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Djibouti's Vision for Tomorrow

Shaping the future landscape

EXCLUSIVE INTERVIEW

Leveraging our advantages to stimulate investment

H.E. Ismaïl Omar Guelleh, President of the Republic of Djibouti

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Overview

The small Republic of Djibouti, with a population of just over one million, intends to turn a corner by diversifying its economy beyond its port activities. Its geographical position at the entrance to the Red Sea, as well as its political and monetary stability, are key assets in strengthening its role as a regional crossroads. Will it use the model of a city-state like Singapore?

Djibouti at the crossroads

To gauge the ambitions of the Republic of Djibouti, a visit to the Red Sea World International Exhibition Centre is a must. Inaugurated in June 2022 by President Ismaïl Omar Guelleh, this building houses a scale model of the project to transform the old port over the next 25 years. This historic site will become a city within the city, with business offices, a shopping centre, a Ferris wheel, a giant aquarium and even a cruise port. On site, at the request of visitors, staff can light up the model and project futuristic images on the wall. The immersive experience, which lasts several minutes, concludes with the words: 'New Djibouti, prosperous future'.

In the next room, which closes the exhibition, there is a film of the President posing alongside some twenty other heads of state, from China to France, the United States, Yemen and Turkey. In power for a quarter of a century, this man successfully brought peace after a decade of civil war and guaranteed regional stability over time.

He has also put his country on a sound economic footing, with Djibouti recording average annual growth of 4.4% between 2000 and 2021. Under his five successive terms in office, massive investment in port infrastructure has enabled the port to climb to third place on the African continent in terms of container traffic.

Protected by five foreign military bases (France, the United States, China, Japan and Italy), bolstered by the stability of its currency, the Djibouti franc, which has been pegged to the dollar at a fixed exchange rate since 1973, and boosted by its port and logistics infrastructure, which enables it to spread its influence throughout the sub-region, Djibouti dreams of a future like Singapore.

In 2023, the economy was boosted by exports to Ethiopia and by the vitality of its domestic market, via construction in particular, achieving almost 7% growth.

Creation of a sovereign wealth fund

Slim Feriani, CEO of the Djibouti Sovereign Wealth Fund, is a firm believer in the Singaporean destiny. "Singapore was a very poor swampy island in the 1970s, but today it is a global economic power, capitalising on its port activities, financial services and tourism sector," he says. "Djibouti is inspired by this success. The country has no oil or gas, but it does have a strategic location, at the entrance to the Red Sea, at the crossroads of the major maritime routes linking Africa, Asia and Europe, where around 15% of the world's maritime traffic moves, which has enabled it to establish itself over the last twenty years as a global port hub."

Set up in 2020 on the model of the Gulf States and Singapore, the sovereign fund's mission is to diversify the economy in promising sectors such as renewable energy, infrastructure, tourism and telecommunications, with a view to creating intergenerational savings. The institution is currently developing a $100 million investment programme, which it hopes to implement over the next three to five years, in collaboration with around ten partners who are expected to contribute up to $700 million ($300 million in equity and $400 million in private debt).

The fund is backed by 100% of the capital of Djibouti Télécom and Électricité de Djibouti, two of the country's main flagships. It also owns a 40% stake in the powerful Great Horn Investment Holding, which groups together all the Djibouti links in the supply chain that serves the region. Lastly, it relies on 20% of the revenue generated by the presence of military bases, totalling $125 million a year. In office since December 2021, Slim Feriani regularly receives international investors at the institution's headquarters, on the tenth floor of a building in Djibouti city centre. From the vast bay window of his office, he has a bird's eye view of the old port, the presidential palace, the luxurious Ayla hotel, inaugurated earlier this year, and the Djibouti Bawadi Mall.

In the midst of a real estate boom, the capital is constantly changing its face. "There's often a gap between people's perception of Djibouti and the reality," says Feriani. "Here, we have a president, a government and a people who want to move forward. This island of stability should be an example of success for the whole region."

How can the economy be diversified?

