ISS | AFRICAN FUTURES

Djibouti

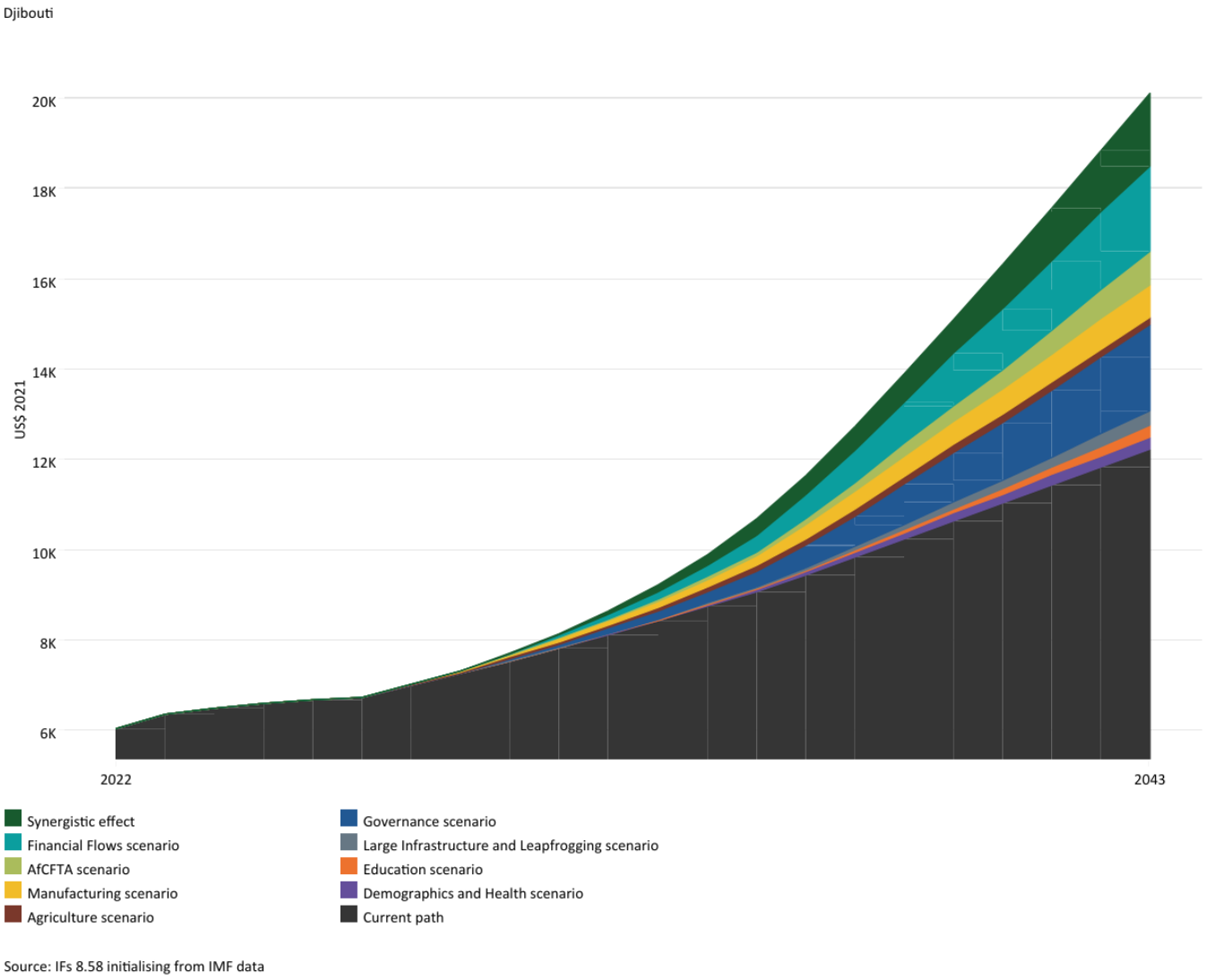
Djibouti: Scenario Comparisons

Marvellous Ngundu

Last updated 22 May 2026 using IFs v8.58

Djibouti: Scenario Comparisons

Chart 29: GDP per capita in the Current Path and scenarios, 2020-2043



Source: IFs 8.58 initialising from IMF data

Chart 29 presents GDP per capita in purchasing power parity (PPP) in the Current Path and each of the eight sectoral scenarios. The data is from 2022 with a forecast to 2043.

As illustrated in Chart 7, under the Current Path, Djibouti's GDP per capita (PPP) will rise from US$6 840 in 2024 to approximately US$12 220 by 2043. Among the sectoral scenarios, the Governance scenario will contribute the largest gain by 2043, at about US$1 910 above the Current Path, followed closely by Financial Flows (US$1 870) and AfCFTA (US$750). These are followed by Manufacturing (US$690), Large Infrastructure and Leapfrogging (US$310), Demographics and Health (US$270), Education (US$240) and, as expected, Agriculture (US$160) will record the smallest gains.

This ordering reflects Djibouti's underlying economic structure. The largest gains arise from scenarios that will improve the quality of institutions, efficiency of capital allocation and integration into regional and global markets, rather than those that primarily expand physical capital. Djibouti already operates an infrastructure-heavy growth model centred on ports, corridors, free economic zones and connectivity services. As highlighted in the World Bank's SCD, the core constraint is not

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

the absence of infrastructure, but the limited extent to which this model generates broad-based productivity gains, employment and inclusion. In this context, governance reforms will deliver the highest returns by strengthening state capability, policy implementation and the business environment. Financial Flows and AfCFTA will also perform strongly because they enhance capital utilisation and market access, helping to unlock spillovers from existing infrastructure rather than adding to the capital stock alone. This is consistent with Vision 2035, which emphasises a transition toward a more diversified, private sector-led economy.

In practical terms, the relatively modest gains under the Large Infrastructure and Leapfrogging scenario must be understood in the context of Djibouti's financing model. While the scenario supports strategic investments, particularly in green energy, ICT and transport networks, its returns are constrained by diminishing marginal productivity of capital and a heavy reliance on external debt. Djibouti's major infrastructure projects, such as ports, railways and water infrastructure, have been financed through borrowing from external creditors, notably China. Loans from China Exim Bank amount to roughly US$1.2 billion (around 30% of the country's 2023 GDP), contributing to Djibouti's classification as being in debt distress, despite restructuring efforts and temporary relief measures.

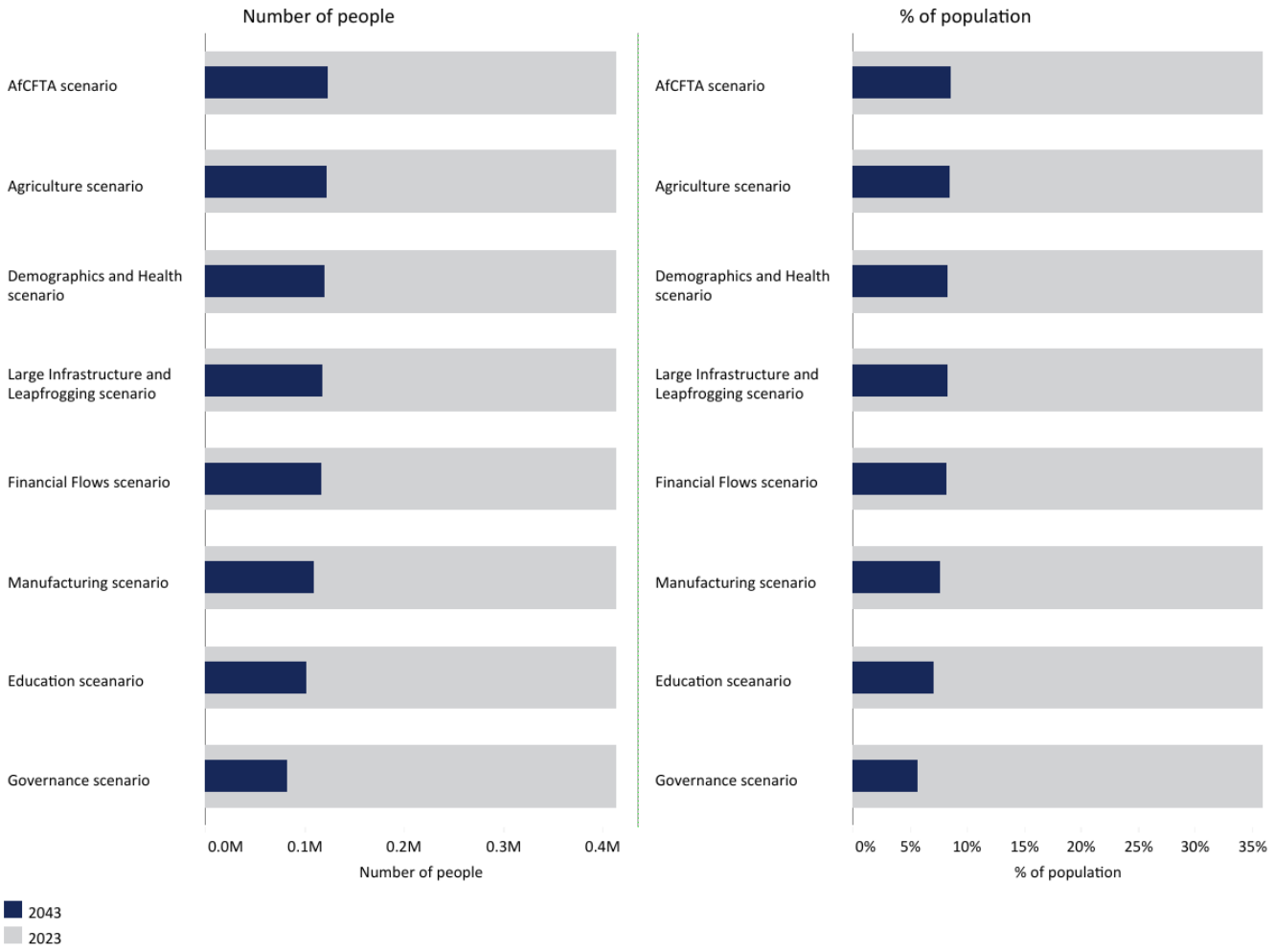
As a result, additional infrastructure investment generates mixed outcomes. While it will expand productive capacity, its impact on GDP per capita will be moderated by debt servicing obligations, fiscal constraints and the import-intensive nature of construction. Moreover, the capital-intensive and enclave characteristics of Djibouti's infrastructure sectors limit job creation and income transmission to households. This explains why the scenario delivers only modest gains relative to the Current Path, rather than the large improvements that might be expected in less infrastructure-saturated economies.

