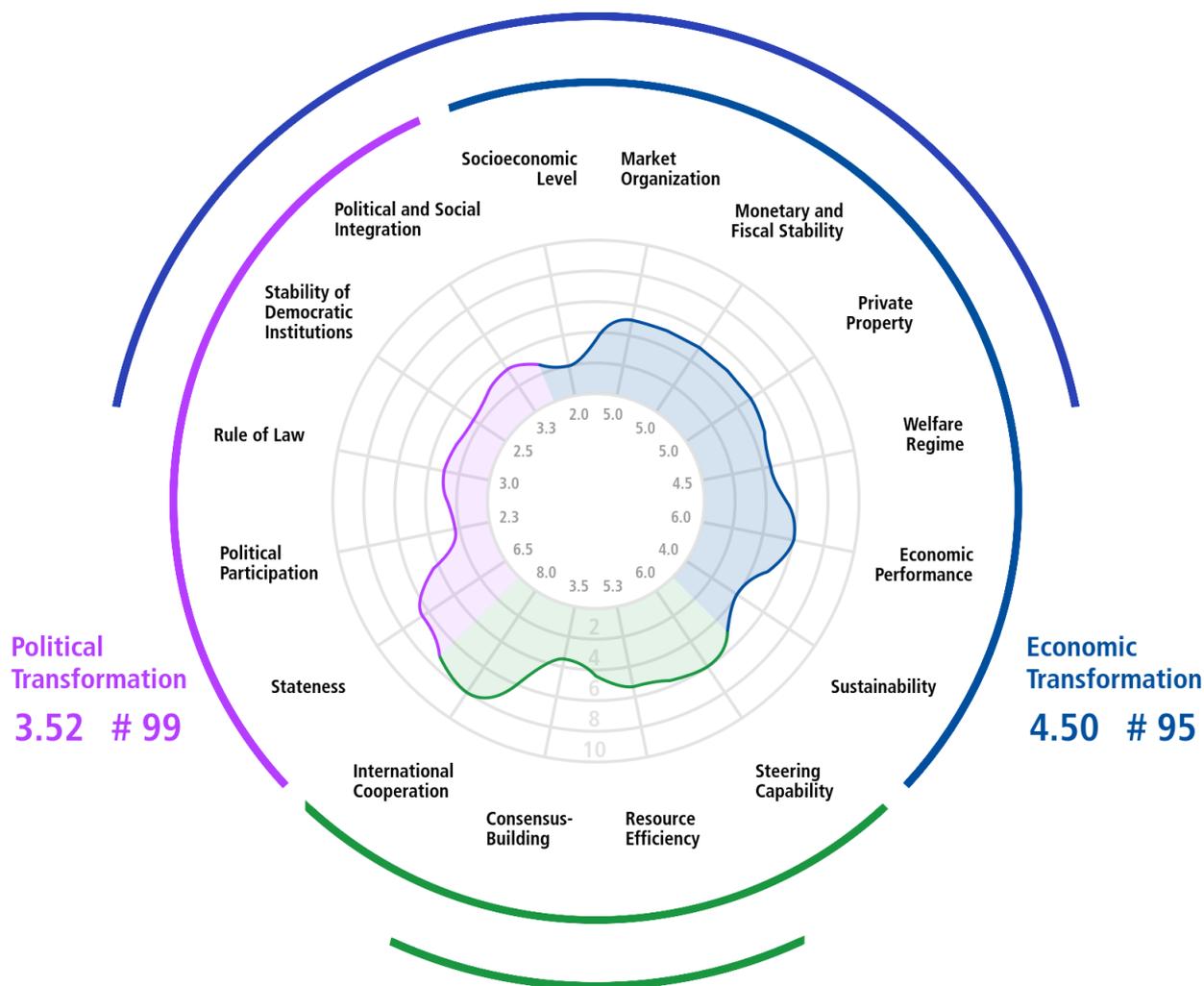


Djibouti

Status Index

4.01 # 103

on 1-10 scale out of 137



Political Transformation
3.52 # 99

Economic Transformation
4.50 # 95

Governance Index

5.29 # 42

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	1.2	HDI	0.513	GDP p.c., PPP \$	7776
Pop. growth ¹	% p.a.	1.4	HDI rank of 193	175	Gini Index	41.6
Life expectancy	years	66.0	UN Education Index	0.304	Poverty ³	% 43.8
Urban population	%	78.7	Gender inequality ²	0.481	Aid per capita \$	192.9

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Djibouti has maintained its traditional stability under President Ismaïl Omar Guelleh and the ruling coalition, the Union for the Presidential Majority (Union pour la Majorité Présidentielle, UMP). The UMP's dominance was reaffirmed by the 2021 presidential and 2023 parliamentary elections, both characterized by a lack of significant political opposition or viable challengers to the ruling coalition. Policymaking remains largely unopposed because of the absence of a cohesive extraparliamentary opposition or reformist factions within the People's Rally for Progress (Rassemblement Populaire pour le Progrès, RPP), Ismaïl Omar Guelleh's party. Although the president has reiterated his intention to step down in 2026, speculation about his succession has grown. Substantial changes in governance or policy are unlikely, as a carefully managed transition to a preferred candidate is anticipated.

Djibouti has shown resilience in the face of past and ongoing global and regional challenges, including conflict and instability in Ethiopia, Russia's invasion of Ukraine and threats to maritime security in the Bab-el-Mandeb Strait from Houthi rebels. However, the country continues to face significant obstacles, such as high unemployment, slow progress in implementing Sustainable Development Goals, rural-to-urban migration pressures and the adverse effects of climate change, all of which hinder socioeconomic development. The outlook for macroeconomic stability remains uncertain, with a substantial debt burden posing serious risks to fiscal sustainability. While the IMF views the debt-service moratorium with China as providing short-term relief, long-term strategies to enhance debt sustainability are essential. In this regard, the priorities for reform remain unchanged, and include promoting private sector growth, reducing state dominance in key sectors, tackling corruption and addressing inefficiencies to improve the investment climate.

Djibouti's geopolitical importance is reinforced by hosting foreign military bases, which remain a significant source of government revenue. Relations with France, its former colonial power, are particularly crucial, as evidenced by the 2024 renewal of the Defense Cooperation Treaty. This partnership underscores Djibouti's strategic value for France's presence in the Indian Ocean and

Indo-Pacific, especially as France reduces its military footprint across Africa. While Djibouti's international relations are relatively diversified, critics argue that the country lacks strong, concrete global alliances. At the same time, regional dynamics pose potential risks to Djibouti's domestic security. The Afar-Issa conflict and the risk of spillover from Ethiopia's Sitti Zone underscore the critical importance of Ethiopian stability to Djibouti. Additionally, developments in the relationships between Somalia, Somaliland and Ethiopia have direct implications for Djibouti. Security concerns related to Somalia are particularly pressing, as regional groups such as al-Shabaab and the Islamic State (IS) group remain active. Djibouti's robust intelligence services have successfully prevented terrorist attacks in the past, ensuring the stability of its ports and foreign military operations. Looking ahead, the future of the AU Transition Mission in Somalia and Ethiopia's role in regional security will be key to maintaining Djibouti's stability.

More than ever, the country appears, at least in theory, to be at a crossroads given the almost certain withdrawal of President Guelleh from the 2026 elections. While a leadership transition is anticipated, it is doubtful whether this change will bring a significant shift in the governance model. Instead, continuity under new leadership is expected, making substantial changes in governance or policy direction unlikely.

History and Characteristics of Transformation

Djibouti is strategically located on the Gulf of Aden at the crossroads of the Indian Ocean and the Red Sea. This prime location has made Djibouti a vital transshipment hub, linking Europe and the Middle East through the Bab-el-Mandeb Strait, a key maritime corridor controlling access to the Red Sea.

The region's strategic importance was recognized early by France, which purchased the port of Obock on the Gulf of Tadjourah in 1862 to counter British dominance. In 1888, France expanded its presence by developing the port at Djibouti. At that time, the area was a mosaic of Issa-Somali and Afar sultanates rather than a unified political entity. In 1896, France formally established the colony of French Somaliland (Côte Française des Somalis) with Djibouti City (Djibouti Ville) as its administrative center. A major milestone in its development was the 1917 inauguration of the Djibouti-Addis Ababa railway, transforming Djibouti into a key commercial hub and Ethiopia's main transshipment point. Over time, Djibouti City became the country's commercial and administrative hub, hosting more than three-quarters of the population by the 20th century.

In 1946, French Somaliland became an overseas territory of France and in 1956 it established a territorial government. Renamed Territoire Français des Afar et des Issa, the colony remained under French control despite independence referendums in 1958 and 1967, both of which rejected independence. However, momentum for independence grew in the early 1970s, led by the Ligue Populaire Africaine pour l'Indépendance (LPAI), formed from the merger of the Union Populaire Africaine, led by Hassan Gouled Aptidon, and the predominantly Afar-led Ligue pour l'Avenir et l'Ordre, headed by Ahmed Dini. In 1977, Djibouti finally gained independence, becoming the last

African colony to do so. Gouled became the country's first president, with Ahmed Dini as prime minister and Abdullah Mohamed Kamil as minister of foreign affairs, reflecting the multiethnic composition of the independence movement.

In 1979, the RPP replaced the LPAI as Djibouti's ruling party under Gouled's unchallenged leadership. By banning opposition parties such as the Front Démocratique pour la Libération de Djibouti and the Parti Populaire Djiboutien, Gouled consolidated power within a one-party state dominated by the Issa-led RPP. Although some Afar politicians held cabinet positions, interethnic tensions escalated, culminating in the formation of the Front for the Restoration of Unity and Democracy (Front pour la Restauration de l'Unité et de la Démocratie, FRUD) in 1991. This Afar insurgency took control of much of northern Djibouti, prompting French-mediated peace talks in 1992. In response to the insurgency's success, the government adopted a new constitution introducing a multiparty system. After prolonged negotiations, the RPP and FRUD formed a joint electoral list for the 1997 legislative elections, securing all seats in the National Assembly.

In 1999, Ismaïl Omar Guelleh, a senior cabinet member who had served since independence, succeeded Hassan Gouled Aptidon as president. After a 2010 constitutional amendment removed presidential term limits, Guelleh successfully sought re-election in 2011 and 2016, having already won re-election in 2005. Ismaïl Omar Guelleh's leadership has focused on advancing Djibouti's infrastructure development and leveraging its strategic location at the Bab-el-Mandeb Strait to expand its ports and regional transport networks. However, the region's instability, including the prolonged conflict in Yemen, persistent insecurity in Somalia and territorial disputes with Eritrea, has posed ongoing challenges. Significantly, the Tigray War (2020 – 2022) in Ethiopia's northern regions temporarily affected port utilization, illustrating Djibouti's exposure to global and regional supply chain dynamics.

Most rural areas in Djibouti face significant hardships, with water scarcity disrupting pastoralist livelihoods and widespread food insecurity threatening socioeconomic stability. The country's economic model, which prioritizes the service sector and relies heavily on foreign debt to fund infrastructure projects, has made the economy increasingly vulnerable. To address these challenges, Djibouti launched its Vision 2035 strategy in 2014. The strategy is built on five key pillars: maintaining peace and national unity, promoting good governance, diversifying the economy, investing in human capital, and fostering regional integration to boost trade and commerce. Notably, Djibouti's goal of achieving 100% renewable energy would make it the first country on the continent to do so. This goal focuses on large-scale investments to harness geothermal, wind and solar resources. While the long-term vision aims to reinforce Djibouti's position as a regional trade and logistics hub, address socioeconomic disparities and strengthen resilience to external shocks, emerging geopolitical dynamics pose new challenges. In particular, Ethiopia's efforts to diversify its access to Red Sea ports will increase competition for Djibouti, despite Djibouti's considerable head start in maritime logistics infrastructure compared to its neighbors.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Djiboutian state maintains a firm monopoly on the use of force, with President Ismaïl Omar Guelleh ruling unchallenged since 1999. The capital, Djibouti City, is home to more than two-thirds of the population, and serves as the country's political and economic hub. In contrast, the five other administrative regions (Arta, Ali-Sabieh, Dikhil, Tadjourah and Obock) are sparsely populated. Since the 1990s, the state has faced persistent resistance in the northern Afar-dominated regions, although intensity has fluctuated over time. FRUD-Armé emerged as an armed insurgency against the central government after splitting from the FRUD party when several factions joined the UMP coalition in the early 2000s. FRUD-Armé attacks on government and security installations have varied in intensity since 2014, with major assaults reported in October 2022 and December 2023. In January 2025, FRUD accused the government of disproportionate use of force, citing airstrikes that allegedly resulted in civilian casualties. Despite these localized insurgencies, the Djiboutian government maintains overall control of the country and FRUD-Armé is not considered a significant threat to the state's ability to exercise its monopoly on force.

