	121 (including 31 apartments)	Midscale	2022
Best Western	65	Upscale	2023
Ayla Grand Hotel	217	Upper upscale	2024
Radisson	144	Upscale	In planning
Fairmont	165	Luxury	On Hold
Novotel	110	Upscale	On Hold
Mgallery	50	Upper upscale	On Hold
Sheraton Aparthotel	80	Upscale	Under construction

pre and post event tours to Djibouti's nature-based attractions. This coordination is currently missing, impeding the development of the MICE sector. Establishing a MICE coordination committee may be worth considering in the future, potentially modeled on Rwanda's approach to ensuring policy coordination among all stakeholders.

Most NBT sites outside Djibouti City lack infrastructure and visitor facilities.[29] In addition, roads outside the capital are generally in poor condition, making attractions accessible only by off-road vehicles, with some attractions seasonally inaccessible due to rain erosion. This increases tour costs and limits access for independent travelers. As a result, costs tend to be high, seasons short, and profit margins low, hampering reinvestment and leading to low quality-value propositions that reduce competitiveness. Air access also remains limited. Djibouti's international airport currently services 10 destinations through 11 airlines. Most flights are point-to-point connections to neighboring countries, complemented by international airlines offering connections across global networks.

The current airport is small and expansion is not possible due to the presence of the military base. Air travel remains expensive, with economy-class tickets to Djibouti often costing more than similar tickets to the Arab Republic of Egypt, Ethiopia, or Kenya. Furthermore, implementation capacity for tourism development plans is limited. Several national and tourism-specific plans and strategies have been developed over the past decade, but most have remained substantially unimplemented.[30] Djibouti also lacks coordinated action among NBT and MICE stakeholders, restricting market opportunities and value chain linkages that are essential to attract investors[31] and to enhance the profitability of the MICE sector, as the example of Kigali, Rwanda shows (box 5.1). These factors foster uncertainty, which is detrimental to attracting more investments in the sector.

Djibouti has untapped potential in MICE and business tourism, as well as cultural and nature-based tourism, and could capitalize on recent global travel trends to attract more visitors. First, *demand for exciting travel experiences* has intensified across global market segments in recent years. The internet helps travelers identify immersive activities catering to their varied interests, while social media creates a "flywheel effect"[32] that has helped make "experiences" become powerful decision drivers: the possibility of a life-changing travel moment motivates people to book a trip and choose a destination (McKinsey 2024). Second, travelers are not only taking the road well-traveled but also taking detours to experience new places (Expedia 2025). These *detour destinations* are less well known but are well worth including on an itinerary, either as an add-on or the main destination. Djibouti, with its unique nature-based experiences and status as a lesser-known novelty destination, may benefit from these trends. Opportunities to grow the sector thus exist in the following markets and products:

Box 5.1

Rwanda's Experience in Developing Kigali as a MICE Destination

Rwanda and Kigali have become leading meetings, incentives, conferences, and exhibitions (MICE) destinations in Africa. Rwanda committed to the MICE sector by creating appropriate infrastructure at scale, supported by both the private sector, including hotels, transport, catering, and excursions, and the public sector, including the airport, convention center, information technology and telecommunications, road network, and visa regime. The private sector supporting MICE events was formalized, and capacity building was facilitated to deliver the necessary and essential MICE services.

Rwanda planned its MICE development well ahead in advance, bidding for large flagship events two to three years ahead. This provided clear targets and objectives while allowing backup plans to be in place, including the purchase of a "tent village" when the main convention center was not ready in time. This enabled Rwanda to host early flagship events during 2016–18, with more than 2,000 delegates, helping establish Rwanda and Kigali as MICE destinations and contributing an estimated US$10 million to the GDP.

A designated MICE organization, the Rwanda Convention Bureau, owned by the government, has been the driving force behind these developments. It has full-time dedicated staff, capacity-building support focused on proactive sales and bidding activities, and a dedicated budget. The Rwanda Convention Bureau conducts a cost-benefit analysis for hosting government events, which are used to support operations, ensure positive returns, improve Rwanda's image, and guide marketing to key source markets.

Source: The Business Tourism Company (2018).

— *Cultural tourism*. Djibouti ranked fourth in Lonely Planet's top 10 countries to visit in 2018, and Djibouti City became the first African metropolis to be named the World Capital of Culture by the European Council on Tourism and Trade. The country boasts over 4,000 artisans, and Djibouti City has an interesting historic district.