In the late 2000s, President Guelleh took the decision to relocate the activities of the historic port along

Doraleh Bay, 5 km to the west. An ultra-modern container terminal as well as a bulk and mineral port are located there. In the south, at Damerjog, the authorities are due to inaugurate an oil port – the sixth of the country's ports. But how does Djibouti intend to diversify its economy, 70% of which is based on port activities and related services?

"Djibouti is Ethiopia's natural outlet, so we have developed infrastructures dedicated to maritime and port activities. We are now working on diversifying our economy. Our country has many advantages that should not be overlooked," says Youssouf Moussa Dawaleh, businessman and President of the Chamber of Commerce of Djibouti.

Among them, the tourism sector represents a major investment lever. Although it currently contributes just 3% of GDP, the government hopes to double this figure by 2035, by attracting 500,000 visitors a year. Far from mass tourism, the country intends to capitalise on its marine and terrestrial biodiversity, made up of plains, mountains, lakes, plateaux, beaches, mangroves and islands.

The country also has major ambitions in the digital sector, currently running at 8% of GDP. Through the state-owned operator, Djibouti Télécom, the government has invested in twelve undersea cables, making the territory a hub and rallying point between Europe, the Middle East, Asia and Africa, thereby strengthening connectivity and interoperability between the regions.

To bolster its position as a global digital hub, the authorities will have to rise to the challenge of lowering the cost of electricity, which currently stands at 23 cents per kWh, making it one of the highest on the continent.

To achieve this, Djibouti is relying in part on renewable energy. President Guelleh wants to offer 100% green energy to the population by 2035. In 2015, the government passed a law to liberalise the energy sector, enabling the first wind farm to be set up recently in the Bay of Ghoubet, 120 km north of the capital. Solar power, geothermal energy, biomass, tidal power, green hydrogen… the country has tremendous energy potential, which it intends to capitalise on, notably by forging public-private partnerships.

Finally, the country intends to develop the potential of its free trade zones to strengthen its role as a regional crossroads. The future Djibouti Damerjog Industrial Development Free Trade Zone (DDIDFTZ), 30 km south-east of the capital, is currently being built at a cost of over $1 billion. By 2035, this industrial port site will house fuel storage depots, a refinery, a cement plant and a power station, all backed by an oil port. In terms of its size and the amount invested, DDIFZ is the counterpart of the 4,800-hectare Djibouti International Free Trade Zone (DIFTZ), which was inaugurated with great fanfare in 2018, in the light industry niche.

"The infrastructure is ready, but now Djibouti needs to attract companies with the capacity to expand into much wider markets, particularly the East African hinterland," says Abdallah Ibrahim Abdallah, Deputy Managing Director of the Bank for Commerce and Industry of the Red Sea (BCIMR), one of the first banks to be established in a country that now has thirteen, as well as Vice-President of the Chamber of Commerce.

"In recent years, strong growth rates have been driven primarily by public investment. We now need to hand over to private investors. Our major challenge in getting off the ground economically is our ability to attract serious investors who want to take advantage of the opportunity we are offering them in Djibouti," he says.

This view is shared by businessman Youssouf Moussa Dawaleh, who says Djibouti has a lot of potential, but has not yet reached maturity, particularly in terms of direct investment. "Yes, the port infrastructure is of very high quality, and the government has invested heavily in digital technology via submarine cables, but industry and the private sector are struggling to keep up, not least because of the cost of energy. We have a lot of work to do if we are to develop our path," he says.

From the top of the fifteenth floor of the very chic Mezz Tower, which rises above the waters of the Red Sea in the heart of the capital, World Bank economist Rick Emery Tsouck Ibounde retraces the broad outlines of the country's development. "From 2000 to 2021, Djibouti's economy saw remarkable average annual GDP growth of 4.4%," he says. "GDP per capita has more than doubled to over US$3.2 billion. The country attracted $2.3 billion in foreign direct investment between 2000 and 2020."