Despite ethnic diversity, and the influence of clan affiliations on economic and political opportunities, there is broad agreement across groups on citizenship and the legitimacy of the nation-state. Somalis, who constitute about 60% of the population, and Afar, who make up about 35%, recognize and accept the constitutional framework that defines Djiboutian nationality. Although historical clan rivalries and political marginalization, particularly of the Afar under President Ismaïl Omar Guelleh's administration, have shaped the political landscape, both communities acknowledge the legitimacy of the state. Clan identity plays a crucial role in the distribution of political power, with the ruling Mamasan sub-clan of the Issa maintaining control of the capital, despite being numerically smaller than the rival Furlaba sub-clan. Within the Afar community, leadership is structured around four sultanates, each with its own historical influence. While Afar communities have faced

Question
Score

Monopoly on the
use of force

8



1

State identity

7



1

political exclusion, alliances between the Afar and Issa Furlaba have emerged as a counterbalance to Mamasan dominance. Additionally, Djibouti's progressive refugee policies reflect an inclusive approach to nationhood, granting refugees access to education, health care and economic opportunities. As of November 30, 2024, the UNHCR reported 32,385 refugees and asylum-seekers residing in Djibouti. Ethiopian migrants primarily came from Amhara (35%), Tigray (31%) and Oromia (29%). Their main destinations included Saudi Arabia (80%), Djibouti (19%) and Yemen (less than 1%). In June, most migrants entered Djibouti through Galafi (42%), Balho (31%), Ali-Sabieh (14%) and Dikhil (12%). Since the start of 2024, Djibouti has documented 102,572 Ethiopian arrivals, a 64% increase compared with 2023. Overall, the nation-state's legitimacy is not contested and there are no secessionist movements threatening Djibouti's political or territorial integrity.

While officially secular, the system is deeply influenced by Islamic law, especially in family law, governance and public administration. The legal system is a hybrid of Islamic (Shariah) and civil law, allowing citizens to choose between Islamic and civil courts for inheritance, marriage and divorce cases, regardless of their faith. While this offers some legal flexibility, it also entrenches religious influence within the judiciary, especially in personal status matters. Women's rights remain particularly restricted under Shariah-based laws, especially in marriage and divorce. Only Muslim men can marry non-Muslim women. Men have the unilateral right to divorce, in contrast to the stricter conditions imposed on women. The absence of laws against domestic violence further reflects the religious underpinnings of gender-related legal provisions. Despite maintaining a secular public education system, the government introduced a mandatory civic and moral education curriculum based on Islam in public schools. This reflects efforts to integrate Islamic teachings into civic life and reinforce religious values within national institutions. However, Islamic schools (madrassas) have not seen significant expansion during the review period. While the constitution guarantees religious freedom, Islam remains the official state religion and religious minorities must register with the Ministry of Interior. Though there are no legal penalties for failing to follow Islamic traditions, discrimination in public administration is widespread. Christian converts often face intimidation, marginalization, loss of inheritance rights and lack of legal protection. Christian communities operate under restrictions, including a lack of legal recognition for churches, bans on proselytizing and workplace discrimination, demonstrating the subtle influence of religious doctrine on state policies. In 2014, the government assumed direct control over religious affairs, granting the Ministry of Islamic Affairs, Culture and Charitable Assets authority over Islamic teachings and appointing imams as state employees. Imams must deliver government-approved sermons to prevent extremism, with President Guelleh justifying these measures as necessary for national security. This reflects a dual approach – while the state curtails religious mobilization to maintain political stability, it also institutionalizes Islamic oversight within government structures.

No interference of religious dogmas

6

'06 _____ '26 10

6

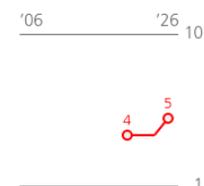
1

Basic administrative structures are in place across the country, but their effectiveness and reach vary significantly between urban and rural areas. While the government has made efforts to expand infrastructure and public services, centralization remains a major challenge, with resources and state functions concentrated in the capital region. As a result, rural areas remain underserved, while even informal settlements on the outskirts of Djibouti City face limited access to electricity, water and sanitation. Rapid rural-urban migration has further strained existing infrastructure and public services, exacerbating inequalities. Outside major towns like Ali-Sabieh, Dikhil, Tadjourah and Obock, access to essential infrastructure is even more limited. According to the World Bank's World Development Indicators (WDI) 2024, based on 2022 data, 76.2% of the population had access to a basic water source across the country. Access to sanitation varied: 66.9% had access to basic sanitation, but only 39.6% benefited from safely managed sanitation. Approximately 65% of the population had access to electricity, although this access was mainly concentrated in the capital.

To address these disparities, the government established the Ministry of Decentralization in 2016, tasked with transferring state functions to local authorities and improving access to public services in the regions. Additionally, national development plans (2015 – 2019 and 2021 – 2025) focus on strengthening regional administrative capacities through the deconcentration of public services. However, implementation remains slow, and peripheral regions continue to lag behind in basic infrastructure and state services. Weak administrative structures also affect governance and disaster response. The coastal regions frequently experience floods and droughts. The government's limited disaster preparedness was evident in January 2023, when heavy rainfall disrupted port operations and road logistics. Similarly, refugee settlements in Holl-Holl and Ali Addeh still lack adequate services, despite efforts by the government, and by bilateral and multilateral donors. Public infrastructure investment is also unevenly allocated, prioritizing economic assets such as ports and airports over housing and urban infrastructure. Significantly, administrative competition between the Ministry of City, Urban Planning and Housing, and the Ministry of Infrastructure and Equipment has further complicated urban development. However, private sector involvement (including foreign direct investment) has played a key role in major infrastructure projects such as the renovation of Djibouti's airport, which was completed in 2024. Moreover, recent improvements in health care indicate some progress in administrative capacity. The parliament passed two significant health laws during the review period, leading to the establishment of Tadjourah Regional Hospital, which aims to improve specialized medical services in northern regions. Djibouti City Council, under the leadership of Mayor Saïd Daoud Mohamed, has adopted the 2025 budget, marking a historic shift. For the first time since decentralization began, separate budgets have been allocated for City Hall and individual municipalities, reflecting a commitment to improved governance and financial management.

Basic
administration

5



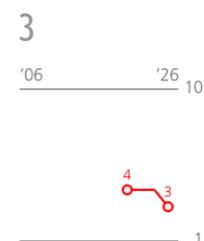
2 | Political Participation

Political representatives in Djibouti are not elected through genuinely free and fair elections, as the electoral process is heavily influenced by the ruling UMP and lacks meaningful competition. Any Djiboutian citizen aged 18 or older, regardless of gender, who possesses full civil and political rights is eligible to register on the electoral roll. However, declining voter turnout reflects rising political apathy. President Ismaïl Omar Guelleh has been in power since 1999, securing his fifth term in the April 9, 2021, presidential election with 97.3% of the vote. The removal of presidential term limits in 2010 allowed him to extend his rule, but an age limit now prevents him from running in the 2026 elections. The February 2023 parliamentary elections, conducted at 586 polling stations, further reinforced the UMP coalition's dominance, with the coalition winning 58 out of 65 seats. Within the UMP, the RPP secured 45 seats, the FRUD 12 seats, and the National Democratic Party one seat. The opposition Union for Democracy and Justice won only seven seats. Although the constitution technically allows multiparty elections, the opposition's limited participation, combined with systematic government control, undermines the fairness of the process. Opposition leaders cite high registration fees, procedural barriers and voter turnout manipulation as tactics used to suppress genuine competition. The Constitutional Council is – in theory – the supreme authority in electoral disputes, responsible for resolving cases brought by parties or candidates before the final results are announced. Yet, no meaningful decisions challenging the UMP have been issued.

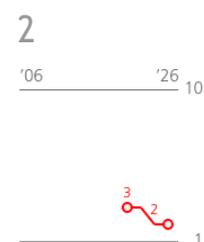
The government prevents independent opposition parties and candidates from fully participating, while a so-called conciliatory opposition appears to accept pre-allocated National Assembly seats, creating an illusion of political pluralism. Meanwhile, the real opposition has largely boycotted elections over the past two decades, viewing them as meaningless. Persistently low voter turnout in both parliamentary and presidential elections reflects growing public disillusionment because many Djiboutians see elections as predetermined and lacking real democratic choice.

Political representatives in Djibouti hold little real power because decision-making is centralized in the president's inner circle. The ruling UMP, dominated by President Guelleh's RPP, has controlled the executive and legislative branches since coming to power, leaving no meaningful checks and balances. The National Assembly operates without independent authority, as members of parliament lack a genuine popular mandate. The president's direct control over all branches of government eliminates the separation of powers, consolidates authority within the presidency and sidelines elected officials as independent policymakers.

Free and fair elections



Effective power to govern



A small, unelected group of advisers, mainly Guelleh's family and close allies, reportedly holds significant political power outside official institutions. His wife, Kadra Mahamoud Haid, is a key strategist with far-reaching influence on national policies. The president and his family also control major business conglomerates in Djibouti and abroad, including in the United Arab Emirates (UAE) and Ethiopia, further entrenching their economic and political dominance.

Although the government has co-opted Afar elites with the offer of high-profile positions – including the speaker of parliament, vice president of the RPP, president of the UMP and chief of the Cabinet of the Presidency – this is largely symbolic and intended to neutralize opposition rather than foster genuine power-sharing. The real opposition has been systematically weakened through a combination of political repression, financial incentives (slush payments) and prosecutions.

Djibouti also lacks freedom of information laws and budget decisions remain opaque. Revenues from leasing military bases to foreign countries are only partly accounted for in the state budget, raising concerns about financial mismanagement and discretionary spending. Opposition movements such as the Alliance for Republican Development and the Bloc for National Salvation have repeatedly called for political reform to rebuild state institutions and end authoritarian rule. However, these demands have had no impact.

Individuals face significant restrictions in forming and joining independent political or civil society groups, which are subject to strict government control. While the constitution formally guarantees the right to assembly and association, these rights are severely curtailed in practice. Public gatherings require permits that are frequently denied to opposition parties and CSOs, effectively preventing meaningful political activism and civil society engagement.

The government closely monitors political activity, with nearly one-third of the labor force linked directly or indirectly to security and intelligence services, resulting in widespread surveillance of activists and organizations. Political groups and civil society actors that attempt to organize or challenge government policies often face intimidation, arrest or detention.

Human rights organizations also encounter significant barriers, including government interference, harassment and legal threats. In March 2023, Alexis Deswaef, vice president of the International Federation of Human Rights (FIDH), was arrested and deported, along with another FIDH representative, while conducting a fact-finding mission in Djibouti. Their expulsion underscores the government's intolerance of external scrutiny and efforts to suppress human rights monitoring.

Association /
assembly rights

3

'06 _____ '26 10

3

1

Freedom of expression remains severely restricted despite constitutional guarantees. The government exerts strict control over political discourse through censorship, including intimidation, arrests and monopolization of traditional media, effectively silencing the majority of dissenting voices.

The media landscape is entirely state controlled, leaving no room for independent journalism or alternative political perspectives. This dominance is reflected in Djibouti's poor ranking on the World Press Freedom Index, which has steadily declined since 2013, when the country ranked 167th. Reporters Without Borders regularly reports arrests, harassment and intimidation of journalists, particularly those associated with opposition-affiliated media, fostering a climate of fear and self-censorship. While online media offer some freedom, the government has extended its repressive measures to digital spaces. Opposition-affiliated platforms such as La Voix de Djibouti, which broadcasts from Belgium, and diaspora-run YouTube channels such as Radio Boukao and Kartilehtv Medias have emerged as alternative sources of information. However, the government frequently blocks social media platforms, including Facebook and Messenger, forcing users to rely on VPNs to bypass restrictions.