— *Nature-based tourism*. Djibouti has significant NBT assets, including islands, beaches, mountain ranges, salt lakes, and extinct volcanoes. Recent travel trends such as *water culturalism*, with travelers turning to water to relax, heal, and connect more deeply with nature, and *slow going,* with eco-conscious travelers choosing to slow down and enjoy the journey, offer opportunities for investors. Djibouti can indeed offer both clear blue ocean, including iconic marine life, and healing salt lakes. For example, the mountains around Day Forest offer an excellent setting for walking trails, both as day trips and multiday hikes. Djibouti's marine assets include coral reef hotspots and desert coastlines where diving,[33] fishing, and beach tourism are already taking place and could be further developed. Foreign military personnel and their visitors, local expatriates,

domestic tourists, and business travelers seeking add-on activities are existing markets for which current supply does not meet demand. Neighboring countries, such as Ethiopia, also represent untapped markets, given their population size, purchasing power, and recent passenger rail connection.

— *Business and MICE tourism*. Business and MICE tourism continue to grow as shipping through the Red Sea increases and freight demand rises from Ethiopia and other neighboring countries. Djibouti has started hosting international events and conferences, and in 2020 launched a US$3 billion project to redevelop the historic port of Djibouti into an international business district. The first phase, comprising a business hotel and a conference and exhibition center, was completed as a public-private partnership in 2023. The MICE calendar for 2026[34] also indicates potential synergies between planned conference and event dates and the best NBT season, including whale watching, with most events scheduled between January and April, allowing for pre and post event NBT trips.

5.2 Constraints to Private Investment and Recommendations

CONSTRAINT 1. The lack of a clear, consistent, and properly enforced licensing regime to safeguard investment value at a finite number of primary NBT sites creates development uncertainty and limits investor interest. For example, at Moucha Island, building codes are not enforced, including the ban on the use of concrete, while land demarcation and public access remain vague. At Lake Assal, the country's primary excursion destination, visitor access overlaps with heavy truck traffic from mining operations. Campsites and guides are unregulated and considered informal operators, limiting their ability to secure bank financing and operate under approved safety standards. Applied zoning for NBT is absent, as well as quantified licensing levels for accommodation development by size and category. A new law governing protected areas, Law No. 16/AN/23/9th L, was passed on April 2025. While it clarifies the definition of protected areas, allowed and forbidden activities, executive regulations and other statutory instruments are still needed to strengthen the licensing regime.

RECOMMENDATION 1. Clarify, expand, and strengthen the tourism licensing regime to ensure that it is comprehensive and well enforced.

— **RECOMMENDATION 1A.** *Introduce site-specific tourism concession licenses that define the permitted capacity and type of development, including activities and facilities, within specific sites and areas, including protected areas under the new 2025 act, based on market demand and trends.*

— **RECOMMENDATION 1B.** *Introduce a clear assessment and validation process for unsolicited investment proposals in key tourism areas, including Moucha and Maskali Islands, Day Forest, and other protected marine and terrestrial areas, with guidelines for communication and stakeholder consultation.*

— **RECOMMENDATION 1C.** *Expand camp license regulations to recognize and promote campsites and temporary, including seasonal, accommodation licenses for operators providing different experiences for NBT and the "incentives" subsector of the MICE industry.*[35] This approach would allow investors to base their investments depending on developments in market demand.

CONSTRAINT 2. Skills shortages in the domestic workforce hamper MICE and NBT development. Key skills are lacking in basic competencies, such as customer service, foreign languages, and digital literacy, as well as in specialized tasks, including food production, waitstaff, front-office staff, and management. This constraint is especially acute for women, who make up 35 percent of Djibouti's hotel workforce, considerably lower than the global average of 50 percent. Current attempts to establish formal training pathways will take time to bear fruits. Despite the opening in 2018 of the country's first tourism training center, the Arta Hotel Industry and Tourism Trades Training Centre,[36] wide gaps remain in the supply of qualified labor to the sector. As a result, businesses hire foreign nationals, primarily from neighboring countries, such as Ethiopia, as well as from France and other developed economies for higher-skilled positions. As hiring foreign workers is costly—Law No. 28/AN/13/7th L from 2013 sets the yearly work permit for foreign workers at US$1,124[37]—skills constraints effectively increase operating costs and restricts improvements in operational standards in the MICE and NBT segments.