At the lower end, the Agriculture scenario will record the smallest gains, reflecting the structural limitations of the sector in Djibouti. Agriculture contributes only marginally to GDP and employment due to severe water scarcity, limited arable land and desert climatic conditions. Even with improvements in irrigation, climate-smart agriculture and water infrastructure, the sector's capacity to drive broad-based economic growth remains constrained. As such, gains in agriculture, while important for food security and resilience, will translate into relatively limited improvements in aggregate income compared to sectors such as governance, finance or trade.

In sum, the results highlight a clear shift in Djibouti's growth strategy. The highest returns now lie less in expanding infrastructure further and more in maximising the efficiency and inclusiveness of existing assets. This includes strengthening governance, improving the investment climate, deepening regional integration and enhancing linkages between infrastructure, domestic firms and labour markets. At the same time, managing the public debt burden, particularly from externally financed infrastructure, remains critical to ensuring that future growth translates into sustainable and inclusive increases in living standards.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 30: Poverty in the Current Path and scenarios, 2023-2043



Source: IFs 8.58 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 30 presents poverty in the Current Path and for each scenario, from 2022 to 2043. The user can select the number of extremely poor people or the percentage of the population.

At the US$4.20 poverty line for LMICs, poverty in Djibouti will decline significantly under the Current Path, from 34% (approximately 397 750 people) in 2024 to about 8.5% (125 120 people) by 2043. This reflects the overall growth trajectory of the economy, particularly driven by the expansion of the services and logistics sectors. However, the variation across scenarios highlights that the quality and inclusiveness of growth, not just its pace, are critical for poverty reduction.

The Governance scenario will deliver the largest poverty reduction, lowering the rate to 5.6% (around 82 750 people) by 2043, lifting an additional 42 370 people out of poverty compared to the Current Path. This strong performance reflects the central role of state capacity in translating growth into improved service delivery, better targeting of social programs and more inclusive access to economic opportunities. In Djibouti's context, where growth has historically been capital-intensive and spatially concentrated, improvements in governance are particularly effective in bridging gaps between growth and household welfare.

The Education scenario follows, reducing poverty to 6.9% (about 101 460 people), highlighting the importance of human

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

capital in enabling labour market participation and income mobility. This is especially relevant in Djibouti, where high unemployment and skills mismatches limit the extent to which the population benefits from growth in logistics, ICT and services. Similarly, the Manufacturing scenario (7.4%, approximately 109 170 people) performs relatively well by promoting more labour-intensive sectors, which are better suited to generating employment and broad-based income gains than the dominant capital-intensive industries.

A second tier of scenarios delivers more modest but still meaningful reductions. The Financial Flows scenario will lower poverty to 8% (approximately 117 430 people), while the Large Infrastructure and Leapfrogging scenario will reache 8.1% (around 119 060 people). The Demographics and Health scenario will reduce poverty to 8.4% (approximately 120 330 people), followed closely by the Agriculture scenario (8.4%, about 122 940 people) and the AfCFTA scenario (8.4%, approximately 123 730 people).

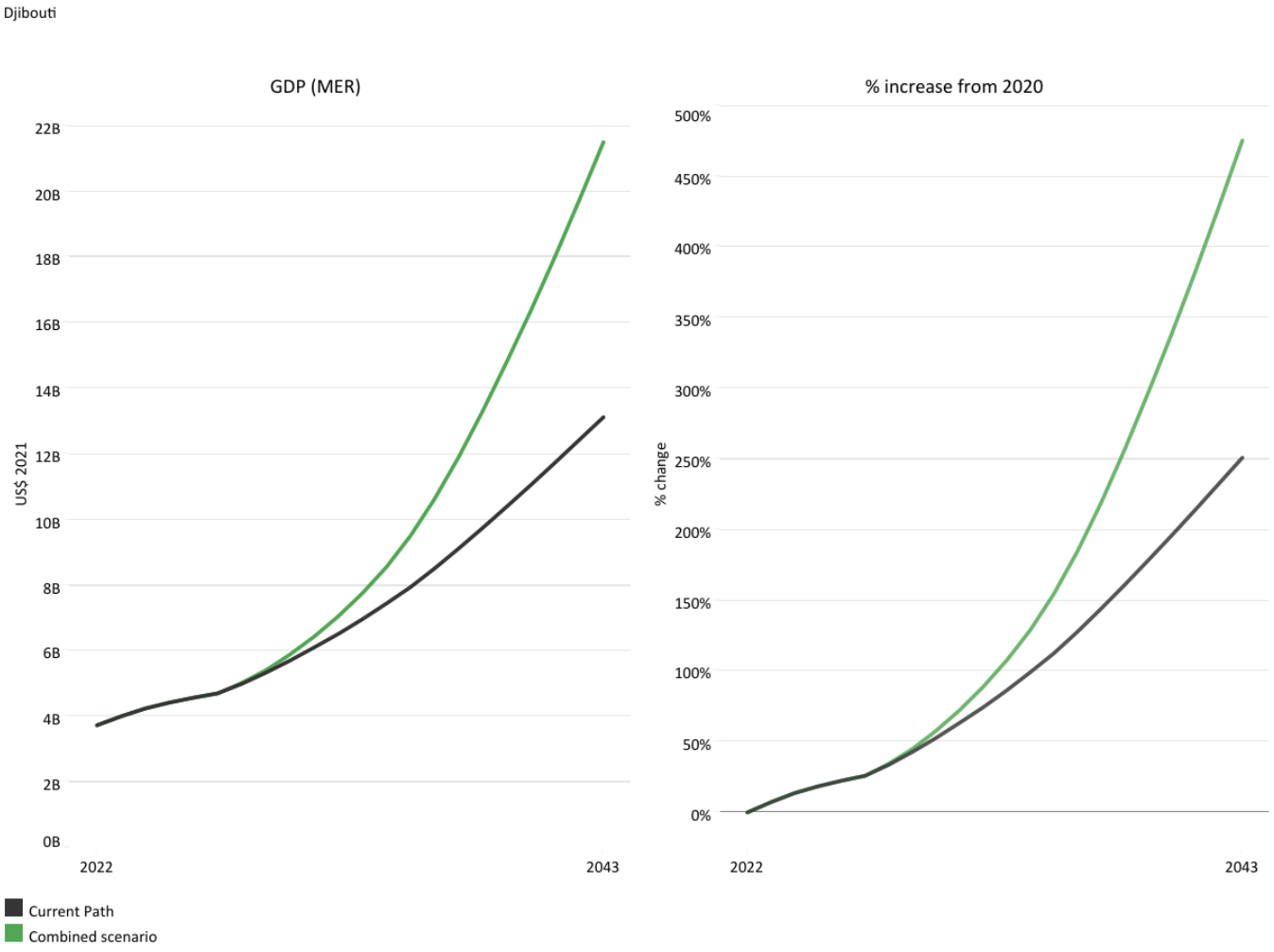
The relatively limited gains under these scenarios reflect structural features of Djibouti's economy. Under the Financial Flows scenario, increased investment and remittances will support growth. Still, the poverty impact will be constrained by the enclave nature of FDI-driven sectors and limited transmission to low-income households. Similarly, while the Large Infrastructure and Leapfrogging scenario will expand productive capacity, its capital-intensive nature will generate relatively few jobs, limiting its effect on poverty reduction, consistent with Djibouti's infrastructure-led growth model.