In addition to past arrests of local journalists, Ethiopian journalist Gobeze Sisay was arrested in May 2023 and extradited to Ethiopia, illustrating Djibouti's broader hostility toward independent journalism, even in cases unrelated to domestic politics. The dangers of journalism in the country were further highlighted in November 2024, when Mahamoud Djama, editor in chief of La Voix de Djibouti, described his experiences with arbitrary arrests, torture and threats before going into exile in Europe. He also drew attention to the case of journalist Charmarke Saïd Darar, who was released only after Reporters Without Borders intervened but continues to face threats.

Despite these severe restrictions, the government attempts to project an image of media openness through symbolic gestures. In May 2024, during World Press Freedom Day, Minister of Communication Radwan Abdillahi Bahdon spoke about the role of the press in democracy while ignoring state censorship. Similarly, the fifth National Press Day focused on "digital transition and journalistic ethics," with officials praising the role of journalism while avoiding any acknowledgment of repression.

Freedom of
expression

1

'06 _____ '26 10

2
1
1

3 | Rule of Law

Governance in Djibouti remains highly centralized, with no functional separation of powers. The absence of independent institutions allows the president to exercise unchecked control, maintaining an authoritarian state – reflecting continuity with the previous review period. The president holds absolute authority, overseeing ministries, security forces and state functions, while the prime minister serves only a coordinating role. The 65-member National Assembly, elected for five-year terms, lacks genuine independence as it operates under the ruling party’s influence, ensuring legislation aligns with presidential interests. The judiciary is reportedly compromised in a similar manner, with judges appointed based on loyalty, enabling the government to suppress dissent and manipulate legal rulings. Government positions are frequently allocated through personal and family connections, limiting merit-based governance. Ministers hold little decision-making power as ultimate authority rests with the president and his inner circle. The president also directly controls the police, military and security forces, further consolidating his power.

The judiciary lacks independence, as it is heavily influenced by the executive and legislative branches – particularly the president, who exerts significant control over judicial appointments and rulings. While the country’s legal framework incorporates elements of the French Code Napoleon, a written commercial code and traditional Islamic law, the judiciary functions primarily as an instrument of the government rather than an impartial branch of government. The judicial system consists of the Court of First Instance, the Court of Appeals and the Supreme Court, along with specialized criminal, administrative and civil courts. Judicial appointments remain firmly under presidential control, with Supreme Court magistrates appointed directly by the president, often based on political loyalty rather than judicial competence. The Superior Council of the Magistracy, which advises on appointments, lacks independence, further undermining judicial impartiality. As a result, key judicial figures owe their positions to the executive branch, making it highly unlikely they will rule against government interests. Although the Official Journal of the Republic of Djibouti publishes legal texts, decrees and laws, judicial transparency remains severely limited. Decisions are frequently made without public accountability and court rulings often align with the government’s political agenda rather than legal principles.

Corruption is reportedly widespread in the judicial system, reflecting broader patterns of political and economic corruption at the highest levels. Court decisions are often politically motivated and violations of due process are common, particularly in cases involving opposition figures or government critics. The judiciary’s failure to uphold justice is evident in its handling of human trafficking cases. Djibouti was downgraded to Tier 3 in global anti-trafficking rankings for failing to meet minimum standards, yet the government has taken only superficial steps to address the issue.

Separation of powers

3

'06 '26 10



Independent judiciary

3

'06 '26 10



Dire prison conditions further expose the judiciary's inability to ensure fair legal outcomes. Overcrowding, the failure to separate violent from nonviolent offenders and mistreatment of detainees – including migrants – are common.

The case of Hassan Abdillahi Robleh, a Belgian citizen of Djiboutian origin and president of the opposition movement MJO-Europe, exemplifies the judiciary's lack of autonomy. In January 2024, Djiboutian intelligence services arrested and detained him for 10 days without notifying his family or lawyer. The absence of transparency and disregard for legal procedures in his case demonstrate how the judiciary is used as a tool for political suppression rather than for the impartial administration of justice.

Public officeholders who abuse their positions rarely face prosecution or other consequences. Although legal frameworks exist to combat public sector corruption, enforcement is inconsistent and accountability is often dictated by political considerations rather than the rule of law. When corruption cases result in prosecution, such prosecutions typically target political opponents rather than reflect genuine efforts to uphold justice.

A notable example was Abdourahman Boreh, a Djiboutian businessman involved in the dispute over the DP World Doraleh Container Terminal, in which corruption charges were widely viewed as politically motivated. Similarly, anti-corruption audits are frequently used to silence critics of the president rather than to ensure genuine accountability.

In March 2024, controversy arose over Slim Feriani, CEO of Djibouti's Sovereign Wealth Fund, because of concerns about his high salary, extensive benefits and lack of tangible results. In response to mounting criticism, Feriani announced a May 2024 investment forum, ostensibly to restore credibility and address the allegations. This case highlights how public officials facing scrutiny often seek to deflect criticism rather than face meaningful consequences.

Djibouti's constitution guarantees civil rights, gender equality and fair trials, and the country is party to the International Covenant on Civil and Political Rights. However, these rights are not fully upheld or effectively protected, as the government restricts freedom of speech, assembly and political participation. Government repression, the lack of judicial independence and arbitrary detentions further weaken these protections. Freedom of speech and assembly are particularly restricted, with activists and opposition parties frequently subjected to crackdowns. Although there is no direct discrimination against specific ethnic or religious groups, significant government restrictions on political expression and religious practices persist. Shariah law applies to marriage, divorce and inheritance, often disadvantaging women. Although women's empowerment is a government priority, men dominate leadership roles. While no laws explicitly discriminate against LGBTQ+ individuals, cultural and religious norms fuel discrimination and social exclusion. No violence against LGBTQ+ persons was officially reported during the review period.

Prosecution of
office abuse

3

'06 '26 10

3

1

Civil rights

3

'06 '26 10

3

1

Seeking redress for human rights violations is extremely difficult because the judiciary operates under executive influence and lacks independence. Legal accountability remains weak and civil rights violations often go unpunished. Those who attempt to expose government abuse frequently face retaliation. This was evident in March 2023, when Alexis Deswaef, vice president of FIDH, and another FIDH representative were arrested and deported while conducting a fact-finding mission on human rights conditions. Their expulsion highlights the government's unwillingness to allow external scrutiny and its commitment to suppressing reports of civil rights abuses.

4 | Stability of Democratic Institutions

Djibouti's democratic institutions lack independence and effectiveness because executive dominance, restricted political competition and lack of transparency prevent them from functioning as intended. While a formal democratic framework exists, its practical implementation is undermined by ruling party control, and the absence of genuine institutional checks and balances.

The legislative branch does not operate independently but instead serves the president's interests, failing to act as a check on executive power. Despite the formal division of power among the executive, legislative and judicial branches, the president's control over key institutions renders democratic processes largely symbolic.

Although elections are held regularly, they do not foster genuine political competition or institutional balance, further eroding the credibility of democratic governance. A clear example of executive overreach and financial opacity is the handling of annual rent payments from foreign military bases, which are either excluded from or only partially reflected in the official state budget, as in the case of China's lease agreement. This underscores how decision-making remains concentrated within the executive branch, bypassing legislative oversight and weakening institutional accountability.

Djibouti's democratic institutions are formally recognized as legitimate by domestic and international stakeholders because regular elections confer constitutional legitimacy on the president and parliament. However, the democratic integrity of these institutions remains highly questionable due to allegations of voter fraud, unfair election practices and executive dominance, all of which undermine public trust.

Despite these concerns, the government benefits from maintaining a democratic façade because holding elections helps sustain its international credibility. The appearance of upholding democratic norms, even within a tightly controlled political environment, allows Djibouti to preserve diplomatic and economic partnerships with foreign allies. While the president and National Assembly derive legitimacy from the constitution, their authority is not openly contested in a way that threatens state stability.

Performance of democratic institutions



Commitment to democratic institutions



Overall, power remains heavily concentrated in the executive branch. The legislative branch, particularly the National Assembly, is significantly weaker than the presidency, with lawmakers largely subordinate in decision-making. This imbalance prevents the legislature from acting as an effective check on executive power, reinforcing concerns that democratic institutions exist more in form than in practice.

Public trust in these institutions is limited because elections, though formally conducted, lack genuine political competition. The 2021 presidential election was a clear example, widely perceived as a “selection” process orchestrated by the government. The only challenger to President Ismaïl Omar Guelleh, Zakaria Ismaïl Farah, was an unknown candidate with no political affiliation, further raising doubts about the credibility of political competition.

The upcoming 2026 presidential election is seen as a litmus test for how democratic institutions function, and whether free and fair competition is possible. However, general sentiment suggests that the outcome will be predetermined in 2025, either through an orchestrated transition of power or the absence of any viable candidates.

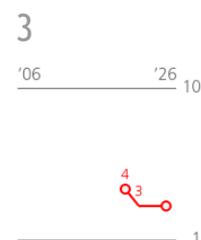
5 | Political and Social Integration

Djibouti lacks a stable and socially rooted party system that can effectively articulate and aggregate societal interests. Although multiple political parties formally exist, the political landscape is dominated by the ruling coalition, which suppresses meaningful competition and marginalizes opposition groups. Most parties are personalistic rather than institutionalized, further weakening their ability to mobilize broad-based support or influence policy. As a result, the party system remains fragile, state-controlled and unable to serve as an effective channel for democratic representation.

Led by the RPP, the UMP coalition controls both political power and decision-making. Despite the formal presence of multiple parties, their role within the coalition is largely symbolic, as political competition remains restricted and real power is concentrated in the presidency.

The opposition is fragmented and faces structural disadvantages, making it difficult to represent societal interests effectively. It can be divided into three categories: legal opposition coalitions, such as the Union for National Salvation (USN) and the Alliance for Democratic Alternation Movements (AMAD); parties that are technically independent but align with the ruling coalition; and banned or illegal movements, including the Rassemblement pour l’Action, la Démocratie et le Développement Écologique, the Mouvement pour le Renouveau Démocratique et le Développement, the Movement for Democracy and Liberty, and the armed faction of FRUD (FRUD-Armé).

Party system



Although opposition groups occasionally organize coalitions, they struggle to gain momentum because of a lack of institutional support, government suppression and internal divisions. The registration process for political parties lacks transparency, and opposition groups frequently face legal and administrative obstacles that prevent them from fully participating in the political process. A significant challenge to the stability of the party system is that many political parties lack strong grassroots support and are often centered on individual figures rather than long-term ideological movements. While some independent opposition parties operate outside the USN, including the Centre des Démocrates Unifiés and Parti Wadani Assajog, they struggle to mobilize broad societal support or challenge the ruling coalition effectively.

Djibouti's civil society and interest groups play a limited role in bridging the gap between society and the political system because of government control, weak institutional capacity and financial constraints. The ability of cooperative associations and organizations to influence policy or advocate for societal interests largely depends on their focus. Organizations involved in socioeconomic development face fewer obstacles and are generally permitted to operate. For instance, the Djibouti Chamber of Commerce, established in 1907 and currently led by Youssef Moussa Dawaleh, serves as a key representative of the private sector, lobbying for business interests and advising the government on economic policy. Unlike other CSOs, it operates in closer alignment with the government, enabling it to maintain influence in economic decision-making.

In contrast, those addressing politically sensitive issues such as human rights and governance encounter significant restrictions, including registration difficulties, sudden government audits and harassment of activists.

Growing international partnerships and initiatives offer opportunities for engagement. For instance, the World Bank's Economic and Financial Governance Project, launched in January 2025, aims to strengthen tax policy formulation, improve public finance oversight and encourage civil society participation in governance. However, structural barriers, government restrictions and limited resources continue to hinder the development of an independent and effective network of interest groups capable of mediating between society and the political system. One key obstacle is the ethnic divide between the dominant Somali-Issa and Afar communities. In addition, clan politics among Somalis, and competition for power and resources further hinder broader collaboration.