RECOMMENDATION 2. Update Article 2 of Law No. 28/AN/13/7th L from 2013 to reduce the yearly cost of work permits in the tourism sector to US$112, the previous level before the 2013 update. The reduced rate would apply to the hiring of foreign personnel with required tourism sector-specific skills. It should be accompanied by an obligation for the employer to set up an effective training program for local staff to ensure knowledge transfer. Following verification, penalties should be applied if the required knowledge transfer has not taken place.

CONSTRAINT 3. Limited tourism data and statistics hinder destination planning and management and increase risks for investors and financiers in the MICE and NBT segments. Djibouti's tourism data are critically lacking, particularly for the leisure tourism sector. There are no regular visitor surveys or data on average expenditures or tourism multipliers. Further, UNWTO (United Nations World Tourism Organization) data is incomplete, and informal data gathered from the press or interviews are often unreliable.

RECOMMENDATION 3. Introduce a tourism data and statistics system. Establish a minimum system of publicly available, regularly updated tourism data and statistics that captures arrivals, means of transportation, reason for travel, country of residence, and places visited, and that produces occupancy and length-of-stay data for different source markets. This system should use globally recognized approaches, such as a preregistration form on arrival the Djibouti International Airport, similar to the Dominican Republic's eForm,[38] to capture basic visitor and itinerary data, as well as registration data from accommodation facilities. It should be complemented by an annual exit interview survey, based on a random sample of travelers at the airport, to collect information on traveler satisfaction and issues faced.

Achieving Djibouti's tourism potential will require government efforts to alleviate cross-cutting constraints to sector development, including inadequate air access, basic services, public implementation capabilities, and environmental risks. Investments in micro, small, and medium enterprise and entrepreneurship development, as well as rural infrastructure, would also help boost jobs, inclusion, and increase quality of life for the rural population. Improved coordination around MICE events, through a designated public-private entity modeled on Rwanda's example, would also help enable economic returns from this high-yield subsector.

5.3 Impact

Implementing these policy actions could contribute to US$66 million to US$180 million in cumulative investments. The potential number of jobs could increase by 2,600 over the over the medium term. The impact estimate is based on a projected increase in arrivals, length of stay, and enhanced experiences and service levels. The model relies on assumptions of enterprise creation, experience development, and event organization, as well as spending, employment requirements, and capital investment.

The detailed methodology for these estimates is described in appendix A. Table 5.2 provides a synthesis of the proposed recommendations.

Table 5.2

Tourism: Synthesis of Proposed Recommendations

Constraints	Recommended actions
1. The licensing regime does not adequately regulate developments across valuable tourism areas.	**1a.** Introduce site-specific tourism concession licenses under the new 2025 act, specifying the permitted capacity and type of development for designated sites and areas. **1b.** Introduce a clear assessment and validation process for unsolicited investment proposals, including guidelines for communication and stakeholder consultation. **1c.** Expand camp and campsite licensing regulations to recognize campsites and temporary, including seasonal, accommodation licenses.
2. Skills shortages require reliance on specialized foreign staff, who are heavily taxed, increasing operating costs for both MICE and NBT.	**2.** Revise Article 2 of Law No. 28/AN/13/7th L from 2013 to reduce the yearly cost of work permits in the sector to the previous level of US$112. This revision should require employers to set up effective training programs for local staff to ensure knowledge transfer. Compliance should be verified through an appropriate mechanism, and penalties should be applied where the required knowledge transfer has not taken place.
3. A lack of timely and comprehensive tourism data hinders investment planning and profitability analysis for both MICE and NBT.	**3.** Introduce a publicly available, regularly updated tourism data and statistics system to inform policy and investment decisions.

Appendix

Appendix A

Estimates of Potential Increases in Private Investment and Employment

A.1. Impact of Off-Grid Solar Reforms in Djibouti

In total, potential reforms could yield US$395 million in investments and 8,700 jobs over five years. These estimates are based on simplifying assumptions and provide indicative insights into potential investment and jobs.