The Agriculture and AfCFTA scenarios will also yield modest poverty gains, albeit for different reasons. In the case of agriculture, the sector's small economic role, due to severe water scarcity, limited arable land and a small rural population, constrains its ability to drive large-scale poverty reduction, even with productivity improvements. For AfCFTA, while trade integration boosts aggregate growth, its poverty impact depends on the country's ability to diversify production and participate in regional value chains. In these areas, Djibouti currently faces structural constraints.

These results underscore that poverty reduction in Djibouti is most responsive to interventions that enhance inclusiveness, particularly governance reforms, human capital development and labour-intensive sectors. By contrast, strategies that primarily expand capital stock or trade volumes, without strengthening linkages to the domestic economy, deliver more limited welfare gains. To maximise poverty reduction, policy efforts should therefore focus on strengthening state capacity, improving education and skills and fostering sectors that generate broad-based employment, while ensuring that existing growth engines translate more effectively into household-level income gains.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 31: GDP (MER) in the Current Path and Combined scenario, 2022-2043



Source: IFs 8.58 intialising from IMF data

Chart 31 presents GDP in the Current Path and in the Combined scenario from 2022 to 2043. The data is in US$ 2017 and at market exchange rates (MER).

The Combined scenario combines all eight sectoral scenarios: Governance, Demographics and Health, Education, Large Infrastructure and Leapfrogging, Agriculture, Manufacturing, AfCFTA and Financial Flows. The Combined scenario effectively represents a coordinated reform pathway rather than a simple aggregation of interventions.

As illustrated in Chart 5, Djibouti's GDP (MER) will increase from US$4.25 billion in 2024 to approximately US$13.13 billion by 2043 under the Current Path, implying an average annual growth rate of 6.1% over the 2025–2043 period. Under the Combined scenario, GDP will expand much more rapidly, reaching about US$21.46 billion by 2043. This represents an increase of approximately US$8.33 billion above the Current Path forecast. As a result, the average annual growth rate will rise to 8.9%, about 2.8 percentage points higher than the baseline, placing Djibouti firmly within its Vision 2035 target range of 8–10% economic growth.

This acceleration is driven by strong complementarities across sectors. Governance reforms remain the primary driver, improving state capacity, policy implementation and the overall efficiency of public and private investment. This enables

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

gains from other sectors to translate more effectively into sustained economic expansion. The next-largest contributions come from Financial Flows and Manufacturing scenarios, which will deepen capital formation and promote structural transformation towards more productive activities, and, in the case of manufacturing, more employment-generating activities.

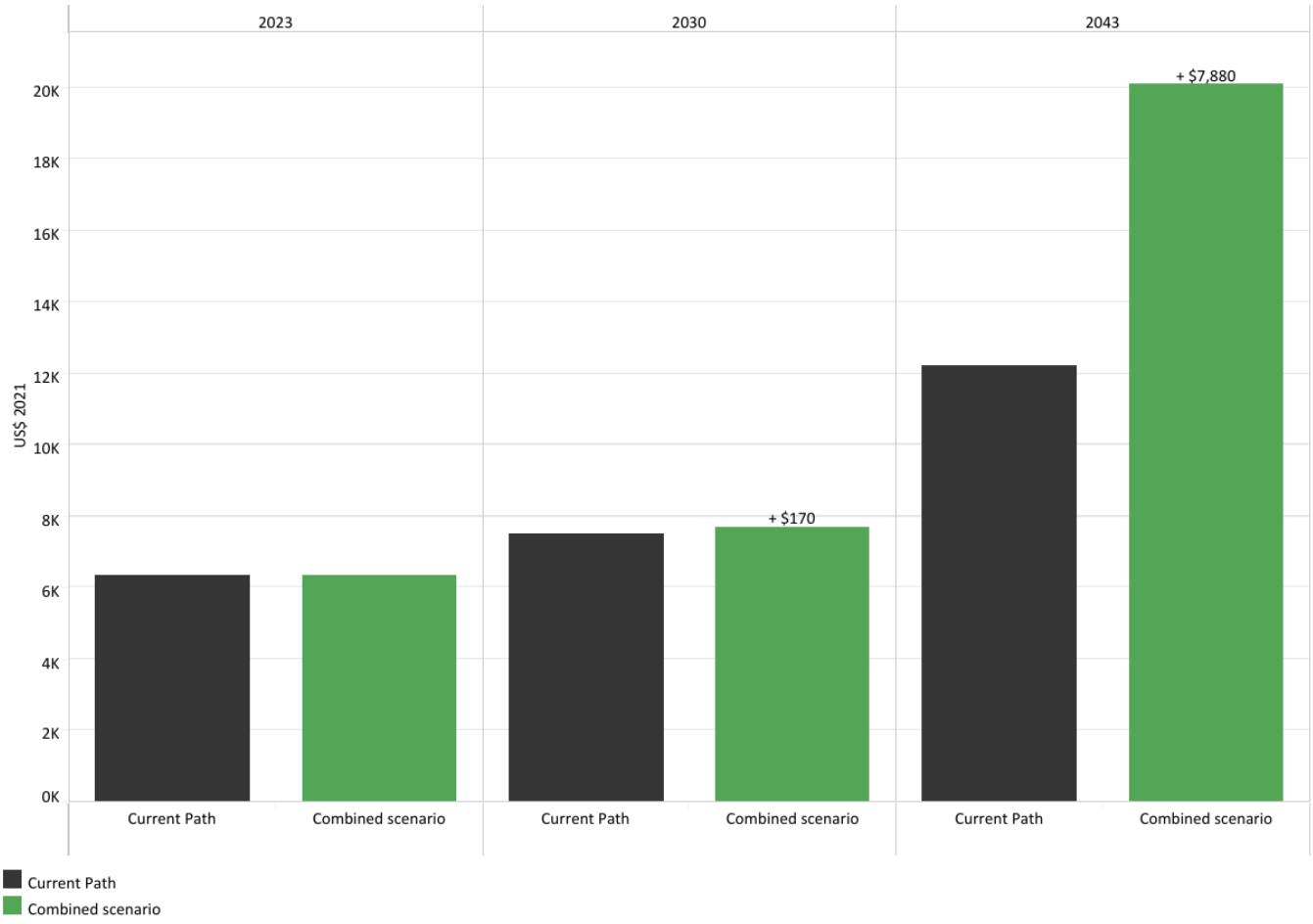
The contribution of AfCFTA will further reinforce growth by expanding market access and strengthening regional integration, helping Djibouti move beyond its traditional re-export and logistics model. The Large Infrastructure and Leapfrogging scenario will also play an important enabling role by supporting investments in green energy and transport networks. While infrastructure alone delivers limited returns due to high debt burdens and diminishing marginal productivity, within the Combined scenario, its effectiveness will be enhanced by better governance, improved investment efficiency and stronger linkages to the domestic economy.

The contributions from the Education, Agriculture and Demographics and Health scenarios will be comparatively smaller but remain important for long-term sustainability. Education and health improvements will gradually enhance labour productivity and workforce participation, while agriculture, despite structural constraints, will support food security and resilience. However, these sectors have a more indirect and slower impact on aggregate GDP growth compared to governance, investment and trade-related interventions.

The Combined scenario underscores a key insight that sustained high growth in Djibouti requires a coordinated, multi-sectoral approach rather than isolated interventions. The largest gains emerge when institutional reforms, investment flows, trade integration and human capital development reinforce one another. This integrated pathway not only accelerates growth but also increases the likelihood that Djibouti's infrastructure-led model evolves into a more diversified, efficient and inclusive economy.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 32: GDP per capita (PPP) in the Current Path and Combined scenario, 2023-2043



Source: IFs 8.58 intialising from IMF data

Chart 32 presents GDP per capita in purchasing power parity (PPP) in the Current Path and the Combined scenario. The data is from 2022 with a forecast to 2043.