Interest groups

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There are no known public opinion surveys in Djibouti.

Approval of democracy

n/a



Social self-organization and the development of social capital in Djibouti remain limited, with traditional sociocultural ties and common lineage serving as the primary sources of social trust among major ethnic groups. However, data on public participation in formalized cultural, environmental or social organizations are scarce.

Social capital

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CSOs face significant challenges, including weak institutional structures, financial constraints and government restrictions. While CSOs focused on socioeconomic development encounter fewer obstacles, those addressing politically sensitive issues – such as human rights – face legal and administrative barriers, including registration difficulties, unexpected government audits and harassment of activists. To strengthen civil society and build social capital, several international initiatives are in progress. USAID’s Civil Society Strengthening Program supports local CSOs in advocacy and governance. However, it remains unclear how the reduction in development cooperation spending announced by the Trump administration in February 2025 will affect ongoing projects and their long-term sustainability.



II. Economic Transformation

6 | Level of Socioeconomic Development

Question Score

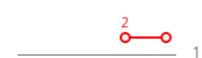
Djibouti faces rising poverty in rural and urban areas. In the 2022 U.N. Human Development Report (the latest available data), the country ranked 171st out of 191 countries, down one place from the previous year, underscoring persistent socioeconomic challenges. The medium-term effects of the COVID-19 pandemic and the influx of refugees from Yemen have further contributed to economic instability and increasing poverty.

Socioeconomic barriers

2



Income inequality remains high, driven by several factors. Unemployment and underemployment are widespread, particularly in urban areas, while a small, politically connected elite enjoys privileged access to key economic sectors such as transport and trade. Although no recent data on wealth distribution and inequality are available for the review period, several structural challenges persist. Djibouti’s



limited job market, urban population growth and heavy reliance on imports, stemming from low agricultural production capacity, exacerbate economic disparities in both rural and urban areas. Although the government continues efforts to broaden the economic base through the expansion of free-trade zones and port infrastructure, these efforts have thus far failed to meet employment demands, particularly for semi-skilled young workers.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	3392.8	3562.8	3917.2	4086.4
GDP growth	%	4.4	5.2	7.4	6.0
Inflation (CPI)	%	1.2	5.2	1.5	2.1
Unemployment	%	27.7	26.3	26.2	25.9
Foreign direct investment	% of GDP	4.9	5.2	3.5	1.7
Export growth	%	29.5	31.3	2.1	9.4
Import growth	%	18.2	39.4	1.9	12.5
Current account balance	\$ M	-225.1	656.2	721.3	610.1
Public debt	% of GDP	40.3	38.3	35.4	32.9
External debt	\$ M	3206.5	3170.1	3428.7	-
Total debt service	\$ M	61.4	77.6	101.2	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	18.1	21.6	17.0	18.8
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	0.8	1.0	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Djibouti has made notable progress toward developing a more competitive market economy, but persistent inefficiencies continue to hinder growth. Regulatory improvements, enhanced investor protections and streamlined business registration indicate positive momentum. However, high operational costs, governance concerns and workforce limitations remain major obstacles.

Data from the Djibouti Center for Studies and Research (CERD) in 2024 indicate that at least 60% of the country's economic activity takes place in the urban informal sector. The transition of businesses from informal to formal status faces several obstacles, including high minimum fees for business registration, opaque registration processes for small local enterprises and strict document authentication requirements that many entrepreneurs struggle to meet. As a result, incentives to formalize businesses remain low, limiting their growth, and access to capital and credit. A key example of the informal sector competing with formal businesses is foreign exchange trading, which is largely dominated by female street vendors in central Djibouti City. Their services are widely used by foreign traders and Ethiopian truck drivers, demonstrating the significant role of the informal economy in cross-border trade.

State-owned enterprises (SOEs) continue to dominate Djibouti's economy, controlling key sectors such as telecommunications, utilities, media, ports, airports and free-trade zones. SOEs also account for most external debt and government-guaranteed loans; the Djibouti Port and Free Zones Authority is the largest beneficiary. This dominance distorts market competition, granting SOEs privileged access to state contracts and financing while private businesses face high entry barriers. The lack of competition hampers market liberalization and discourages investment, particularly in sectors like telecommunications. Governance challenges impede reform, as most SOEs are established under individual laws and require legislative action for any sector-wide changes. Political influence remains strong, with government ministers often controlling SOE boards, limiting their operational independence and efficiency. Despite multiple audit mechanisms, financial oversight remains weak. This increases corruption risks and fosters dependence on government subsidies to cover inefficiencies.

Despite these challenges, foreign investment in renewable energy is increasing, signaling growing confidence in Djibouti's economic trajectory. A key barrier to economic diversification is the labor market's heavy reliance on unskilled workers, which limits the country's ability to develop high-value industries and innovation-driven enterprises.

Djibouti is positioning itself as a hub for renewable energy investment, a move that could reduce energy costs and stimulate broader economic development. A major milestone came in September 2023 with the inauguration of the Ghoubet Wind Power Station, a 60 MW facility that aligns with Djibouti's ambitious goal of achieving 100% renewable electricity by 2035.

Market
organization

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Djibouti's economy remains state controlled, with inconsistent regulatory enforcement limiting fair competition. While legal frameworks exist, SOEs dominate key sectors such as telecommunications, water, electricity and postal services, restricting private sector participation and stifling innovation. Djibouti's competition regime is governed by Law No. 28/AN/08/6ème L. The law prohibits monopolies, and bans market barriers, production controls, investment restrictions, price fixing, discriminatory agreements and manipulative pricing strategies that harm competitors. In practice, the dominant role of SOEs in certain sectors runs counter to the law. Moreover, the competition law fails to include definitions of several basic anti-competitive practices, such as monopoly, cartel, transparency and veto power (in mergers and acquisitions). No competition authority exists that is independent of ministers or political figures.

The regulatory environment is weakened by opaque licensing processes and selective taxation, which favor politically connected businesses and discourage competition. Government officials negotiate directly with investors, fostering the risk of corruption and an unpredictable business climate.

A key example of Djibouti's selective legal compliance is the DP World dispute over the Doraleh Container Terminal. Djibouti nationalized the port in 2018 and, in 2020, the London Court of International Arbitration (LCIA) affirmed DP World's 30-year contract rights. In 2024, legal battles continued. In July, the U.S. District Court upheld a \$200 million arbitration award for DP World, though in December a separate \$485 million award was dropped after Djibouti successfully challenged DP World's legal representation. These cases highlight weak investment protections and Djibouti's selective adherence to international rulings.

Despite these issues, revenues are projected to rise in 2024/25, driven by port activity and higher military base rents under the renewed Defense Cooperation Treaty with France.

Djibouti has established itself as a major trade hub in East Africa by leveraging its strategic location and advanced port infrastructure. As a member of Common Market for Eastern and Southern Africa (COMESA) and the WTO, the country has signaled its commitment to international trade integration. However, restrictive trade policies continue to limit the full benefits of these affiliations.

Djibouti's trade policy includes high tariffs and specific non-tariff measures. Almost all imported goods for domestic use are taxed, with rates as high as 33%. Khat, a stimulant leaf legally imported from Ethiopia, is heavily taxed and tightly regulated, making it a major source of government revenue. In addition, Djibouti imposes several non-tariff barriers that affect trade. For example, all importers, whether individuals or businesses, must obtain an official importer's license.

Competition policy

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Liberalization of foreign trade

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To increase trade openness, Djibouti has actively pursued implementation of the African Continental Free Trade Area (AfCFTA). In collaboration with the Economic Commission for Africa (ECA), the government finalized a national AfCFTA strategy to facilitate market access, promote regional integration, and open priority sectors such as tourism, transportation, telecommunications and finance. Although negotiations in these sectors are ongoing, their successful conclusion could significantly advance trade liberalization.

Djibouti also maintains strong bilateral and multilateral trade relations with countries such as France, Türkiye, Brazil, Senegal, the Netherlands, Morocco and various Arabic-speaking countries. In an effort to attract foreign investment, the country has taken steps to improve its business climate. A major milestone was reached in May 2024 when Djibouti hosted a global investment forum attended by more than 300 business and political leaders. During the event, President Ismaïl Omar Guelleh emphasized the importance of private sector growth and economic diversification. The National Investment Promotion Agency plays a central role in facilitating foreign investment through its one-stop shop (guichet unique), while special economic zones have drawn investors from more than 30 countries.

Despite these efforts, state control over key industries continues to restrict trade liberalization. Government dominance in telecommunications, electricity and port management discourages private sector competition, limiting overall economic openness.

Nevertheless, Djibouti's increasing engagement in bilateral trade agreements signals a gradual shift toward a more open economy. In January 2025, Djibouti signed a cooperation agreement with Saudi Arabia to expand its mining sector, attracting Saudi investment and major companies. Similarly, in October 2024, Djibouti signed an agreement with Egypt to construct a 276.5-kilowatt solar power plant, strengthening collaboration in the energy sector. Additionally, in November 2024, Djibouti hosted Türkiye's third ministerial conference in Africa, bringing together representatives from 14 African countries to explore opportunities for economic cooperation.

Djibouti has made notable progress in developing its banking sector, yet challenges persist. While the formal banking system is expanding, dominant informal networks limit regulatory oversight. Efforts to digitize banking and promote Islamic finance have strengthened the sector, but the absence of a capital market restricts investment diversification and business financing.

The banking sector is relatively stable, with at least 13 banks operating officially in the country, including Banque pour le Commerce et l'Industrie – Mer Rouge, Bank of Africa, Salaam African Bank and CAC Bank. The Bank of China's entry in 2019 reflects growing international confidence. The Central Bank of Djibouti oversees banking activities, but structural limitations remain. Djibouti has improved its

Banking system

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banking sector by lowering the rate of non-performing loans to 4.3% in 2022 and increasing the capital-to-assets ratio to 7.1% in the same year, according to the World Bank.

Djibouti has advanced digital banking and financial technology (fintech) with World Bank support, leading to e-banking and mobile banking services. However, financial inclusion remains low, and the hawala system dominates, especially in trade with Ethiopia. This informal money-transfer network facilitates bilateral payments for port services and imports, bypassing Ethiopia's strict foreign exchange controls. While it offers flexibility, the hawala system highlights gaps in the formal banking system, where capital markets and interbank connections remain weak.

The Djiboutian franc's peg to the U.S. dollar provides currency stability, attracting investors. Djibouti also plays a financial role for Ethiopian businesses, but poor interbank connectivity hinders seamless cross-border transactions even as Ethiopia's Commercial Bank (CEB) operates in Djibouti.

Islamic banking has grown since regulatory reforms in 2005 and 2011, attracting investment and reinforcing Djibouti's role as a regional financial hub. However, concerns remain about financial transparency and illicit financial flows. Despite efforts by Minister of Economy and Finance Ilyas Moussa Dawaleh to combat money-laundering, significant funds flow from Somaliland and Ethiopia, with foreign-exchange needs for imports and port fees often handled through hawala transactions.

To boost financial inclusion, Djibouti has invested in digital financial services, including Djibouti Telecom's Djibouti Digital Mobile and Monnaie platform, which serves 100,000 users. Yet the lack of a capital market forces businesses to rely on informal finance and external investors.

In March 2024, the Financial Action Task Force (FATF) began assessing Djibouti's financial framework and a poor rating could deter foreign investment. In response, President Ismaïl Omar Guelleh reaffirmed Djibouti's ambition to become an international financial center, emphasizing the need for transparency, stronger financial oversight and a capital market.

The 2025 budget for the National Agency for State Information Systems increased from DJF 451.7 million (2024) to DJF 556.7 million, prioritizing cybersecurity, digital archiving and IT infrastructure – all essential for financial sector modernization.