A.1.1 *Methodology*

The impact of off-grid solar reforms is derived using a top-down approach based on the growth of total energy demand in Djibouti associated with investment cost per megawatt (MW) installed, estimated at US$850,000. The analysis estimates off-grid solar investments, as well as revenues generated from power purchase agreements (PPAs). Job creation estimates are based on employment multipliers from UNIDO (2016).

A.1.2 *Scenarios*

— *Baseline scenario*: No reform initiated; Djibouti maintains an identical planned off-grid capacity of 6 MW per year from 2026 onwards, in addition to the current off-grid solar capacity of 13 MW.

— *Reform scenario:* Implementation of the recommended reform package first increases installed off-grid solar capacity for self-consumption and then generates revenues for

investors from PPAs. Installed capacity is projected to increase by an additional 134 MW in the coming five years.[39]

A.1.3 *Assumptions*

Levelized cost of energy

- *Solar panels:* 40 percent of investment cost, with linear depreciation over 25 years, corresponding to the project lifetime.
- *Inverters:* 10 percent of investment cost, with linear depreciation over 10 years.
- *Batteries:* No storage.
- *Load factor:* 25 percent. The range of this value in the Middle East and North Africa[40] is 20–30 percent.
- *Losses:* 2 percent.
- *Self-consumption:* 30 percent; injection to the grid: 70 percent.
- *Operations and maintenance (O&M):* 30 percent of investment cost.
- *Financing:* Solar power plant financed from own funds.
- *Feed-in tariff (FiT):* The assessment considers an average tariff of US¢23 per kWh, based on electricity tariffs ranging from US¢15 per kWh for the poorest category to US¢31 per kWh for residential customers.

Investment and revenues

- *Capital cost:* US$850,000 per MWh.
- *Reform scenario:* The expected increase in installed off-grid solar capacity in Djibouti is assumed to be three times the baseline scenario. For reference, installed solar capacity in Morocco increased by sevenfold between 2009 and 2020.
- *Annual changes in solar photovoltaic (PV) capital cost:* Annual cost decrease of 2 percent.
- *Revenue estimation:* Revenue estimates are based on the electricity FiT.

Employment

- *Direct jobs*: Employment within the solar PV industry itself, such as manufacturing, construction, installation, and O&M. The direct job multiplier is estimated at 6.2, indicating the number of fixed-term employment created per gigawatt-hour (GWh) generated.
- *Indirect jobs*: Employment in sectors that supply inputs to the energy sector, such as legal, environment, social, and consulting services. The indirect job multiplier is estimated at 0.9, indicating the number of fixed-term employment created per GWh generated.

A.2. Impact of Data Center Reforms in Djibouti

In total, potential cumulative investments in data center construction and expansion over five years could range between US$160 million and US$240 million. The potential number of direct, indirect, and induced jobs created could range from 700 to 1,300 jobs.

A.2.1 *Methodology*

Estimates are derived using a bottom-up approach. Investment estimates focus on both the construction of greenfield data center facilities and the expansion of existing facilities to meet growing market demand arising from the proposed sector reforms. The analysis focuses on commercial facilities that lease colocation white space and power capacity to third-party customers on open commercial terms in exchange for a fee. Estimates also include facilities built by large "hyperscaler" cloud and artificial intelligence service providers to deliver their services.

While the assessment of potential investment increases focuses on data center investments, the implementation of the proposed recommendations is expected to have ripple effects across the digital infrastructure and services value chain. Complementary investments are anticipated through increased private sector participation in additional submarine cable landings, new terrestrial fiber deployments, and cloud services infrastructure.

The report projects data center facility size based on the average size of facilities in digital hubs similar to Djibouti. Additional insights on demand potential and facility characteristics were obtained through secondary data collection and consultations with industry experts.

A.2.2 *Scenarios*

- *Baseline scenario:* Under the baseline scenario, a new data center facility, already under construction at the time of this writing, would come to market in 2026. Another facility would come to market in 2028, bringing the total number of facilities to four over the forecast period.
- *Scenario 2, information and communication technology (ICT) sector reforms:* Under this scenario, Djibouti would see an additional three data center facilities constructed by 2031 in response to policy reforms, with an average critical information technology (IT) load facility size of 2 MW in launching phases.
- *Scenario 3, accelerated impact of ICT sector reforms:* Under this scenario, Djibouti would see an accelerated buildout, with four data center facilities constructed by 2031 in response to policy reforms, as well as larger and faster expansion phases.