GDP per capita (PPP) will triple to approximately US$20 090 by 2043 under the Combined scenario, about US$7 870 higher than the Current Path forecast. This will mark a substantial improvement in average living standards, driven not only by faster economic growth but also by more efficient and inclusive transmission of gains to households. Under this scenario, Djibouti will achieve its Vision 2035 goal of tripling per capita income, albeit with a delay, reaching the target by 2043 rather than 2035.

The magnitude of this gain underscores the importance of sectoral complementarity. As observed in the individual scenarios (Chart 29), governance reforms play a central role by improving state effectiveness, policy implementation and the overall investment climate. This, in turn, will enhance the productivity of capital inflows under the Financial Flows scenario and support structural transformation through Manufacturing and AfCFTA. Together, these dynamics will increase both the scale and quality of growth, translating more effectively into higher per capita incomes.

Unlike in the individual Large Infrastructure and Leapfrogging scenario, where debt-financed investments and limited

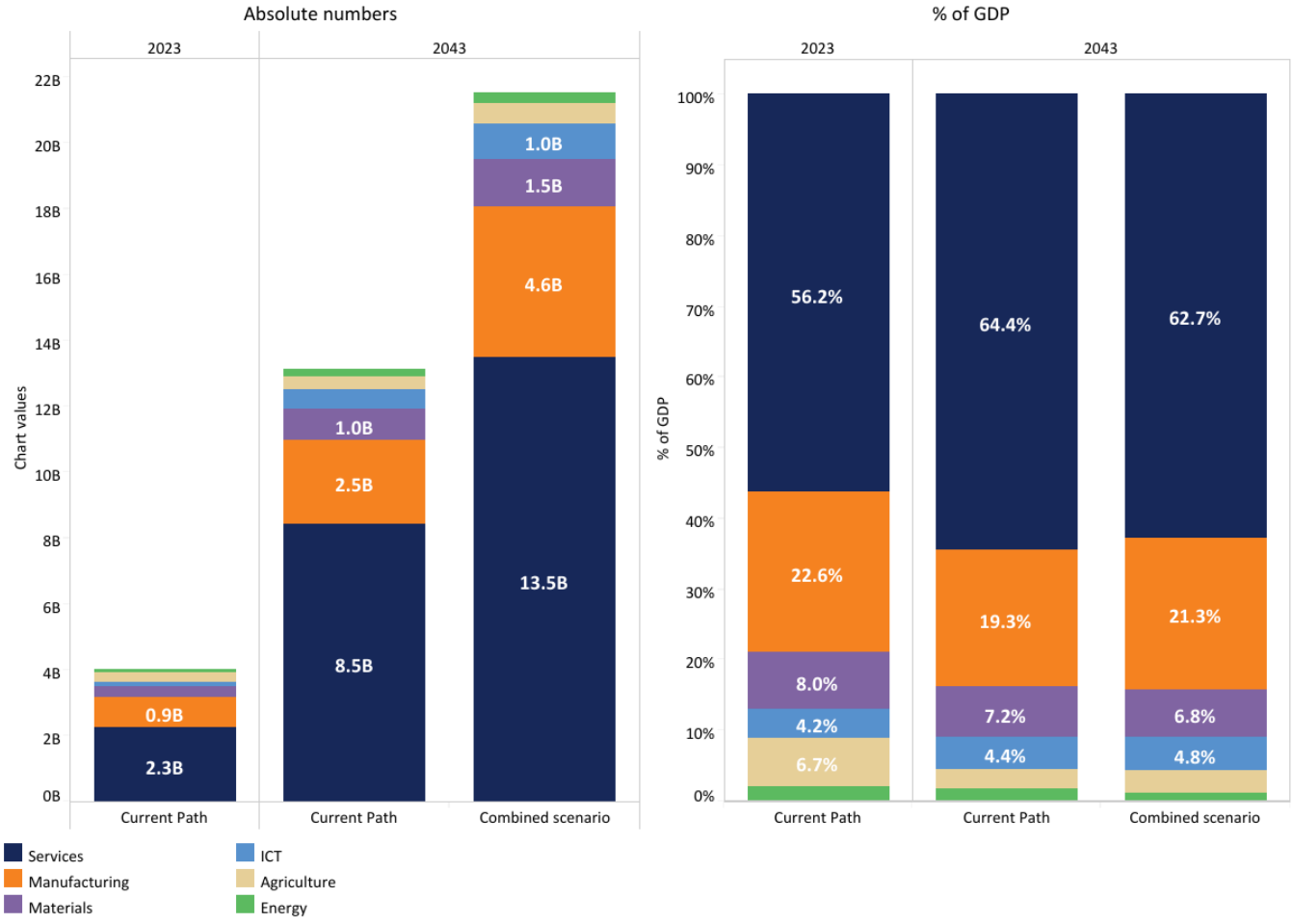
© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

spillovers constrain per capita gains, the Combined scenario mitigates these effects. Improved governance, better fiscal management and stronger private-sector linkages will increase the returns on infrastructure investments, particularly in green energy and connectivity. This allows infrastructure to play a more enabling role rather than acting as a drag on income growth.

At the same time, investments in education, health and demographics will enhance labour productivity and workforce participation, ensuring that a more capable and healthier population supports growth. Although agriculture will contribute less directly to per capita income growth, its role in improving food security and resilience supports broader welfare gains.

The Combined scenario demonstrates that sustained improvements in living standards in Djibouti depend on aligning growth with inclusiveness and efficiency. High GDP growth alone is insufficient; what matters is the extent to which institutional quality, human capital and economic diversification allow that growth to translate into higher incomes for the population. The results, therefore, reinforce the need for a coordinated reform agenda that strengthens governance, manages public debt and maximises the returns from both infrastructure and external financial flows.

Chart 33: Value added by sector in the Current Path and Combined scenario, 2023-2043



Source: IFs 8.58 initialising from IMF World Economic Outlook data

Chart 33 presents the value added by sector in the Current Path and in the Combined scenario, from 2024 to 2043. The

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

data is in US$ 2017 and as a percentage of GDP.

Our modelling provides forecasts in six economic sectors, namely agriculture, energy, materials (including mining), manufacturing, services and ICTech.

Djibouti's sectoral composition under the Combined scenario will shift modestly but meaningfully relative to the Current Path, indicating early signs of structural transformation. The manufacturing sector will record the largest gain, increasing its share of GDP by two percentage points above the Current Path forecast for 2043. This is followed by ICT (+0.34 percentage points) and agriculture (+0.23 percentage points). By contrast, the contribution of traditionally dominant sectors will decline: services will fall by 1.6 percentage points, while energy (-0.54) and materials (-0.39) will also register small relative declines.

This represents an important deviation from the Current Path, where services continue to expand their dominance. Under the Combined scenario, the slight rebalancing away from services suggests a partial shift from a purely services-led, corridor-based model toward a more diversified production structure. In particular, the expansion of manufacturing reflects the combined effects of improved governance, increased investment flows and deeper trade integration under AfCFTA, all of which enhance competitiveness and support the development of tradable sectors.

At the same time, it is important to emphasise that this transformation is relative rather than absolute. All sectors will expand in size by 2043, reflecting the overall acceleration in economic growth. The services sector will remain the largest and fastest-growing in absolute terms, increasing by approximately US$5.04 billion, followed by manufacturing (US$2.05 billion), materials (US$520 million), ICT (US$450 million), agriculture (US$290 million) and energy (US$40 million). This confirms that Djibouti's growth model continues to be anchored in services, even as other sectors gain modest ground.