8 | Monetary and fiscal stability

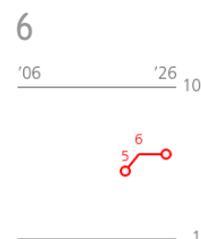
The Central Bank of Djibouti, led by Governor Ahmed Osman Ali, oversees monetary policy, including money transfers and foreign exchange operations. Djibouti's monetary policy remains stable and well communicated, supported by a fixed exchange rate and successful inflation control measures. The country's strategic logistics and port operations generate essential foreign exchange inflows, reinforcing the currency peg and contributing to economic stability. However, high public debt and external vulnerabilities pose risks that require careful fiscal management and economic diversification to sustain long-term monetary stability. Djibouti's monetary authority has maintained a predictable policy framework, anchored by the fixed exchange rate of DJF 177.71 per \$1. This long-standing peg has provided economic predictability and strengthened investor confidence. The country also maintains foreign-exchange reserves, particularly in U.S. dollars and euros, reinforcing its role as a regional financial hub. By December 2023, inflation had slowed to 3.8%, primarily due to falling global food prices. The IMF further reported that, as of November 2023, inflation had decreased to 3.6%, aided by lower energy and telecommunications costs. These trends indicate that monetary policies have been effective, but regional and global economic uncertainties remain potential risks.

Djibouti's government has continued its efforts to stabilize its fiscal position through debt restructuring and external financial support. However, the country's economic resilience remains heavily reliant on revenue from port activities and on effective external debt management. Djibouti faces ongoing challenges in balancing debt repayments with public expenditures, while its dependence on a few major creditors exposes it to financial risks.

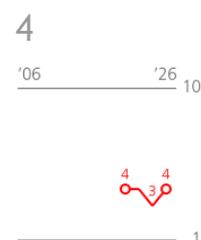
According to the IMF Article IV Consultation (2024), external public and publicly guaranteed debt service stood at 2.6% of GDP. The IMF projects continued economic recovery into 2024 but warns that it remains vulnerable to regional disruptions and trade dependencies.

More than 90% of its food supply comes from external sources, reflecting its status as a net importer of fuel and food, and making the economy vulnerable to price fluctuations and supply chain disruptions. Meanwhile, debt-service costs have surged and external debt repayments rose sharply by the end of 2023. Debt owed to Exim Bank of China alone accounted for nearly 40% of GDP, mainly because of large-scale infrastructure projects such as the Djibouti-Addis Ababa railway and the Ethiopia water pipeline. While some improvement in revenue generation has been reported for the railway, these projects have yet to deliver the expected financial and employment benefits.

Monetary stability



Fiscal stability



Djibouti remains heavily dependent on external financing, with China and the Kuwait Fund for Arab Economic Development holding more than 90% of its bilateral debt. This lack of diversification in funding continues to pose long-term fiscal risks.

To alleviate fiscal pressure, Djibouti paused debt payments to the Exim Bank of China in early 2023 and finalized a moratorium agreement in October. Debt negotiations also extended to India, its second-largest bilateral creditor, while discussions with the Paris Club focused on improving long-term debt sustainability. Increased government spending on health care and business subsidies during the COVID-19 pandemic has further strained public finances.

Despite these challenges, foreign-exchange reserves remain stable, covering more than four months of imports, and projections indicate a reduction in the public deficit. Fiscal discipline is reflected in the 2025 budget for the National Agency for Investment Promotion, which forecasts revenue of DJF 214.1 million and expenses of DJF 207.1 million, marking an increase of DJF 8.5 million from the previous year. Revenue sources include service fees (DJF 133.9 million), one-stop shop fees (DJF 7 million) and a government subsidy (DJF 68.7 million).

9 | Private Property

Djibouti's legal framework formally recognizes private property rights, but the enforcement and regulation of these rights are often hindered by complex procedures and inconsistent application. High-profile disputes exemplify these challenges, which are compounded by systemic weaknesses in the rule of law, undermining individuals' ability to securely acquire, benefit from, use and sell property.

The legal and regulatory frameworks governing property, particularly strategic assets such as land, are often complex and inconsistently applied. This complexity creates challenges for individuals seeking to acquire, use or transfer property, because navigating bureaucratic procedures can be daunting. Despite formal recognition of property rights, uneven enforcement of regulations can hinder their full realization.

A notable example of these challenges is the dispute between the Djiboutian government and DP World over the Doraleh Container Terminal. In 2018, the government unilaterally terminated DP World's concession agreement and nationalized the terminal, citing sovereignty concerns. Subsequent legal proceedings in international courts ruled in favor of DP World, declaring the government's actions unlawful. Despite these rulings, the government has not restored the concession or provided adequate compensation, underscoring the difficulties of enforcing well-defined property rights in Djibouti.

Furthermore, the rule of law in Djibouti is considered weak, with property rights and judicial effectiveness scores falling below global averages. This reflects broader issues in the legal system, including the risk of expropriation and challenges in contract enforcement.

Property rights

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Djibouti's constitution guarantees private property rights, and the government has implemented measures to attract foreign investment and support private enterprise. The National Investment Promotion Agency, established in 2001, plays a key role in promoting private sector investment and facilitating business operations.

Djibouti has taken steps to promote and protect private enterprises, but challenges persist because of the significant influence of SOEs and affiliated entities. The government's ongoing privatization efforts, such as the partial sale of Djibouti Telecom, demonstrate a commitment to market-oriented reforms. Even so, the pace and scope of these initiatives suggest that further measures are needed to fully align with market principles.

The private sector faces considerable challenges because of the dominant presence of SOEs and business conglomerates linked to political elites. While joint ventures between foreign and local investors are not required by law, they are often seen as advantageous for establishing and sustaining businesses in Djibouti. Corruption and opaque market-entry barriers further complicate the business environment.

In July 2022, a committee was established to oversee the partial privatization of Djibouti Telecom, with plans to sell a 40% stake. This move signals a willingness to reduce state dominance in certain sectors and to attract private investment. However, the privatization process has been slow, yielding no concrete results by the end of the review period. SOEs continue to play a dominant role in the economy.

The International Finance Corporation's 2023 report highlights the need for policy reforms to address constraints that hinder private sector development, particularly governance issues and limited access to finance.

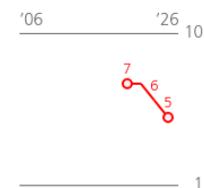
10 | Welfare Regime

Djibouti's social safety nets have expanded in recent years, providing essential support in health care, social security, housing and financial stability for vulnerable groups. However, gaps persist, particularly in health care coverage for informal workers and employment opportunities in the post-COVID-19 pandemic economy. The government has launched targeted programs to strengthen the health care system, safeguard livelihoods and support economic activities. Still, income inequality remains a significant challenge, particularly in urban areas, and disparities between urban and rural regions remain pronounced. The short-term economic disruptions caused by the COVID-19 pandemic were largely mitigated through financial assistance from multilateral and bilateral donors, which helped sustain the national budget and implement key relief measures.

The health care system is overseen by the Ministry of Health, which is responsible for implementing government policies and managing the public health sector. Additionally, the Ministry of Social Affairs and Solidarity provides subsidized health

Private enterprise

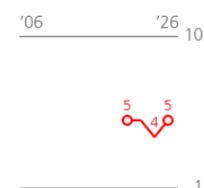
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Social safety nets

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insurance to help low-income households access urgent and specialized medical care. Participation in this insurance program reportedly remains low, and many citizens rely on free primary and secondary health care facilities, even when they require more advanced treatment. To enhance health care services and ensure better regional accountability, the government introduced the National Health Strategic Plan (2020 – 2024), focusing on improving service delivery across the country.

A major pillar of Djibouti’s social protection system is the Universal Health Insurance (AMU), which marked its 10th anniversary in December 2024. Over the past decade, the AMU has significantly expanded access to health care, which now covers more than 40% of the population, and has improved medical services. The program has established a network of 27 accredited health care facilities. However, a substantial portion of the population, particularly workers in the informal economy, remains without health coverage, leaving many households financially vulnerable in the event of illness or a medical emergency.

The government has also prioritized strengthening its national social security framework. The 2025 budget for the National Social Security Fund projects revenues of DJF 36.38 billion against expenditures of DJF 32.57 billion, resulting in a surplus of DJF 3.81 billion – an increase from 2024. Revenue is primarily driven by social contributions, financial returns, retirement deductions and state allocations. Recognizing the importance of financial security for retirees, the government has introduced a new minimum pension policy.

Housing and urban development also play a crucial role in Djibouti’s social safety net. The 2025 budget for the Urban Rehabilitation and Social Housing Agency underscores a strong commitment to expanding social housing and improving urban infrastructure.

Djibouti has established a legal foundation for equal opportunity, but structural barriers continue to restrict economic opportunities for women. Legal loopholes leave children unprotected in certain labor sectors. Despite progress in education and efforts to regulate labor migration, true equality of opportunity has yet to be fully realized.

The legal framework formally guarantees equality for all citizens, regardless of race, origin, sex or religion. However, the economy remains male-dominated and women are significantly under-represented in senior government roles, underscoring a persistent gender gap in decision-making and economic participation. In the labor market, women accounted for 29.3% of the workforce in 2023. This figure reflects only formal employment, while many women work in informal sectors with little protection. Gender equality data on reproductive health remains unavailable and updated figures from the Household Consumption Survey are inaccessible, despite previous efforts to digitize statistics. Gender-based violence continues to be a serious concern, with new cases recorded in refugee camps and urban areas during the review

Equal opportunity

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period, according to U.N. data. Reported incidents included resource denial, psychological abuse and sexual violence, with survivors referred to local authorities and support services.

Child labor remains a serious concern and Djibouti made only limited progress in addressing it during the review period. Moreover, Djibouti lacks legislation that criminalizes child prostitution, falling short of international labor protection standards. As a result, children remain vulnerable to exploitation, including hazardous labor and trafficking-related sexual exploitation.

On a positive note, rising school enrollment rates among younger children indicate potential future improvements. Nearly 95% of children under the age of 10 are now enrolled in school, suggesting that literacy levels will continue to rise, potentially narrowing educational disparities over the coming years. However, refugee children in particular face language and administrative barriers to education, and there is no comprehensive data on literacy rates. According to the latest World Development Indicators, based on 2023 data, the Gender Parity Index stands at 0.9 for primary, 1.0 for secondary and 0.7 for tertiary education. UNESCO (2022) data show primary school completion rates at 53% for girls and 60% for boys, highlighting the challenges in girls' education.

11 | Economic Performance

Djibouti's economy has shown strong growth potential, with improving GDP indicators, controlled inflation and fiscal adjustments. However, sustaining long-term stability requires addressing key structural challenges, including high unemployment, external debt risks and limited economic diversification beyond the logistics sector. While infrastructure investments and port expansion have driven economic progress, concerns remain about the labor market, fiscal sustainability and external vulnerabilities.

Economic growth in recent years has fluctuated due to external shocks, debt pressures and structural economic policies. In 2023, GDP was projected to grow 5.3%, supported by increased port activity, rising exports contributing 14.6% of GDP and steady investment at 4.8%. Although the post-COVID-19 pandemic recovery has been evident, unemployment remains critically high. While official World Bank estimates place unemployment at less than 30%, the French Development Agency (Agence Française de Développement) and other sources often report a much higher rate of 50% among the working-age population. Unemployment disproportionately affects people under the age of 30, highlighting a significant challenge for youth employment.

The informal labor market continues to absorb a large share of the workforce, but comprehensive labor reforms are necessary to address underemployment and improve job security. At the same time, the government has prioritized infrastructure

Output strength

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development to reinforce Djibouti's role as a regional logistics and commercial hub, a strategy backed by the IMF. While these investments have fueled economic expansion, they have also heightened external debt risks, with public debt surpassing \$2.5 billion and debt-service obligations tripling to nearly 5% of GDP in 2023. Balancing economic growth with sustainable debt management remains a critical challenge.

In December 2024, an IMF delegation assessed Djibouti's economic trajectory, confirming signs of resilience. GDP growth is projected to accelerate to 6.5% in 2024 and 6.6% in 2025, outpacing the regional average for East Africa. This growth is primarily driven by expansion in port operations, transportation, communications and defense-related industries. Inflation is expected to remain low at 1.7% in 2024 and 2% in 2025, reinforcing economic stability and investor confidence. The government's fiscal position has gradually improved, aided by a debt-service moratorium until 2028 that has provided financial relief and greater flexibility in managing obligations. As a result, a budget surplus of 0.4% of GDP is expected in 2024, though a 0.2% deficit is projected for 2025 as the government adjusts its fiscal strategy. However, sustaining economic resilience will depend on sound fiscal management, structural reforms and efforts to reduce reliance on external financing.

