Djibouti

Djibouti: Conclusion

Marvellous Ngundu

Last updated 22 May 2026 using IFs v8.58

Djibouti: Conclusion

Chart 39: Policy recommendations

Recommendations

- Strengthen governance and state capacity to improve policy implementation and service delivery.
- Accelerate private sector development to create jobs and reduce reliance on capital-intensive growth.
- Diversify the economy beyond logistics into manufacturing, ICT, and value-added services.
- Improve education quality and expand TVET to address skills mismatches in the labour market.
- Enhance domestic resource mobilisation and reduce dependence on private external debt financing.
- Maximise spillovers from FDI by strengthening linkages with local firms.
- Deepen regional integration under AfCFTA to support export diversification.
- Invest in climate resilience, particularly water systems and urban infrastructure.
- Promote formalisation through regulatory reform and improved business incentives.
- Target remaining pockets of poverty through inclusive social protection and regional development policies.

Chart 39: Summarises the policy recommendations for Djibouti

Djibouti's long-term development trajectory to 2043 reflects a transition from a capital-intensive, infrastructure-driven growth model toward a more diversified and inclusive economy. Under the Current Path, the country will achieve steady economic expansion, with GDP growing at an average of 6.1% annually and poverty declining significantly. However, this trajectory will remain insufficient to meet the ambitions of Vision Djibouti 2035, particularly in terms of income growth, job creation, and inclusiveness.

The analysis shows that Djibouti's structural constraints are not primarily related to infrastructure gaps, but rather to the efficiency, inclusiveness and connectivity of its existing economic model. Governance, financial flows and regional integration emerge as the most impactful levers for accelerating growth and improving welfare outcomes. In contrast, sectors such as agriculture and infrastructure, while important for resilience and enabling conditions, deliver comparatively smaller returns individually.

The Combined scenario demonstrates that a coordinated, multi-sectoral reform agenda can significantly alter Djibouti's development trajectory. Under this pathway, economic growth will accelerate to nearly 9% annually, GDP per capita will triple, poverty will fall to very low levels and informality will decline substantially. At the same time, structural transformation begins to take shape, with modest but meaningful expansion in manufacturing and ICT sectors.

A central insight from the analysis is that the quality of growth matters more than its scale. Improvements in governance, human capital and private-sector development are critical for ensuring that economic expansion translates into jobs, incomes and reduced inequality. Without these complementary reforms, Djibouti risks continuing along a path of enclave-driven growth with limited spillovers to the broader population.

Looking ahead, Djibouti's ability to achieve its long-term development objectives will depend on its capacity to strengthen institutions, manage debt sustainably, diversify its economic base and build resilience to climate and external shocks. The country’s strategic location remains a major asset, but unlocking its full potential requires shifting from a model based on infrastructure accumulation to one focused on productivity, inclusion and efficiency.

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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.

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.

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