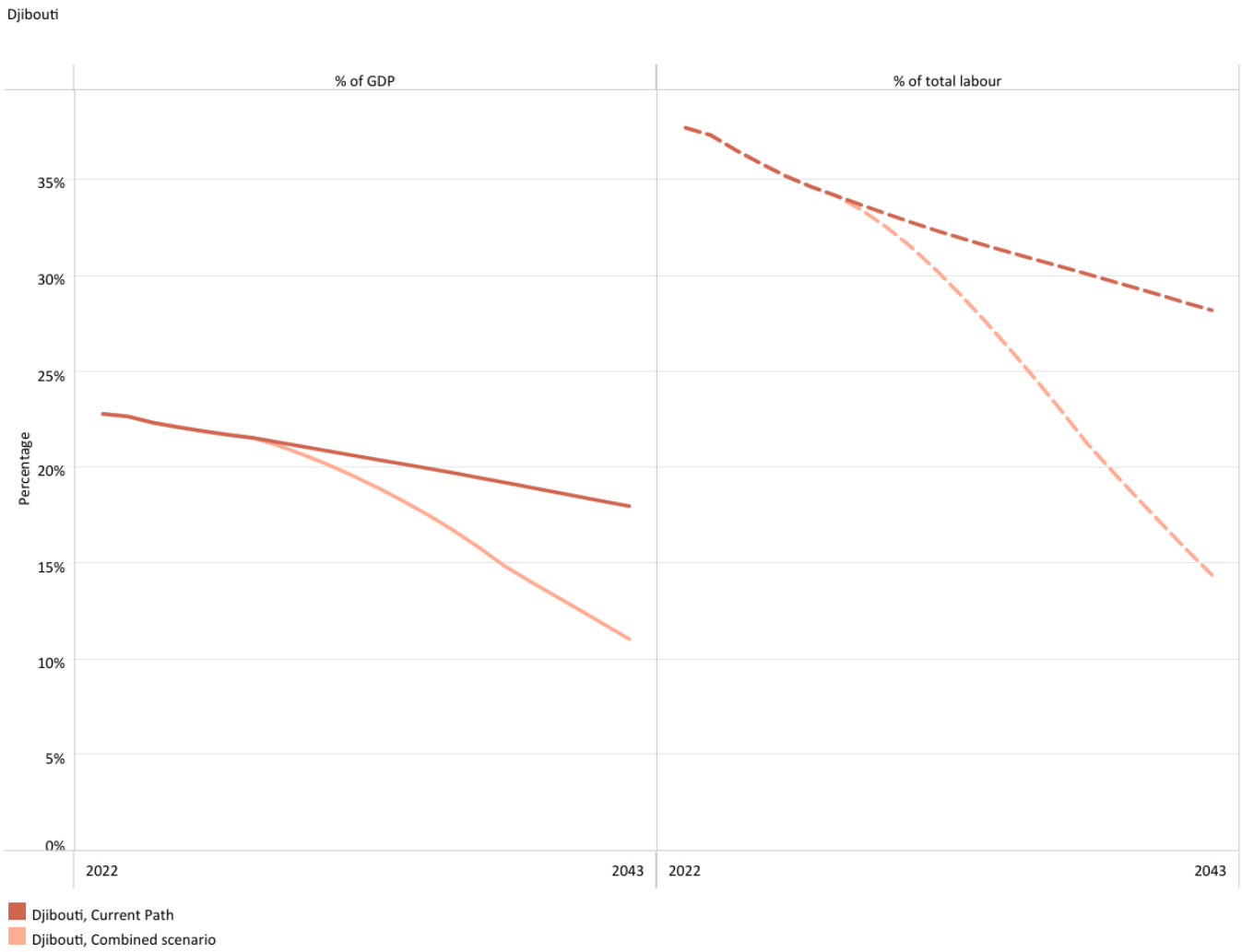
The increase in manufacturing's share, alongside gains in ICT, points to emerging forward and backward linkages within the economy. Manufacturing expansion can stimulate demand for inputs (e.g. materials, logistics, energy) while also supporting downstream activities such as trade and services. Similarly, growth in ICT reflects gradual digital deepening, which can enhance productivity across sectors, particularly in logistics, trade facilitation and public administration.

However, the scale of structural change remains limited. The relatively small increase in agriculture's share, despite targeted interventions, reinforces the sector's structural constraints related to water scarcity and land availability. Likewise, the decline in services' share does not imply contraction, but rather that other sectors are growing slightly faster in relative terms.

The Combined scenario suggests that diversification in Djibouti is possible but incremental. Achieving deeper structural transformation will require sustained efforts to strengthen industrial capabilities, improve competitiveness and build stronger linkages between sectors. In particular, leveraging existing infrastructure more effectively, through governance reforms, private-sector development and regional integration, will be key to shifting the economy from an enclave, services-dominated model toward a more balanced and inclusive growth path.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 34: Informal sector in the Current Path and Combined scenario, 2022-2043



Source: IFs 8.58 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 34 presents the size of the informal sector in the Current Path and the Combined scenario, from 2022 to 2043.

Djibouti will experience a substantially faster and deeper reduction in informality under the Combined scenario compared to the gradual decline observed under the Current Path (Chart 6). The size of the informal sector will shrink significantly in both output and labour market terms, reflecting improvements in the business environment, stronger institutions and more inclusive economic transformation. By 2043, the informal sector's contribution to GDP will decline to 11.1%, which is about 6.9 percentage points lower than the Current Path forecast. Over the same period, the share of informal employment in the non-agricultural labour force will fall to 14.4%, approximately 13.8 percentage points below the baseline.

This represents a qualitative shift, not just an acceleration of existing trends. While the Current Path suggests gradual formalisation within a still dualistic economy, the Combined scenario points to a more fundamental transformation of the labour market structure, moving from roughly one in three workers being informal toward closer to one in seven by 2043.

The drivers of this shift are rooted in the complementarities across scenarios. Governance reforms play a central role by improving regulatory quality, reducing the cost of formalisation, and strengthening enforcement more predictably and

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

transparently. At the same time, manufacturing expansion creates more labour-intensive and formal job opportunities, helping absorb workers currently engaged in low-productivity informal activities. Improvements in education and health enhance workforce skills and employability, enabling workers to transition into formal employment. In parallel, AfCFTA and Financial Flows scenarios support firm growth, market access and investment, which, when combined with better governance, encourage business registration and scaling.

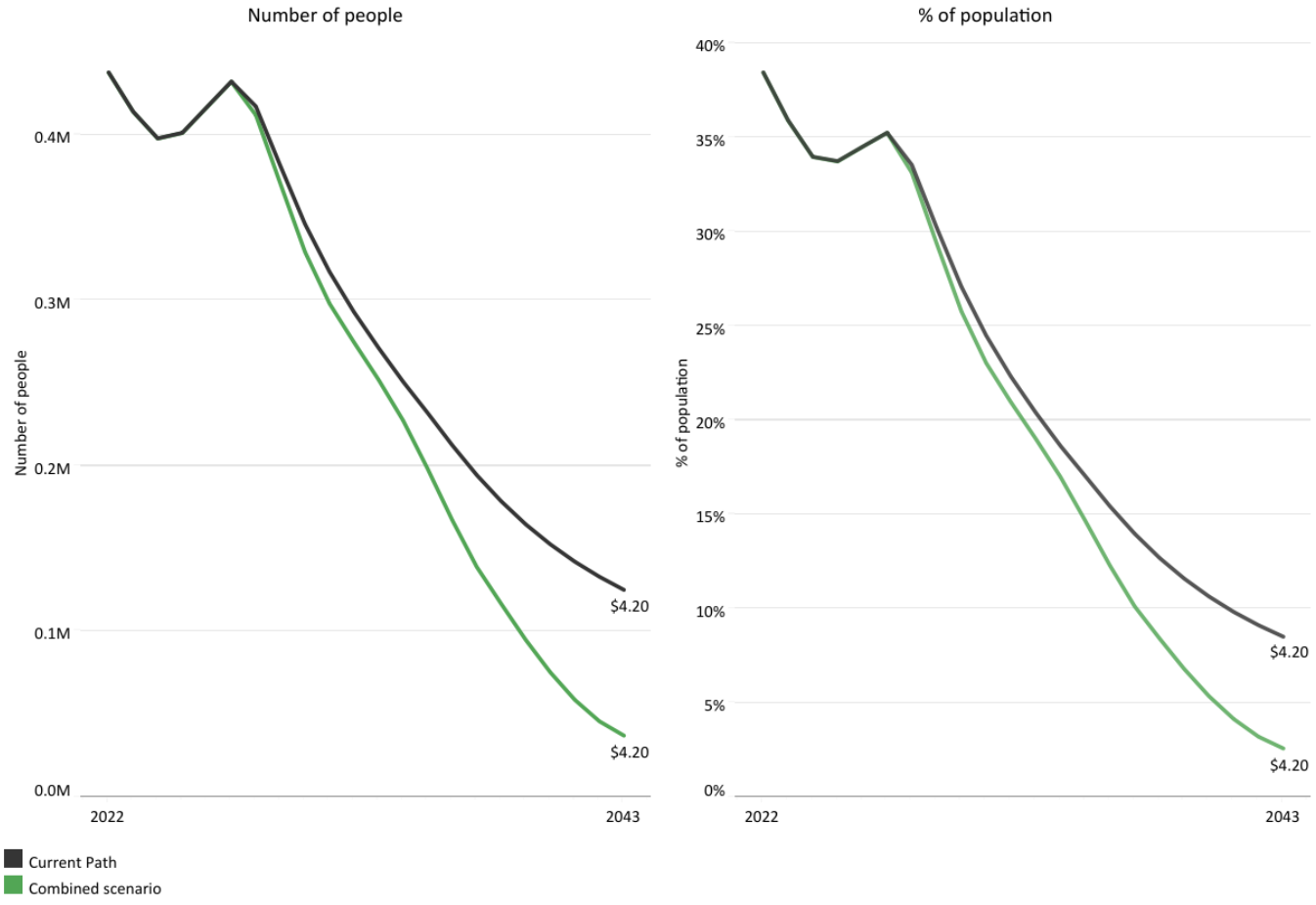
Importantly, the Combined scenario also addresses a key limitation of the Current Path: the coexistence of a modern, capital-intensive enclave economy with a large informal services base. By strengthening linkages between sectors, particularly between infrastructure, manufacturing and services, the scenario enables more productive spillovers into the domestic economy, reducing reliance on survivalist informal activities. Unlike in the standalone infrastructure scenario, where growth will remain capital-intensive and weakly transmitted to jobs, the Combined scenario ensures that infrastructure investments are complemented by institutional reforms and private sector development, thereby enhancing their employment impact.