Despite positive growth forecasts, job creation remains slow and labor market reforms are essential for integrating more workers into the formal economy, particularly young people. While the 2028 debt moratorium provides temporary relief, long-term debt sustainability remains a concern, necessitating continued fiscal discipline and revenue diversification. Additionally, the country remains vulnerable to geopolitical instability in the Middle East, economic fluctuations in Ethiopia and climate-related disruptions, all of which could impact port operations and trade flows. In response, the government is prioritizing tax reforms, restructuring SOEs and improving revenue collection mechanisms. The implementation of the Public Finance Reform Strategy (2024 – 2029) is expected to strengthen fiscal governance, optimize resource allocation and enhance financial oversight. Djibouti's economy relies heavily on both its construction sector and port infrastructure. However, a shortage of skilled professionals, particularly in engineering and management, remains a persistent challenge. A significant initiative is underway to transform the Port of Djibouti into a global business hub and special economic zone.

12 | Sustainability

Djibouti's rapid economic expansion has led to significant environmental challenges, many of which are exacerbated by climate change. While economic development has been prioritized over environmental sustainability, awareness of responsible business practices and corporate social responsibility is growing. Environmental concerns remain secondary to infrastructure and industrial growth.

The Law on Environmental Protection and Management (Law No. 51/AN/09/6ème L, portant Code de l'Environnement, 2009) establishes the core principles of Djibouti's environmental policy, assigning the state responsibility for regularly monitoring and evaluating environmental conditions. Enforcement remains selective rather than comprehensive. For example, while the law mandates compliance with environmental quality standards and pollutant thresholds, waste disposal and sewage management on the outskirts of Djibouti City remain poorly implemented.

One of the most pressing environmental threats facing Djibouti is climate change, which has severely affected water resources and agriculture. The country is experiencing more frequent extreme weather events, including prolonged droughts, intense flooding and rising sea levels. The consequences affect both urban and rural communities, posing long-term risks to food security, water availability and economic stability.

Recognizing the need for adaptive strategies, the African Development Bank (AfDB) has conducted a study on urban infrastructure and climate resilience that focuses on strengthening basic services, promoting sustainable urban planning and implementing gender-inclusive adaptation strategies. In February 2023, the AfDB reinforced its commitment by adopting the Country Strategy Paper (2023 – 2027) for Djibouti, which prioritizes socioeconomic infrastructure, energy and transport development. These initiatives aim to balance economic growth and sustainability. However, the challenge remains to effectively integrate environmental considerations into development policies and implementation plans.

Djibouti's National Meteorological Agency is addressing environmental concerns through its 2025 budget allocation of DJF 226.6 million, including DJF 42 million dedicated to enhancing meteorological capacity. Planned investments include installing new weather-monitoring stations, developing early warning systems, upgrading IT infrastructure, renovating facilities and training technicians.

At COP28 in 2023, Djibouti took a major step toward sustainable energy development by signing a memorandum of understanding with CWP Global to develop hydrogen production using wind and solar energy. This initiative supports the country's Vision 2035 strategy for expanding renewable energy and promoting responsible resource utilization.

Environmental
policy

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Djibouti has made significant strides in strengthening its education and research institutions, particularly in higher education, vocational training and scientific research. However, challenges persist in ensuring transparency in public funding, expanding access to secondary education and aligning academic programs with labor market demands. Djibouti is also working to enhance social inclusion in education and research. With World Bank support, Djibouti has revised its primary and lower secondary curriculum to strengthen literacy, numeracy, life skills and practical knowledge. Recent education reforms, backed by partners such as UNESCO and Global Partnership for Education (GPE), prioritize inclusivity, focusing on girls, rural children, nomadic communities and refugees who face access challenges.

The establishment of the University of Djibouti in 2006 marked a pivotal moment in the country's higher education landscape. The university has forged academic partnerships with more than 40 institutions and participates in the European Union's Erasmus Mundus Programme. Complementing this progress, the Salaam Center, operating since 2016, provides vocational training in business administration, human resources and publishing, further enriching Djibouti's education sector. In 2019, the University of Djibouti launched the Espace Créatif Digital Training Center to enhance computer literacy and digital skills for young migrants. The center's impact became particularly evident during the COVID-19 pandemic, when it played a critical role in producing personal protective equipment for health care workers, demonstrating how education and technology can contribute to public health efforts.

Assessing the effectiveness of public investment in education and research remains challenging due to the absence of up-to-date data. The 2025 budgets for research and higher education institutions reflect both financial adjustments and institutional growth. CERD's budget is set at DJF 1 billion, an 18.4% decrease from 2024, with the majority of funding (DJF 995 million) coming from government subsidies. Nonetheless, Djibouti is making headway in science and technology, particularly in space research. In June 2021, the government launched its first nanosatellites, Djibouti-1A and Djibouti-1B, positioning itself alongside regional counterparts, Ethiopia and Kenya, in space exploration. These satellites support CERD by monitoring water resources and environmental changes and enhancing scientific research and disaster management capabilities. In January 2025, under the patronage of President Ismail Omar Guelleh, the University of Djibouti celebrated a significant milestone with the graduation of its first cohort of 250 medical students, marking an important expansion in tertiary education within health sciences.

Education policy /
R&D

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Governance

I. Level of Difficulty

Economic dependence on external partners, environmental constraints that restrict self-sufficiency, fragile and underdeveloped infrastructure, recurring security threats, and unpredictable geological risks create a landscape in which governance is inherently more reactive than proactive.

The country's economy lacks manufacturing and processing industries, resulting in a narrow base that offers limited employment opportunities despite a growing working-age population. This structural weakness is compounded by the widespread consumption of khat – a narcotic leaf imported from Ethiopia – which plays a dominant role in daily life. High addiction rates and the considerable share of household income spent on khat further undermine economic productivity and financial stability, reducing individual and national economic resilience.

Water scarcity and, in particular, an arid climate make domestic food production largely nonviable, with less than 4% of the land arable. As a result, extensive livestock farming is the primary livelihood in rural areas. However, this sector is highly vulnerable to extreme weather and the broader impacts of climate change. Djibouti's National Water and Sanitation Authority has outlined several key infrastructure projects for 2025. These include upgrading potable water distribution networks, linking Ethiopian boreholes to the national grid, expanding sanitation infrastructure, constructing a wastewater collector in Balbala Sud and advancing desalination efforts under existing projects.

Reliance on external sources for essential goods weakens the government's ability to manage economic stability and increases its exposure to global supply chain disruptions.

The fragility of Djibouti's governance capacity is exacerbated by geological risks. An increase in volcanic activity in Ethiopia and Djibouti, projected to be a significant threat by December 2024, poses an additional challenge to the country's economic stability. These seismic risks endanger major infrastructure projects, particularly those linked to China's Belt and Road Initiative – a significant source of foreign investment. The potential destruction of critical infrastructure from geological events threatens livelihoods and regional supply chains, creating yet another layer of uncertainty for political leadership.

Structural
constraints

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Broader civil society engagement has faced significant challenges. Djibouti has a history of active trade unions, particularly in the 1980s and 1990s, when labor movements played a pivotal role in advocating for workers' rights. However, government suppression largely dismantled this tradition, forcing unions and associations to abandon political engagement and focus on noncontroversial issues to survive. Despite restrictions, CSOs have grown in number, with nearly 1,500 officially registered under the Ministry of Interior. However, fewer than 30 operate at the national level, primarily in education, health care, gender equality, child welfare and environmental protection. While the constitution guarantees freedom of association, strict government oversight – including permit requirements and repercussions for political criticism – limits meaningful public participation. This state-controlled environment discourages activism and prevents civil society from playing a substantial role in shaping policy or holding authorities accountable.

There is little indication that civil society will play a more influential role in state-society relations under the current government. Given the political landscape, the 2026 presidential elections are unlikely to bring significant changes or to challenge the ruling UMP's dominance. In the long term, therefore, the presence and impact of CSOs will largely depend on sustained international support for capacity-building.

Historically, Djibouti has faced a low risk of domestic conflict rooted in ethnic or religious divisions. Nonetheless, recent developments point to emerging challenges that could threaten this stability.

Religious fundamentalism and the presence of Islamist terrorist groups, particularly in neighboring Somalia, pose a growing risk. In this context, regional dynamics and developments in Somalia play a crucial role. One significant factor is the recent deployment of AUSSOM, the African Union's latest peace enforcement initiative in Somalia. The short-term and long-term impacts of AUSSOM remain uncertain, raising questions about its ability to effectively stabilize Somalia and mitigate spillover threats to neighboring countries, including Djibouti.

The Red Sea remains a critical geopolitical zone, with security threats extending beyond the activities of Yemen's Houthi rebels. Since late 2023, intensified Houthi attacks on this major global shipping route have led to a resurgence of commercial vessel hijackings, reversing years of progress in curbing piracy in the Bab-el-Mandeb Strait. The use of drones, anti-ship ballistic missiles and small boats has proved an effective, low-cost strategy by the Houthi rebels, causing significant disruptions. Although the U.S.-led Operation Prosperity Guardian has improved maritime security since its launch in December 2023, the vulnerability of this key trade route to asymmetric warfare remains a pressing concern. Any sustained instability in the Bab-el-Mandeb could severely affect Djibouti, given its reliance on maritime trade and its role as a regional logistics hub.

Civil society traditions

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Conflict intensity

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Beyond growing maritime security threats, tensions between the Afar and Somali-Issa communities in Ethiopia continue to pose additional risks to Djibouti's stability. These ethnic groups have long-standing rivalries and are spread across Djibouti, Ethiopia and Eritrea, making localized disputes vulnerable to cross-border escalation. Clashes in Ethiopia could spill over into Djibouti, as selected cases in recent years illustrate. As Ethiopia continues to navigate internal unrest, its conflict dynamics will play a crucial role in shaping Djibouti's security landscape in the medium term.

II. Governance Performance

14 | Steering Capability

Djibouti's Vision 2035 serves as the country's first structured road map for national economic transformation, focusing primarily on infrastructure expansion, economic diversification beyond logistics and private sector reforms. This road map is implemented through successive five-year strategies, including the Strategy for Accelerated Growth and Employment Promotion (2015 – 2019), and the ongoing Djibouti ICI: National Development Plan (2020 – 2024), which focuses on inclusion, connectivity and institutions. These initiatives aim to drive inclusive growth, enhance connectivity and strengthen institutional frameworks in alignment with the long-term objectives of Vision 2035.

Significantly, Djibouti's ability to sustain its present economic leadership in the Horn of Africa depends on adapting to regional competition, implementing reforms and attracting further investment, particularly in its port and logistics infrastructure. Its strategic advantage as a maritime gateway faces increasing threats, especially from Somaliland's Berbera Port, which has been strengthened by DP World investments. The challenge has intensified since January 2024, when Ethiopia reportedly signed a 50-year agreement with Somaliland to develop port facilities, signaling a potential shift in trade reliance.

However, the outcome of Ethiopia's maritime ambitions – elevated to a central government priority – remains uncertain and depends on factors including securing funding and evolving geopolitical dynamics, particularly those concerning Somalia and Eritrea.

Despite these challenges, Djibouti continues to enhance its trade infrastructure and strengthen its economic ties with Ethiopia. A key example is the Djibouti-Addis Ababa railway. While turnover on the train connection between the two countries has increased, operational efficiency remains limited, as evidenced by the large majority of goods still transported by trucks via Ethiopia's Afar region. In this regard,

Question
Score

Prioritization

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measures to increase train capacity and traffic are not being taken in Djibouti, which would directly affect forwarders and logistics companies whose main income continues to come from road transportation.