A.2.3 *Assumptions*

- *Baseline case assumptions:* Under the baseline scenario, only one new facility would come to market in 2026. Its average size at launch would be 1 MW. Facilities would expand by 1 MW every four years, with providers waiting for existing capacity to be absorbed prior to expansion. The total cumulative capacity would be about 5.5 MW at the end of 2031.
- *Scenario 2 assumptions:* Under this scenario, Djibouti would see an additional three data center facilities constructed by 2031 in response to policy reforms. The average critical IT load facility size would be 2 MW in launching phases. A faster rate of expansion of existing facilities would occur as a result of rising demand, with the timeline between new phases of facility development shortened from 48 months to 36 months. Facilities are assumed to have two phases of expansion after initial launch, each at the same scale as the launch capacity. Djibouti's data center critical IT load capacity would rise tenfold to 15.5 MW by 2031, up from around 1.5 MW in 2025, driven by new facility construction and existing capacity expansion.
- *Scenario 3 assumptions*: Under this final scenario, Djibouti would see an additional four data center facilities constructed by 2031 in response to policy reforms. The average critical IT load facility size would be 3 MW in launching phases. A faster rate of expansion of existing facilities would occur as a result of rising demand, with the timeline between new phases of facility development shortened from 48 months to 36 months. Facilities are assumed to have two phases of expansion after initial launch, each at the same scale as the launch capacity. Djibouti's data center critical IT load capacity would rise to 22.5 MW by 2031, up from around 1.5 MW in 2025, driven by new facility construction and existing capacity expansion.
- *Capital costs:* To estimate data center capital costs, the report used a reference capital expenditure per MW value, based on collected secondary data, market trends and complementary insight on data center project development in Africa. For Djibouti, the report applied the upper-end of a US$10–20 million per MW investment range.
- *Employment:* To estimate changes in employment, the report used indicative employment estimates based on data center facility size, from a range of data center economic impact studies. In addition, the report applied employment multipliers to support job creation estimates. The report applies an induced job multiplier of five, a midpoint of a sample of studies with multipliers ranging from three to six.

A.3. Impact of Nature-Based and MICE Tourism Reforms in Djibouti

The cumulative estimated impact ranges between US$66 million, under conservative assumptions, and US$180 million, under an optimistic scenario, in private investments. The reforms could create about 2,600 tourism jobs, excluding meetings, incentives, conferences, and exhibitions (MICE) jobs.

A.3.1 *Methodology*

The estimated impact on tourism is based on projected increase in arrivals, length of stay, and enhanced experiences and service levels. The model relies on assumptions related to enterprise development, experience creation, and event organization across the nature-based tourism (NBT) spectrum, as well as associated spending, employment requirements, and capital investment. These figures exclude MICE-related employment, which is highly casual and for which no data is currently available for Djibouti. As such, irrespective of the scenario applied, these estimates can be considered as lower bounds.

A.3.2 *Scenarios*

The absence of reliable and comprehensive sector data makes scenario generation difficult. The rationale used is a baseline scenario that reflects current quantified visitor trends and reform scenarios that enable growth in arrivals and length of stay.

- *Baseline scenario:* Assumes that growth continues at the current pace and that the MICE and NBT offer remains stagnant. Leisure tourism, accounting for 25–30 percent of arrivals, remains driven by French tourists, who account for more than 40 percent of leisure arrivals, and by military personnel arrivals. Length of stay remains limited to four days, on average, with expenditure of around US$175 to US$250 per day.
- *Reform scenario:* The combination of an improved experience offer and larger capacity in new accommodation and MICE facilities and services increases arrival numbers and length of stay. Given the low baseline, relatively conservative estimates are used. Additional nights, increasing length of stay from four to six nights, would benefit facilities outside of Djibouti City, including Day Forest, Moucha, and mobile camps, driven by add-on programs for MICE visits and trips by temporary residents. The four scenarios analyzed differ in growth in arrivals and length of stay. Scenario 1 assumes low growth of 5 percent over five years. Scenario 2 assumes modest growth of 10 percent. Scenarios 3 and 4 use the same growth assumptions but include an increase in length of stay based on an enhanced tourism offer.