Lower informality is associated with higher productivity, better job quality and expanded fiscal space, as more firms and workers enter the formal system. This supports broader development objectives, including increased tax revenues, improved social protection coverage and more sustainable public service delivery. However, achieving such a transition requires that formalisation is incentive-driven rather than enforcement-led. This includes reducing compliance costs, improving access to finance, strengthening property and contract rights and ensuring that formal status provides tangible benefits to firms and workers. Given Djibouti's structural constraints, particularly its reliance on capital-intensive sectors and exposure to external shocks, sustaining this trajectory will depend on continued progress in governance, human capital and private sector development.

Overall, the Combined scenario demonstrates that a meaningful reduction in informality in Djibouti is achievable, but only through a coordinated, multi-sectoral reform agenda that simultaneously addresses the structural drivers of informality and expands opportunities in the formal economy.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 35: Poverty in the Current Path and Combined scenario, 2022-2043



Source: IFs 8.58 intialising from IMF data

Chart 35 presents poverty in the Current Path and the Combined scenario, 2024 to 2043.

At the US$4.20 poverty line for LMICs, the poverty rate will fall to approximately 2.6% (about 37 150 people) by 2043 under the Combined scenario. This is 5.9 percentage points lower than the Current Path forecast and will translate into an additional 87 970 people lifted out of poverty by 2043. At the same time, the Gini coefficient, which measures income inequality, will decline from a stagnant level of 0.41 under the Current Path (2024–2043) to 0.37 by 2043, moving closer to the Djibouti ICI target of 0.35.

This combined reduction in poverty and inequality reflects not only faster growth, but more importantly, more inclusive growth dynamics. As shown in the individual scenarios (Chart 30), governance improvements play a central role by strengthening service delivery, improving the targeting of social programs and enhancing the overall effectiveness of public policy. At the same time, expansion in manufacturing and improved education outcomes support job creation and labour market participation, enabling a larger share of the population to benefit directly from economic growth.

The Combined scenario also addresses a key limitation observed under the Current Path: the disconnect between strong aggregate growth and limited poverty reduction, driven by Djibouti's capital-intensive economy. By strengthening linkages

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

between sectors, particularly through AfCFTA integration, improved investment flows and better utilisation of infrastructure, growth becomes more employment-intensive and better transmitted to household incomes. This is further reinforced by the significant reduction in informality, which improves job quality, earnings stability and access to social protection.

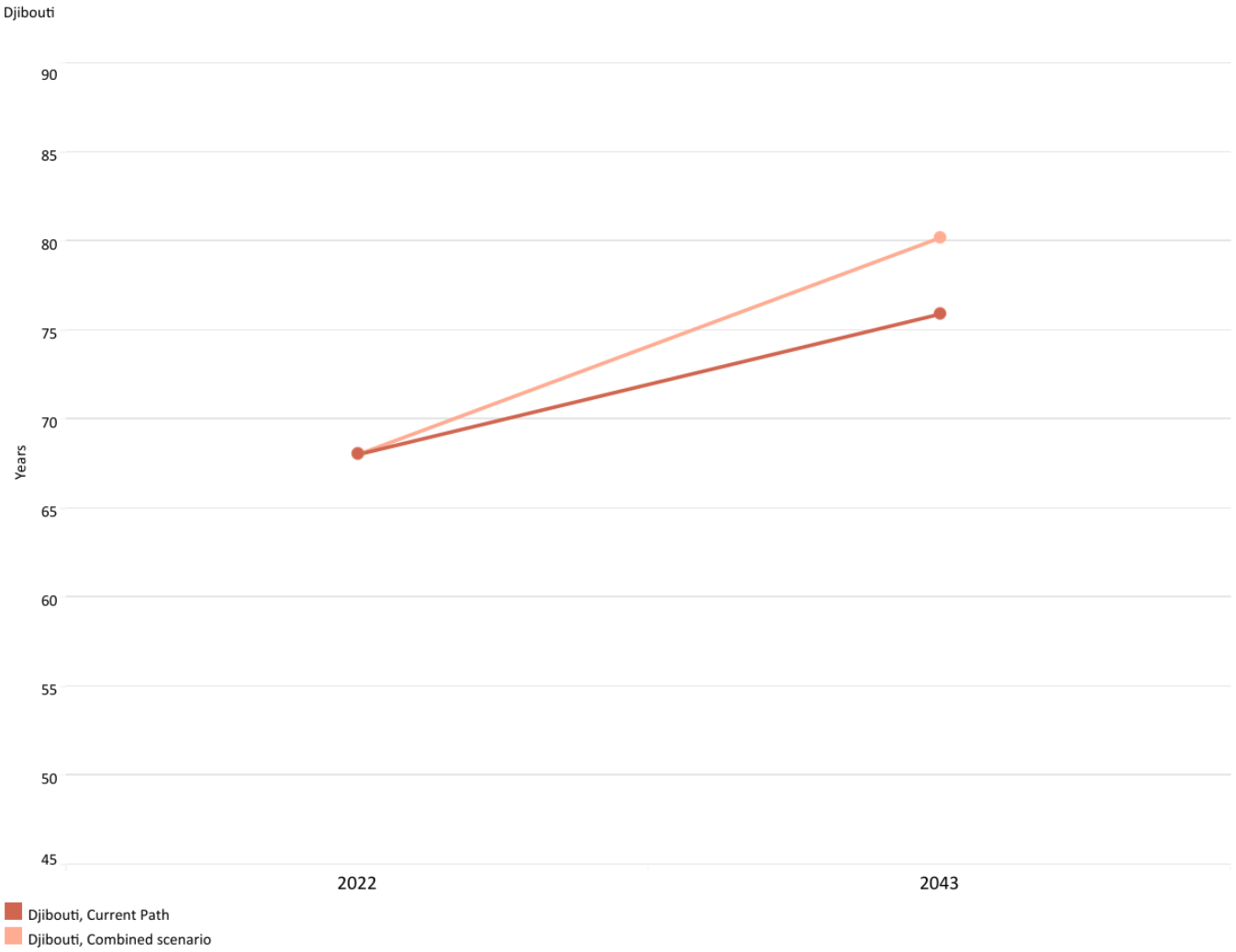
Importantly, the simultaneous decline in poverty and the Gini coefficient indicates that growth is not only reducing poverty but also narrowing income disparities, a critical condition for sustainable and socially stable development. This suggests a shift away from enclave-driven growth toward a more broad-based economic model.

The scale of poverty reduction implies a transition from moderate to very low poverty levels, placing Djibouti on a trajectory closer to upper-middle-income welfare outcomes. However, the remaining 2.6% (around 37 150 people) indicates that poverty is not fully eliminated and is likely to become increasingly concentrated among structurally vulnerable groups, including those in informal or low-productivity activities and in underserved regions.

Sustaining the Combined scenario trajectory will require continued focus on inclusive growth drivers. This includes strengthening governance, expanding access to quality education and health services and promoting labour-intensive sectors that generate broad-based employment. At the same time, targeted social protection and regional development policies will be essential to reach the remaining pockets of poverty and ensure that no groups are left behind.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 36: Life expectancy in the Current Path and Combined scenario, 2022-2043



Source: IFs 8.58 initialising from IHME data

Chart 36 compares life expectancy in the Current Path with the Combined scenario from 2022 to 2043.