Nevertheless, global supply chains and shifting geopolitical factors could affect Djibouti's position as the primary trade gateway for the Horn of Africa. This is reflected in the World Bank's 2023 Container Port Performance Index, where Somaliland's Berbera Port ranked ahead of Djibouti for the first time, signaling a gradual shift in regional trade dynamics. In June 2024, Djibouti's government firmly dismissed a ranking that suggested a decline of more than 350 positions in port efficiency, describing it as "absurd" and an inaccurate reflection of reality.

France is expected to maintain its strong position in Djibouti due to long-standing historical, military and economic ties. As a former colonial power, it continues to play a key role in the country's security framework, with a well-established military presence and defense cooperation agreements that reinforce its strategic influence. On the other hand, Russia has faced challenges in establishing itself in Djibouti. Its request to establish a military base was denied, limiting its ability to expand its influence in the country. Without a significant presence or strong diplomatic leverage, Russia has little capacity to shape public opinion or alter Djibouti's existing alliances, which remain centered on traditional partners such as France and the United States.

Djibouti has been proactive in launching key infrastructure projects and securing foreign investment. However, its ability to implement policies effectively is constrained by corruption, external financial dependence and increasing regional competition. The long-term success of Vision 2035 depends on the government's ability to strengthen governance, reduce economic vulnerabilities and adapt to shifting geopolitical dynamics while maintaining its development trajectory.

In digital infrastructure, Djibouti has partnered with PAIX Data Centres to develop a \$50 million green data center, leveraging its 10 subsea internet cables to position itself as a regional digital hub. While this aligns with economic diversification goals, its success will depend on the government's ability to manage technological advancements effectively and to ensure that digital infrastructure investments translate into broader economic benefits.

Beyond geothermal, Djibouti has pursued solar and wind power projects. The Sovereign Wealth Fund holds a 20% stake in a Grand Bara Desert solar project developed by France's Engie, with an initial capacity of 30 MW that could expand to 100 MW. A 60 MW wind project by Spain's Siemens-Gamesa is expected to boost the national grid. These initiatives reflect efforts to diversify the energy mix and enhance sustainability, but their success depends on efficient implementation and tangible benefits for the population.

Implementation

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Despite progress, policy implementation has yielded mixed results. Djibouti remains heavily reliant on foreign investment, particularly from China, which plays a key role in port expansion, logistics and energy development. China's involvement – especially through the Belt and Road Initiative – has driven significant infrastructure growth but also has raised concerns about debt sustainability and financial autonomy. Djibouti's ambition to become a leading trade hub beyond maritime traffic, comparable to Singapore or Dubai, faces structural obstacles. Although reforms have been introduced to improve the investment climate, bureaucratic inefficiencies and corruption continue to hinder effective governance. President Ismaïl Omar Guelleh's firm control over policy ensures continuity in strategic direction. However, the lack of political competition and internal opposition raises concerns about checks and balances, and uncertainty in leadership succession.

Djibouti has demonstrated considerable flexibility in its foreign policy by adapting to shifting global alliances and expanding into new sectors, such as space exploration. By contrast, its economic model remains rigid, constrained by reliance on debt and dependence on external investment. Overall, the government's ability to sustain innovation and adaptability will depend on balancing economic sustainability with continued diplomatic and technological expansion, while addressing internal governance challenges to ensure long-term stability.

Djibouti has effectively leveraged its strategic location to strengthen international ties, attract investment, and position itself as a key security and trade hub. The country hosts multiple foreign military bases – including those of the United States, France, Italy, Japan and China – with China's first overseas base (2017) and the U.S. base at Camp Lemonnier underscoring its geopolitical importance. At the same time, Djibouti continues to balance global partnerships and regional interests. In July 2024, it renewed its 10-year Defense Cooperation Treaty with France, reinforcing its role in France's Indo-Pacific strategy. Additionally, Djibouti expanded diplomatic outreach at the Russia-Africa summit, engaging Roscosmos in space exploration discussions and signaling diversification beyond traditional economic sectors.

Despite this diplomatic agility, economic constraints limit flexibility. The country depends heavily on foreign-backed financing, particularly Chinese loans to fund infrastructure projects such as the Djibouti-Addis Ababa railway. While the long-term development strategy, Vision 2035, identifies economic diversification as a central objective, progress remains slow. Created in 2021, the Ministry of Digital Economy and Innovation indicates institutional reform and a focus on promoting a digital economy. Launched in 2014, the National Strategy for ICT Development is reflected in Vision 2035.

Politically, President Ismaïl Omar Guelleh's two-decade rule ensures policy continuity but limits internal debate. The absence of strong opposition enables swift decision-making but raises concerns about political stability and succession planning. While Djibouti's governance model has driven rapid development, its long-term sustainability remains uncertain.

Policy learning

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15 | Resource Efficiency

Djibouti has outlined key sectors for economic expansion and diversification, yet the effective use of resources remains inconsistent. Investments in the Sovereign Wealth Fund and in renewable energy signal a forward-thinking approach, but concerns persist regarding governance, financial oversight and workforce development. However, to fully leverage financial, human and institutional resources, the government must strengthen accountability, enhance infrastructure investment and build institutional capacity to support long-term and inclusive growth.

Despite the presence of free-trade zones, unemployment remains a challenge, as these zones are primarily geared toward trade and logistics rather than large-scale job creation. Infrastructure projects have increased in number over the past five to 10 years, yet their impact on employment remains limited. In particular, manufacturing faces significant obstacles due to high energy costs, underdeveloped infrastructure and a small domestic consumer base. The national economy continues to rely heavily on port operations and rental income from foreign military bases, providing financial stability but little diversification into labor-intensive industries.

The allocation of public funds remains a concern, with insufficient investment in critical sectors such as health care, education and infrastructure, all essential to sustainable development. Established in 2020, the Djibouti Sovereign Wealth Fund aims to boost domestic and regional investment. However, concerns about transparency and accountability persist, particularly regarding the management of revenues from international agreements. A major part of its mandate is to oversee the privatization of Djibouti Telecom to attract investment and modernize the telecommunications sector.

Decision-making within government ministries is highly centralized, with major investment decisions requiring presidential approval. As a result, technical experts within ministries and public agencies have limited influence over project evaluation and execution. The expansion of the public sector workforce has further strained administrative efficiency, as political appointments and non-merit-based recruitment hinder institutional independence and implementation capacity. In contrast, administrative coordination within the security sector appears relatively strong. However, decision-making authority remains concentrated among a small circle of presidential advisers, limiting interagency collaboration and reducing overall government efficiency. This concentration of power poses challenges for effective governance and economic management.

Efficient use of assets

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Djibouti's government has been working to align its economic, social and educational priorities in a more cohesive policy framework. In January 2025, it partnered with the World Bank to launch the Economic and Financial Governance Project to enhance tax administration, increase transparency in public spending and expand digital services. The initiative aims to improve revenue generation while strengthening governance and public trust.

Since 2019, the government has implemented a civic and moral education curriculum based on Islamic principles in public schools to foster social cohesion and moral development. However, ensuring inclusivity in a diverse society remains a challenge.

Despite these efforts, the dominant role of the President's Office in policymaking and governance hinders effective horizontal coordination between ministries and subordinate administrative structures. Weak institutional checks and balances further limit oversight; major decisions, particularly those related to business and economic privileges, often favor individuals and corporations connected to the president's inner circle. In some cases, this influence overrides the decision-making authority of individual government entities.

Djibouti has long struggled with widespread corruption that has significantly affected its governance and economic development. While the government has introduced anti-corruption measures in recent years, their effectiveness remains uncertain. Despite legislative efforts, the persistence of corrupt practices and inconsistent enforcement suggest that corruption remains deeply entrenched within state institutions. There have been no recent reports of party and campaign financing irregularities. However, the dominance of the UMP suggests that access to local media outlets (all of which are state controlled) during campaign periods tends to favor it over opposition forces in elections. Public procurement is heavily dominated by SOEs, particularly in infrastructure construction, and in services linked to major state holdings such as the Djibouti Ports and Free Zones Authority, and Great Horn Investment Holding. In this context, major infrastructure projects have largely been awarded to Chinese companies, suggesting preferential treatment in projects financed with Chinese backing.

In March 2024, Djibouti enacted the Law on Prevention of Corruption and Corruption-Related Offences (Law No. 103/AN/24/9ème L). This legislation established the National Independent Commission for Preventing and Combating Corruption (Commission Nationale Indépendante pour la Prévention et la Lutte contre la Corruption). The commission is tasked with investigating corruption offenses, developing national anti-corruption strategies, and providing guidance to the public and private sectors. Additionally, the law mandates asset declarations for certain officials and offers protections for whistleblowers.

Policy coordination

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Anti-corruption policy

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16 | Consensus-Building

While economic goals are widely supported, democratic reforms remain divisive. Djibouti’s political system is highly centralized and dominated by the UMP. The ruling RPP, in power since independence, holds a supermajority in the National Assembly, limiting political pluralism. Opposition parties often challenge the lack of democratic reforms, arguing that the government restricts political competition through media control, limits on public assembly and electoral manipulation. Reports indicate that opposition parties and independent candidates face institutional barriers, leading to election boycotts over the past two decades and contributing to low voter turnout.

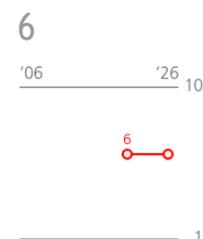
Djibouti’s political landscape features a strong consensus on economic development, particularly on maintaining the country’s role as a regional trade and logistics hub. The government’s Vision 2035 strategy underscores this priority, with major infrastructure investments, including the Damerjog Industrial Development Free Trade Zone – a multibillion U.S. dollar initiative aimed at strengthening Djibouti’s position in global trade. Across the political spectrum, there is broad agreement that fostering a market-driven economy is essential for long-term growth and stability. In addition, the opposition claims that about one-third of the workforce is linked to the security and intelligence sectors, facilitating state surveillance and discouraging dissent. Despite these concerns, the government has not prioritized meaningful democratic reforms. The strong presidential system continues to limit the independence of the judiciary and legislature, with state institutions often operating under direct executive influence.

Djibouti’s political landscape leaves little room for reformers to exclude or co-opt anti-democratic actors. Efforts to introduce political reforms face significant challenges from entrenched authoritarian structures and the ruling party’s dominance of state institutions. The February 2023 parliamentary elections underscored this reality as major opposition parties boycotted the vote, citing unfair electoral conditions.

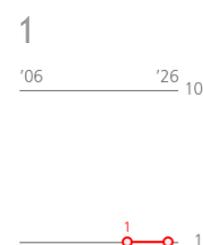
Despite some internal shifts, no significant reformist elements have emerged within the ruling RPP, which remains closely aligned with the executive’s centralized control. While a generational shift has brought younger, tech-savvy advisers into influential positions, their focus has been on economic modernization and business policies rather than democratic reforms. Notably, this shift has strengthened Djibouti’s ties to international markets but has not altered its authoritarian governance model.

Security concerns have also reinforced anti-democratic structures, as the government’s efforts to prevent coups and suppress opposition movements have led to crackdowns on perceived threats. Although Djibouti has not been directly targeted

Consensus on goals



Anti-democratic actors



in more than a decade, it remains vulnerable to external threats, particularly from al-Shabaab, prompting the government to maintain tight political controls under the pretext of national stability. While this approach has been effective in containing extremist threats, it has also justified the suppression of opposition parties and civil society activism.

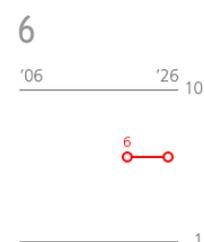
International rights organizations continue to highlight Djibouti's lack of democratic progress. Reports from 2023 and 2024 indicate that opposition figures, human rights activists and independent journalists face ongoing restrictions, further limiting the prospects for democratic reform. With the judiciary and law enforcement closely aligned with the ruling elite, reformers have little opportunity to challenge anti-democratic practices effectively.

Djibouti's leadership has thus far been effective in moderating ethnic and political divisions. However, the continued dominance of a single political group with distinct clan affiliations, the marginalization of opposition voices and the unresolved grievances of the Afar population remain significant risk factors. While the government's focus on economic growth and regional diplomacy has helped maintain order, long-term stability will depend on whether political inclusivity and economic equity are meaningfully addressed. Without reforms to enhance political participation and address ethnic disparities, Djibouti's current stability could become increasingly fragile.