A.3.3 *Assumptions*

— *Employment:* Estimates are based on multipliers that link employment to tourist arrivals. Estimates of such multipliers vary broadly. For example, in 2023, the World Travel and Tourism Council reported 66.4 million international arrivals in Africa, providing 8.8 million direct tourism jobs, or a ratio of 7.5 international arrivals for each direct tourism job, against a worldwide average of 10 (United Nations World Tourism Organization; UNWTO). Although the additional multiplier effect in tourism is usually determined by UNWTO at 1.5 indirect jobs for every direct job, NBT is a higher employment subsector. Employment per bed at various NBT operations in East Africa, including Botswana, Kenya, Malawi, Tanzania, and Zambia,[41] typically varies between 1.8 and 4.5 jobs per available bed, depending on the scope of services provided and comfort levels.

— *Investment:* Investment is anticipated on Moucha Island, Djibouti City, and in Tadjoura, as well as in mobile operations and temporary accommodations and venues that are not site specific. A list of potential tourism investments, based on supply-side options linked to the growth scenarios, was established following a field mission, discussions with the private sector, and expert input. Anticipated additional hotels and MICE venues are likely to charge rates similar to current averages in Djibouti City. Completion and opening of the Radisson in Djibouti should boost the MICE sector, as the company is among the five global leaders in MICE activities in the Middle East and Africa, and the government supports strategic alliances and public-private partnerships.[42]

— *Impact estimates:* An average of three direct jobs per additional bed required is used to generate employment growth estimates.

Notes

1. Computed using the Atlas Method.
2. The Djibouti Port Community System covers procedures related to foreign trade, ports and logistics.
3. In particular, the port and the railway, together with a water pipeline to Ethiopia, were financed by a loan from China for a total of US$1.2 billion (about 30 percent of 2023 GDP) (IMF 2024). More recently, in July 2023, the central government borrowed €79.2 million from the European Investment Bank to support projects in the water sector (IMF 2024).
4. Enquête Djiboutienne sur les Statistiques du Travail, Quarters 1 and 2, 2025.
5. https://data.unhcr.org/en/country/dji.
6. https://www.enterprisesurveys.org/en/data/exploreeconomies/2025/djibouti?view=table&subGroup=-1&topic=13&countries=All+Economies%2F%2FAll+Economies%2F%2F2025%2F%2F57%2F%2Fnull&subtopic=82&regions=Middle+East%2C+North+Africa%2C+Afghanistan+and+Pakistan&IndicatorIds=168%2C169%2C170.
7. The Fonds de Garantie de Djibouti (FOGAD) is a government-backed financial institution created in 2016 to facilitate access to credit and risk sharing for MSMEs and affordable housing.
8. Djibouti's "Centrale des Risques" is a public credit registry covering formal bank loans above a specified threshold. It provides useful credit information and could eventually be complemented by private credit bureau with broader coverage to further support access to finance.
9. As of December 2023 (Banque Centrale de Djibouti 2024).
10. The IMF Staff Concluding Statement of the 2025 Article IV Mission (25 June 2025) noted that the "authorities intend to strengthen fiscal consolidation and enhance financial transparency and governance of state-owned enterprises."
11. Under Article 20 of Instruction 2019-03, loans older than five years could be written off bank balance sheets and tracked separately (Banque Centrale de Djibouti, Rapport Annuel 2023). See also IMF, Country Report No. 24/148, June 2024.
12. By law, the right to work may be granted only when the required skills are not available in Djibouti. Work permits for senior managers and technical experts cost US$1,124 in Djibouti, compared with US$73 in Ethiopia. In the free zones, labor migration is governed by separate regulations established by the Djibouti Ports and Free Zones Authority; however, information on the cost of the corresponding permits is not publicly available (IFC 2023).
13. https://hepo.iesalc.unesco.org/pc/policy/countrygraph/cp/DJI/.
14. The US, French, and Chinese bases account for roughly 8,000 military personnel, not counting families. Compared with the local population, this group has very high purchasing power.
15. See African Business, https://african.business/2024/05/dossier/how-djibouti-will-produce-100-green-energy-by-2035.
16. Examples include a 25 MW solar photovoltaic (PV) project with battery storage in Grand Bara, which aims to enhance energy access and grid stability, and a renewable energy agreement with the Arab Republic of Egypt to install a 276.5 kW solar PV plant. Wind and geothermal energy projects are also in various stages of development, further diversifying Djibouti's energy portfolio.
17. Adapted from PVknowhow, https://www.pvknowhow.com/solar-report/djibouti/.
18. Decentralized energy solutions refer to energy systems that generate, store, and manage energy locally—close to the point of consumption—rather than relying solely on centralized power plants and long-distance transmission networks. These solutions typically include renewable energy sources (like solar panels or wind turbines), energy storage (such as batteries), and smart energy management technologies.