Under the Current Path, life expectancy in Djibouti will rise from 69.6 years in 2024 to 75.9 years by 2043. Under the Combined scenario, it will increase further to 80.2 years, indicating a substantial improvement in survival outcomes and overall population health. This would represent a major improvement for Djibouti in comparative terms. For context, the World Bank estimates put life expectancy at birth at 73.3 years for the world in 2023, 63 years for sub-Saharan Africa, and 65 years for Eastern and Southern Africa. Djibouti's projected 2043 outcome under the Combined scenario would therefore place it well above today's African peer-group averages.

The improvement also aligns with the direction of major global, continental and national policy commitments. At the global level, SDG 3 aims to "ensure healthy lives and promote well-being for all at all ages," with targets focused on reducing maternal mortality, ending preventable child deaths, combating communicable diseases and lowering premature mortality from non-communicable diseases. At the continental level, Agenda 2063 identifies "healthy and well-nourished citizens" as a core aspiration of Africa's long-term development agenda. Nationally, Djibouti's health policy architecture points in the same direction: the National Health Development Plan (PNDS) 2020–2024 seeks to strengthen the health system and accelerate progress toward universal health coverage, with priorities including equitable access, primary healthcare,

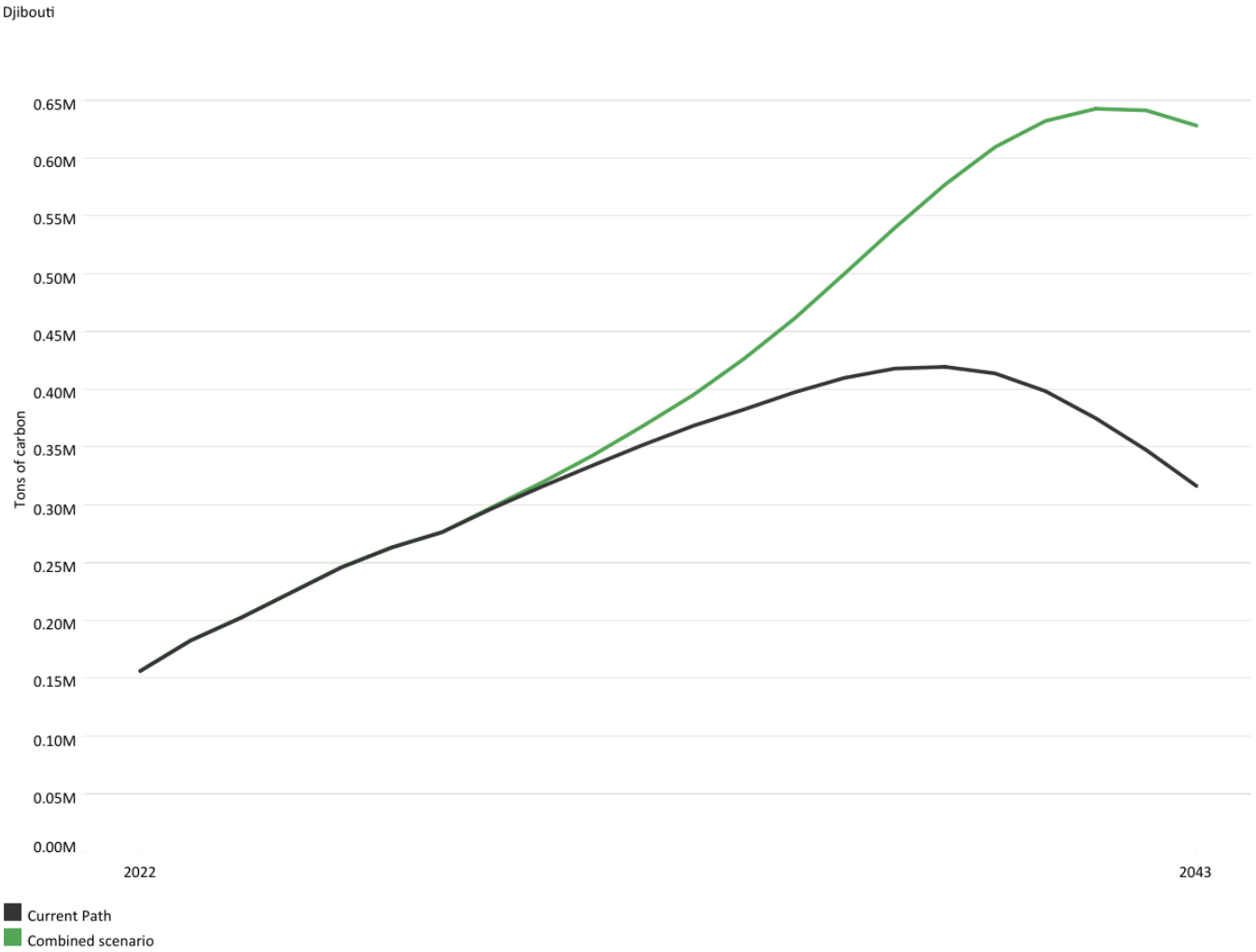
© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

stronger governance, sustainable financing and better health information systems. In 2023, Djibouti adopted a National Community Health Policy and a related 2024–2028 strategic plan to deepen community-level service delivery and decentralised health governance.

In Djibouti's case, these gains would likely be driven by the combined effect of better governance, higher incomes, improved education, lower poverty, expanded infrastructure and stronger access to health and basic services. The fact that women are expected to continue living longer than men is consistent with global demographic patterns, although the projected gap remains relatively modest at under five years.

Overall, the Combined scenario suggests that Djibouti can move beyond incremental health gains and achieve a more accelerated improvement in longevity, provided that health-system reforms, universal coverage efforts and broader socio-economic transformation reinforce one another.

Chart 37: Carbon emissions in the Current Path and Combined scenario, 2022-2043
Million tons of carbon (note, not CO2 equivalent)



Source: IFs 8.58 initialising from Carbon Dioxide Information Analysis Center data

Chart 37 compares carbon emissions in the Current Path with the Combined scenario from 2022 to 2043. Note that the data is in million tons of carbon, not CO_2 equivalent.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Djibouti's carbon dioxide (CO_2) emissions from fossil fuels remained very low in comparative terms in 2024, at about 740 000 tons, equivalent to roughly 0.65 tons per person. This is far below the global average of 4.7 tons per person in 2024 and remains broadly in line with the averages for sub-Saharan Africa (0.7) and Eastern and Southern Africa (0.8), confirming that Djibouti's direct contribution to global emissions is negligible.