The Afar community, in particular, has long felt politically and economically marginalized. The FRUD, which represents the Afar, has maintained a low-level armed resistance since 1994 and periodically clashes with government forces. Although the state has taken some measures to integrate Afar representatives into political structures, tensions persist and economic grievances remain largely unaddressed.

Despite internal challenges, Djibouti has remained an active diplomatic player in the Horn of Africa, a role that also influences its ability to manage domestic tensions. In July 2024, Djibouti mediated tensions between Ethiopia and Somalia, particularly over the controversial framework agreement between Ethiopia and Somaliland. Earlier, in December 2023, Djibouti engaged in mediation efforts between Hargeisa and Mogadishu. As a result, the memorandum of understanding between Somaliland and Ethiopia was perceived as an affront to Djibouti, given Djibouti's prior involvement in diplomatic negotiations with Somaliland.

Cleavage /
conflict
management

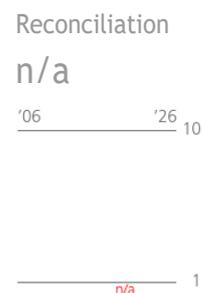


The government’s tight control over public discourse ensures that civil society actors who challenge state policies face intimidation, restrictions or exclusion from meaningful engagement. Djibouti’s political leadership maintains a highly controlled environment where civil society participation in governance is severely restricted. While some professional and interest-based organizations exist, their ability to influence policymaking or advocate for democratic reforms remains limited due to government-imposed constraints. Media freedom is restricted, opposition groups are sidelined and independent activism is suppressed, preventing civil society from functioning as a meaningful political force.



Despite these restrictions, a few interest-based associations continue to operate, including the Fédération Nationale des PME-PMI de Djibouti, the Association des Transitaires de Djibouti and the Confédération Nationale des Employeurs de Djibouti. However, these organizations focus primarily on business and economic issues rather than on political advocacy, allowing them to function within government-imposed limits. Additionally, the Union Nationale des Femmes Djiboutiennes, the country’s leading women’s association, remains closely aligned with the government, limiting its ability to push for independent reforms.

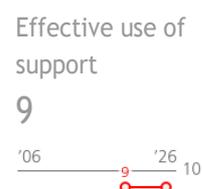
There are no major historical injustices directly attributed to the current government. However, reports of significant human rights violations suggest an unwillingness to embrace inclusive governance. While political co-optation has been used to address historical divisions – for example, the FRUD, which opposed the Issa-dominated rule of President Gouled in the 1990s, later joined the ruling coalition in 2003 – there are no institutional mechanisms to promote inclusiveness. The government has not established any truth and reconciliation commissions, legal frameworks to address historical injustices or community-led dialogue initiatives.



As the 2026 elections approach, a leadership transition could reignite tensions, particularly given the continued dominance of Issa political elites since independence.

17 | International Cooperation

Djibouti has actively cultivated strong international and regional ties, leveraging its strategic location at the entrance to the Red Sea to enhance its geopolitical influence. Through diplomatic partnerships, infrastructure investments and security cooperation, the country has positioned itself as a key player in the Horn of Africa, balancing economic development with strategic alliances.



One of Djibouti’s most significant partnerships is with China, which has evolved into a multifaceted alliance encompassing security, infrastructure and financial cooperation. China plays a central role in Djibouti’s debt-driven development model, financing large-scale infrastructure projects, including the Djibouti-Ethiopia rail line,



which enhances regional connectivity. China also holds a majority of Djibouti's external sovereign debt and maintains a military presence in the country, underscoring its influence in Djibouti's economic and security landscape.

Beyond infrastructure and financial cooperation, Djibouti's international engagement strategy reflects a dual approach – leveraging economic and security partnerships to drive domestic development, while simultaneously strengthening its diplomatic influence on the African continent. Whether through China's investment-driven model or its bid for leadership within the African Union, Djibouti continues to position itself as a key regional actor in both economic and political spheres.

Under Djibouti Vision 2035, the government is pursuing a strategic plan for energy self-sufficiency (most imports now come from Ethiopia in the form of hydropower), primarily through international technology transfer and direct investment in renewable energy sectors, especially geothermal, solar and wind. Key partnerships involve companies from Iceland, the European Union (e.g., Germany and France) and North Africa (especially Egypt). While notable progress has been made, the strategy requires significant capital investment and is considered highly ambitious. On a related note, DP World, the global port operator, was previously involved in managing the Horizon Terminal. However, this partnership ended in a major dispute that remains unresolved and is currently before international arbitration courts. Chinese companies and financing play a significant role in the Djibouti International Free Trade Zone, which is seen as a flagship model of international cooperation and forms part of the Belt and Road Initiative. In terms of security, Djibouti hosts multiple international military bases, including a continued French military presence under a renewed defense agreement. These arrangements contribute significantly to both domestic and regional security.

Djibouti has positioned itself as a credible, reliable partner in the international community by leveraging its strategic location and political stability to host foreign military bases (including those of the United States, France, Japan and China) and to support regional security. The U.S. State Department recognizes Djibouti as a key partner in security and humanitarian efforts. Economically, Djibouti has undertaken major infrastructure projects, particularly with China through the Belt and Road Initiative, to enhance regional trade connectivity. However, concerns over contractual reliability arose in 2018 when Djibouti terminated DP World's concession for the Doraleh Container Terminal, resulting in a series of legal disputes. The London Court of International Arbitration ruled in DP World's favor, though the government has yet to comply, raising investor concerns.

While Djibouti remains a strategic and cooperative international player, its credibility relies on adherence to agreements and transparent governance to maintain investor and diplomatic trust. The Djiboutian government fails to meet required standards for combating human trafficking and has made minimal progress in addressing the issue during the review period. Furthermore, the legal conflict with DP World over the

Credibility

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management and development of a port facility – which has continued since 2018, despite multiple international rulings against the government – demonstrates a disregard for international commercial regulations. In contrast, Djibouti renewed its Defense Cooperation Treaty with its closest European partner, France, in July 2024, reaffirming their long-standing military and strategic alliance. Originally signed in 1977 and last renewed in 2011, the agreement regulates the presence of approximately 1,500 French troops in Djibouti, which hosts France’s largest overseas military base.

Djibouti remains optimistic about securing the chairmanship of the African Union Commission. The country believes its strategic position, diplomatic influence and contributions to regional stability strengthen its candidacy. However, competition is expected from a contender from West Africa, likely from a francophone country and possibly of Muslim heritage, which could sway votes from countries with similar affiliations.

Djibouti’s leadership shows a strong willingness and ability to cooperate with neighboring countries, particularly in trade, infrastructure and security. However, unresolved border disputes with Eritrea and regional tensions pose ongoing challenges to full regional integration. A key example is Djibouti’s close economic relationship with Ethiopia; Djibouti serves as the primary maritime gateway for about 95% of Ethiopian trade. In September 2024, Djibouti and Ethiopia, under IGAD’s facilitation, held a cross-border cooperation meeting in Dikhil that focused on health initiatives for HIV, TB and malaria, highlighting Djibouti’s broader engagement beyond trade.

Djibouti has also expanded regional energy partnerships by signing an agreement for a solar power plant with Egypt in October 2024, aligning with its Vision 2035 goal of energy independence.

On the security front, Djibouti plays a key role in Somalia’s reconstruction and peacekeeping efforts, and actively participates in IGAD and AU stabilization initiatives. The July 2024 renewal of the Defense Cooperation Treaty with France, which governs 1,500 French troops in Djibouti, further underscores Djibouti’s commitment to regional stability and security partnerships.

However, challenges persist, particularly regarding relations with Eritrea. Despite a 2018 peace agreement, the border dispute over Ras Doumeira remains unresolved, preventing full normalization of ties.

Operation Prosperity Guardian, initiated in December 2023, is a U.S.-led multinational effort to ensure freedom of navigation in the Red Sea and the Gulf of Aden, and to address security challenges posed by Houthi attacks on maritime shipping. In parallel, the European Union launched Operation ASPIDES in February 2024 as a defensive mission to protect merchant vessels in the Red Sea, Indian Ocean

Regional
cooperation

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and Gulf regions. This operation focuses on countering threats from the Houthi movement by providing maritime situational awareness and vessel escorts. Both operations are working to enhance maritime security in the region.

Discussions continue over Ethiopia's potential establishment of a naval base as it seeks maritime access to support trade and security objectives. However, finding an appropriate location and reaching necessary agreements with regional partners remain significant hurdles. Although the UAE has played a key role in regional port investments, it is unlikely to fund the development of a Djibouti-based port primarily for Ethiopian use. Given the complex diplomatic landscape between Ethiopia and Djibouti, as well as the UAE's broader strategic considerations, direct financial support for an Ethiopian-controlled facility in Djibouti appears unlikely.

Djibouti is also seeking to expand its regional diplomatic influence. Foreign Minister Mahamoud Ali Youssouf has launched a campaign for the chair of the African Union Commission, signaling Djibouti's ambition to play a leading role in continental affairs. The campaign is led by Mohamed Idriss Farah, a former ambassador to Ethiopia and current adviser to the minister, who brings insider knowledge of AU operations to the effort. To bolster its chances for the February 2025 elections, Youssouf has enlisted the Tony Blair Institute for Global Change to provide strategic advice, reflecting Djibouti's commitment to securing a prominent position within the African Union's leadership.

Strategic Outlook

With the 2026 elections approaching, Djibouti is entering a pivotal transitional phase as President Ismaïl Omar Guelleh prepares to step down after more than two decades in power. Having led the country since 1999, Guelleh has indicated that he will not seek re-election in 2026, in adherence to constitutional term limits. This marks a significant milestone in the country's political history. However, the absence of strong opposition or credible external candidates suggests that the UMP will maintain its hold on power. In 2025, the ruling elite is likely to focus more on internal power dynamics to maintain continuity and stability rather than on democratization or reform.

Djibouti's strategic location at the intersection of the Gulf of Aden and the Red Sea underpins its geopolitical and geoeconomic importance. The country's ports, particularly Doraleh, have benefited from maritime traffic diversions caused by Yemeni Houthi rebel attacks since 2023. This surge in port activity has strengthened Djibouti's role in global trade, re-export operations and the transportation of goods across East Africa. However, these advantages may face challenges in the short to medium term due to increasing regional instability and insecurity. Ethiopia's increasingly assertive rhetoric about its maritime ambitions suggests potential future competition, as do emerging port developments in Somalia and Somaliland. Despite these factors, Djibouti remains the primary gateway for Ethiopian trade.

Urban infrastructure, particularly in Djibouti City, requires substantial upgrades to accommodate rapid population growth and mitigate the effects of climate change. Climate change-driven flooding increasingly affects low-income communities, underscoring the urgent need for effective urban planning and investments in climate resilience. In rural areas, water scarcity and food insecurity continue to threaten livelihoods, driving migration to urban centers and further straining infrastructure. High youth unemployment, fueled in part by a skills mismatch, undermines economic prospects. Djibouti's ambitious Vision 2035 aims to reshape the economy with renewable energy at its core. While significant progress has been made toward achieving 100% clean energy, delays persist.

Overall, Djibouti's development path is defined by stark contrasts. Its strategic location, combined with its substantial infrastructure investments, secures its position as a vital hub for global trade and regional connectivity. However, sustaining this progress will require navigating an ongoing political transition, addressing socioeconomic inequalities and strengthening climate resilience. While the 2025 transition is expected to maintain stability, the lack of governance reforms risks exacerbating disparities that hinder sustainable development. Significantly, Djibouti continues to play a largely uncontested role in regional and global security dynamics by hosting multiple foreign military bases. The regime has prioritized preserving strategic alliances over implementing domestic reforms, with the ruling party maintaining strong institutional control. This approach limits civil society engagement and makes meaningful democratization unlikely in the near future.

The coming years will test Djibouti's ability to balance its strategic ambitions with policies that address its population's needs. The trajectory of this transitional period will determine whether the country takes a meaningful step forward or continues on its established path, shaped by the interplay of political, economic and social challenges.