19. To date, two major pilot projects have been implemented. The French company Akuo Energy, through its subsidiary and with support from Djibouti Cluster, Territoire d'Innovations, has chosen Djibouti for the first African demonstration of its SunStyle technology, a solution combining insulating paint and solar tiles. Akuo Energy has signed a contract with the Bank for Commerce and Industry–Red Sea to equip the roof of the terrace at its headquarters in Djibouti City with solar tiles. Liquidstar, a US-based company, deployed an off-grid data center for a remote community in 2023. The infrastructure integrates off-grid data center modules that can also provide power, water, and internet services. The project was funded by USAID and implemented in partnership with the Ministry of Energy and Natural Resources.
20. See "Limit Values for Electricity Generation Facilities," Journal Officiel de la République de Djibouti, https://www.journalofficiel.dj/texte-juridique/arrete-n2019-025-pr-mern-portant-fixation-des-valeurs-limites-des-installations-de-production-delectricite/.
21. This proposed capacity limit value is based on two elements. First, small self-producers, category P1, and large self-producers, category G1, are the only categories concerned by self-consumption (see table 3.2). However, there is a large gap between the maximum capacity limit of category P1, 20 kW, and the minimum capacity limit for category G1, 500 kW. This gap could be filled by increasing the capacity limit for small self-producers, which do not require a license. Second, energy demand from data centers and tourism is expected to grow significantly, while on-grid generation is unlikely to fully cover these needs. It is therefore advisable to make it easier to set up larger installations without requiring a license.
22. ADN has created a technical committee in charge of proposing and elaborating standards for renewable energy. To date, 50 standards are being developed on electricity, electrotechnics, and energy efficiency, among which five are specifically on solar panels.
23. The World bank, through its "Skills Development for Employment Project" is providing training in "solar panel maintenance," an effort to fill a practical skills gap tied to solar deployment (World Bank 2025).
24. https://www4.aucegypt.edu/CMRS/Files/28.pdf.
25. Xalam Analytics, 2025 mission.
26. The adoption of a new Digital Code (Code du Numérique) in July 2025 is set to restructure the sector's legal framework. The Digital Code clarifies the responsibilities of key regulatory stakeholders for licensing and day-to-day market regulation. It covers key provisions on electronic communications, electronic commerce, personal data protection, and cybersecurity, integrating the key provisions governing the ICT sector into a single overarching document. While the code has been adopted by the National Assembly, implementing decrees and other supplementary provisions still need to be developed quickly for it to become fully effective.
27. Under Djibouti Vision 2035, tourism was identified to play a core role in the country's economic diversification and job creation goals, with the objective of generating 30,000 direct jobs and to account for more than 10 percent of GDP by 2035. The government developed a National Tourism Strategy in 2019, setting a target for attracting 500,000 tourists by 2030, a threefold increase on 2019 arrivals. The government has undertaken initiatives to implement the strategy. An e-visa program has facilitated entry, the Arta Hotel Industry and Tourism Trades Training Centre (Centre Sectoriel de Formation aux Métiers de l'Hôtellerie et du Tourisme d'Arta) was launched in 2018, and the airport was expanded in 2023. The designation of tourism as a priority industry in the 2035 strategy made it eligible for funding from the Economic Development Fund of Djibouti (Fonds de Développement Economique de Djibouti), while also helping attract private investment. Uptake of the fund, however, has not matched expectations, and the government's tourism strategies have largely faced lackluster implementation.
28. In November 2020, Accor Hospitality Group signed a management agreement with Kamak Investment to manage three hotels under three different brands: Pullman Living, Novotel, and MGallery. The properties would share a location with the port of Djibouti. China Merchants Group was expected to finance part of the first phase through a US$350 million investment agreement signed in December 2020. In

2022, Accor announced further plans to open a new hotel, the Fairmont Djibouti, situated next to the beach in Plateau du Serpent, close to the main port, with seafront views. No development has occurred to date.