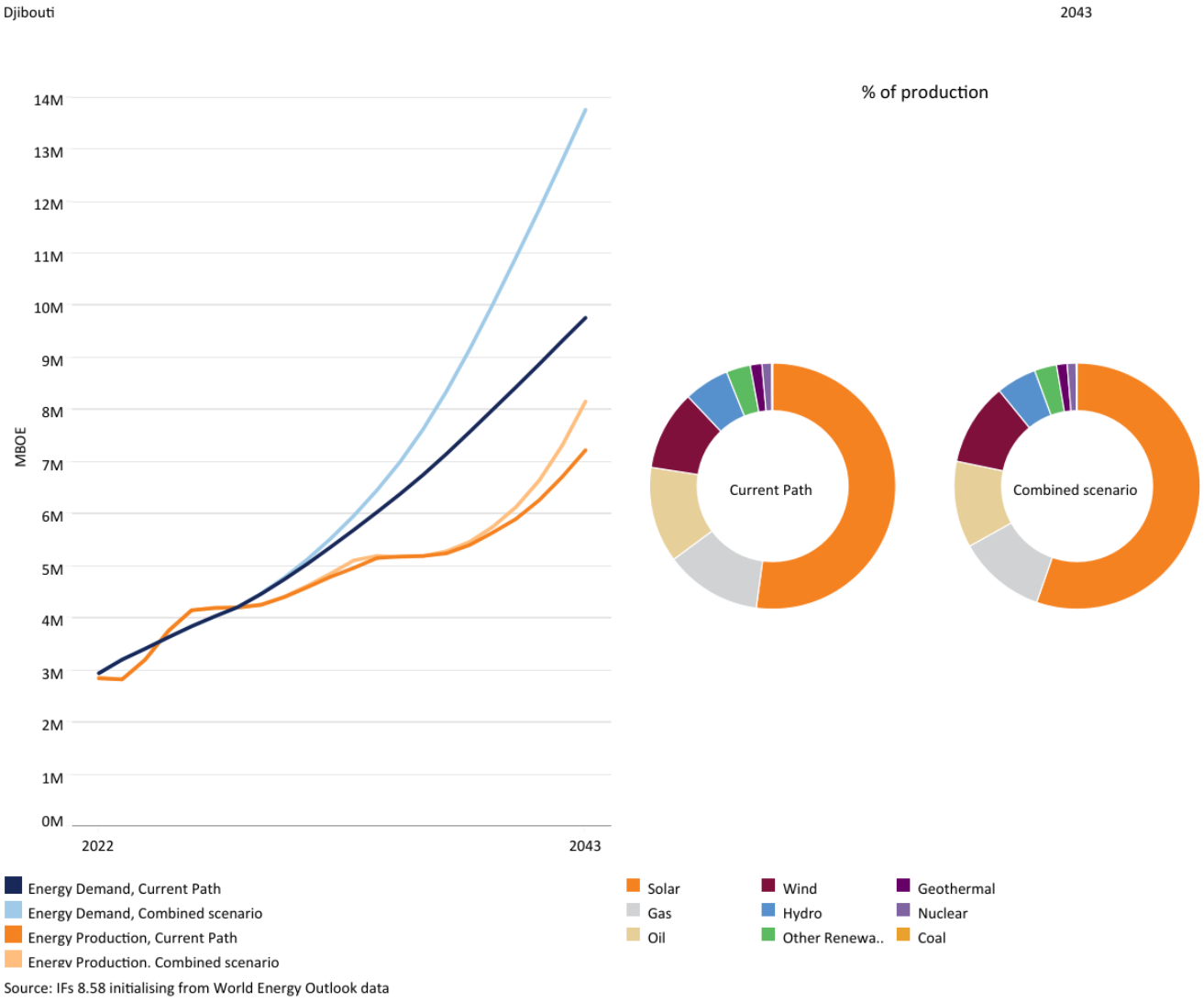
In the Combined scenario, fossil-fuel CO_2 emissions will increase to 2.31 million tons by 2043, which is about 1.14 million tons above the Current Path forecast. This increase should be interpreted primarily as a reflection of faster economic growth, industrial activity, transport demand and rising energy use, rather than a shift toward a highly carbon-intensive development model. In Djibouti's case, even higher emissions under the Combined scenario would remain small in absolute and global terms, especially when set against the much larger emissions profiles of advanced and upper-middle-income economies. At the same time, the increase is a reminder that structural transformation, if not carefully managed, can raise fossil-fuel dependence in the short to medium term.

At the global level, the Paris Agreement and SDG 13 call for development pathways that are compatible with climate mitigation and resilience. At the continental level, Agenda 2063 emphasises environmentally sustainable and climate-resilient growth. Nationally, Djibouti has adopted an ambitious low-carbon direction: its climate and development frameworks emphasise scaling up solar, wind and geothermal energy. At the same time, Vision 2035 explicitly aspires to make Djibouti a "100% green" country in its energy supply. Djibouti's NDC also links mitigation to the expansion of renewable energy and greener infrastructure, even while recognising that adaptation remains the more immediate national priority.

The Combined scenario, therefore, conveys a dual message. On the one hand, higher emissions are consistent with stronger economic activity and faster structural transformation. On the other hand, they reinforce the importance of decoupling growth from fossil-fuel use. For Djibouti, this means accelerating renewable energy deployment, improving energy efficiency, electrifying transport and industry where feasible, and ensuring that new infrastructure investments are aligned with the country's green transition objectives. If these policies are implemented effectively, Djibouti can sustain higher growth while keeping emissions low by international standards and moving closer to its long-term green development ambitions.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Chart 38: Energy demand and production in the Current Path and Combined scenario, 2022-2043



Source: IFs 8.58 initialising from World Energy Outlook data

Chart 38 compares energy demand and production in the Current Path with the Combined scenario from 2022 to 2043. Production is done in nine types, namely oil, gas, coal, hydro, nuclear, solar, wind, geothermal and other renewables. The data is converted into billion barrels of oil equivalent (BBOE) to allow for comparisons. Note that energy production could be for domestic use or for export.

Djibouti's energy sector is undergoing a significant transition, shaped by its heavy reliance on imports and its strategic ambition to become a renewable energy hub. Under the Combined scenario, total energy production will increase from 3.21 million barrels of oil equivalent (BOE) in 2024 to 8.16 million BOE by 2043, which is about 940 000 BOE above the Current Path forecast. This expansion will be overwhelmingly driven by renewables: approximately 79% (740 000 BOE) of the additional production will come from solar energy, while about 13% (120 000 BOE) will come from wind, with the remainder (8%) contributed by oil and gas.

As a result, the share of renewable energy in total production will rise sharply from 7.3% in 2024 to 75.8% by 2043 under the Combined scenario, slightly higher than 73.3% under the Current Path. This will mark a profound structural shift in Djibouti's energy mix, from one historically dominated by imported fossil fuels and electricity to one increasingly anchored in domestic renewable generation

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Currently, Djibouti's energy system is characterised by high import dependence. The country imports over 80% of its electricity from Ethiopia, primarily hydropower, through cross-border interconnections that have helped reduce generation costs and improve supply reliability. At the same time, Djibouti relies heavily on imported petroleum products to meet domestic energy needs, particularly for transport and thermal power generation. This dual dependence exposes the country to external price shocks and supply risks, while also contributing to fiscal and current account pressures.

In response, Djibouti has prioritised a transition toward energy self-sufficiency and renewable energy development, consistent with Vision 2035, which aspires to position the country as a 100% green energy economy. Several major projects underpin this transition. These include the Ghoubet Wind Power Plant (60 MW), the country's first large-scale wind project; planned solar projects such as the Grand Bara solar plant (25–30 MW); and ongoing efforts to develop geothermal energy in the Lake Assal region, which holds significant baseload potential. In addition, continued expansion of electricity interconnections with Ethiopia remains central to ensuring an affordable and stable supply in the medium term.

Despite these gains in production, energy demand is projected to grow even faster, rising from 3.42 million BOE in 2024 to 13.76 million BOE by 2043 under the Combined scenario, compared to 9.77 million under the Current Path. This surge will be driven by rapid economic growth, industrialisation, urbanisation and population expansion, as well as increased electrification and digitalisation. The widening gap between domestic production and demand suggests that Djibouti will remain a net energy importer in the medium term, even as its renewable capacity expands.

From a comparative perspective, Djibouti's transition aligns with broader continental and global trends. Under SDG 7 (Affordable and Clean Energy) and Agenda 2063, African countries are encouraged to expand renewable energy access while improving energy security. Djibouti's strategy is particularly ambitious given its size and resource constraints, positioning it as a potential renewable energy and connectivity hub in the Horn of Africa.

The Combined scenario highlights both opportunities and challenges. The rapid expansion of renewables can reduce import dependence, lower energy costs and support decarbonisation, while also enabling growth in sectors such as manufacturing and ICT. However, the persistent gap between supply and demand underscores the need for continued investment in generation capacity, grid infrastructure and energy efficiency. Strengthening regional energy integration, scaling up private-sector participation and ensuring financially sustainable energy pricing will be critical to meeting rising demand while maintaining progress toward Djibouti's green energy ambitions.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

Donors and sponsors

Reuse our work

- All visualizations, data, and text produced by African Futures are completely open access under the Creative Commons BY license. You have the permission to use, distribute, and reproduce these in any medium, provided the source and authors are credited.
- The data produced by third parties and made available by African Futures is subject to the license terms from the original third-party authors. We will always indicate the original source of the data in our documentation, so you should always check the license of any such third-party data before use and redistribution.
- All of our charts can be embedded in any site.

Cite this research

Marvellous Ngundu (2026) Djibouti. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/geographic/countries/djibouti/ [Online Resource] Updated 22 May 2026.

© 2026 AFRICAN FUTURES & INNOVATION PROGRAMME

About the authors

Dr Marvellous Ngundu is a Research Consultant at AFI. He holds a Ph.D. in Economics from the University of Johannesburg in South Africa. He is the recipient of the 2024 Megatrends Afrika Research Fellowship at the Kiel Institute for the World Economy (ifw) in Germany, as well as the 2020/2021 fellowship program of the China Africa Research Initiative (CARI) at Johns Hopkins University's School of Advanced International Studies in the United States. His research interests lie in the fields of international, political, and development economics, with a particular emphasis on Africa-China economic relations.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.

The opinions expressed do not necessarily reflect those of the ISS, its trustees, members of the Advisory Council or donors. Authors contribute to ISS publications in their personal capacity.