29. Most sites do not have visitor facilities such as signage, parking, visitor centers, toilets, viewpoints, interpretation, or trails. In addition, areas around these sites tend to lack access to water, electricity, telecommunications, or waste management.
30. This includes Intergovernmental Authority on Development's Regional Sustainable Tourism Master Plan 2013–23, the National Tourism Strategy 2019–24, and subnational regional development plans from 2022. This limited implementation can be explained by the fragmented nature of the sector, the lack of sectoral development funding mechanisms, the low capacity of tourism institutions, political considerations, the COVID-19 pandemic, and other subregional shocks.
31. There is no private sector tourism organization, beyond a chapter of the Chamber of Commerce and Industry, that jointly seeks to develop new markets and products and shares information systemically.
32. Social media creates a so-called flywheel effect, in which seeing friends' posts about experiences encourages people to seek experiences of their own and then share them in turn, likely inspiring others to continue the cycle (McKinsey 2024).
33. Various resources display international drawing power such as the annual Whale Shark Festival in the Gulf of Tadjoura, which provides travelers the opportunity to swim with whale sharks between October and February. Home to a large coral reef with around 200 species of coral, Djibouti has scope to further develop its diving tourism industry. The currents in the narrow opening between the Red Sea and the Indian Ocean bring an array of marine species to the region. While the conditions are more appropriate for expert divers, open-water divers may be able to access the area with a guide.
34. Examples of conferences and events scheduled in early 2026 include the Microbiology and Immunology Conference, January 23–24; the Conference and Exhibition on Shipping, Ports, and Logistics, February 10–12; Microbiology and Infectious Diseases, February 15–16; Trends in Agriculture, March 6; Agri, Forest, and Food, March 27–28; and the Conference on Applied Psychology, April 4.
35. Examples could include a temporary mountain camp on Ardoukoba Volcano, a floating camp at the Godoria mangroves, and licenses for pop-up events utilizing Djibouti City's Old Town heritage buildings.
36. The Arta Hotel Industry and Tourism Training Centre trains people for hospitality and tourism jobs and offers additional training for those already in the industry. The current tourism training center can train up to 525 students a year, which is unlikely to be sufficient to meet demand over the medium term.
37. https://www4.aucegypt.edu/CMRS/Files/28.pdf.
38. The Dominical Republic's e-ticket system is globally recognized as an efficient and effective model (see https://migracion.gob.do/en/e-ticket-electronic-ticket-of-entry-and-exit-of-the-dominican-republic/).
39. This evolution is consistent with the experience of other countries. For example, Morocco has multiplied its solar installed capacity by seven, between 2009 and 2020.
40. https://www.iea.org/regions/middle-east.
41. Data based on following operators: Classic Zambia Safaris, African Bush Camps, Wilderness, Kerr and Downey, Time and Tide, Central African Wilderness Safaris, 2025.
42. See "2025 Industry Report Saudi-Arabia MICE Industry," Mordor Intelligence.

Acronyms

ADN	Agence Djiboutienne des Normes et de la Qualité (Djibouti Agency for Norms and Quality)
ANSIE	Agence Nationale des Systèmes d'Information de l'Etat (National Agency for State Information Systems)
ARMD	Autorité de Régulation Multisectorielle de Djibouti (Multisectoral Regulatory Authority of Djibouti)
CPSD	Country Private Sector Diagnostic
DPFZA	Djibouti Ports and Free Zones Authority
DT	Djibouti Telecom
EdD	Electricité de Djibouti
FDI	foreign direct investment
GDP	gross domestic product
ICT	information and communication technology
IMF	International Monetary Fund
IPP	independent power producer
kWh	kilowatt-hour
Mbps	megabits per second
MENAAP	Middle East, North Africa, Afghanistan, and Pakistan
MENI	Ministry of Digital Economy and Innovation
MERN	Ministère de l'Energie en charge des Ressources Naturelles (Ministry of Energy and Natural Ressources)
MICE	meetings, incentives, conferences, and exhibitions
MSME	micro, small, and medium enterprise
MW	megawatt
MWp	megawatt Peak
NBT	nature-based tourism
NPL	nonperforming loan
O&M	operations and maintenance
ODDEG	Djibouti Office for Geothermal Development
PPA	power purchase agreement
SOE	state-owned enterprise
Tbps	terabits per second

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