Despite being shaken by recent crises such as Covid, the Tigray war and the Ukraine conflict, Djibouti has maintained healthy growth – 1.3% in 2020 and over 3% subsequently. For 2023, it was boosted by exports to Ethiopia and by the vitality of its domestic market, via construction in particular, to approach 7% growth. "In the medium term, we expect growth to stabilise at around 5%," says Ibounde.

However, the economist points to certain limitations for the country, including the price of electricity – three times higher than in Ethiopia – and the speed of the internet, which until the summer of 2023 ranked among the lowest 10% on the continent. According to the World Bank, reducing the cost of electricity and telecommunications could increase real GDP by 39.1% by 2030, generate 23,000 jobs and considerably boost household incomes, while reducing poverty.

Another challenge for Djibouti is the stranglehold of a handful of state-owned companies on key sectors of the economy, such as the port, telecoms and electricity. "They are holding back the development of the private sector, which is still in its infancy," Ibounde continues. ■

Opposite: Last year's inauguration of the extension of Djibouti International Airport

Below: The ports in Djibouti have seen a transformation through numerous investments, focusing on technical and human capital

The Sovereign Fund of Djibouti's mission is to diversify the economy in promising sectors such as renewable energy, infrastructure, tourism and telecommunications.

Interview

H.E. Ismaïl Omar Guelleh, President of the Republic of Djibouti

The President of Djibouti, Ismaïl Omar Guelleh is known for being an astute operator and strategist. He has been re-elected four times since coming to power in 1999. Over this period he has maintained remarkable stability in a volatile region and skilfully balanced superpower interests without sacrificing independence. He has also overseen sustained economic progress – taking advantage of its strategic geographic location and developing its ports infrastructure and ancillary industries – in a country without any natural resources and is now positioning it to move to the next level. How has he achieved this? He is in conversation with **Omar Ben Yedder**.

Leveraging our advantages to stimulate investment

African Business: Djibouti is known for its stability - and as a strategic location for a number of military bases. Yet you operate in a region that is increasingly volatile. How are you managing the situation?

H.E. Guelleh: Djibouti has stability, social cohesion and tolerance. But it's also dynamic. We enjoy a strategic position as a commercial and security hub. Which means that when the Horn of Africa – and by extension the Red Sea – is punctuated by periods of prosperity and then conflicts of interest, we experience the sawtooth curve of development.

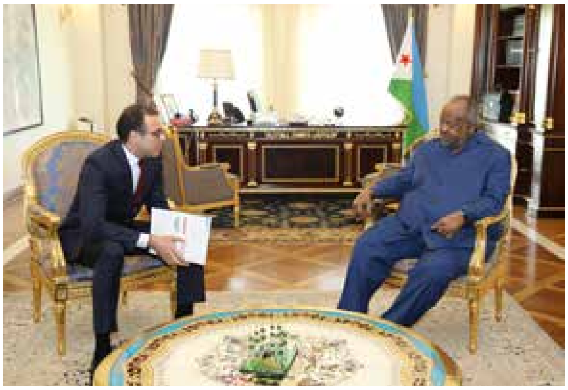
Today, in our region there are conflicts which have significant region-wide repercussions in economic, commercial and humanitarian terms. But our history makes us resilient and equipped to defend ourselves.

In all major crises, we adopt a posture that shows character. We withstand these shocks by maintaining balance and ambition.

We have always had a proactive foreign policy based on dialogue, moderation, mediation and innovation, that provides concrete solutions aiming to safeguard stability, peace and economic development.

As a neutral country that respects international law, we work actively with our regional and international partners to find solutions to ongoing crises. We firmly believe in the principle of peaceful conflict resolution and encourage all parties concerned to engage in constructive dialogue to achieve lasting results.

We attach great importance to regional and international security cooperation within IGAD, the African Union, the United Nations – and to working with our partners to strengthen security and stability in the region.



Above: H.E. Omar Ismaïl Guelleh (r) during his interview with Omar Ben Yedder, publisher of ***African Business***

I can tell you that Djibouti is determined to play a constructive role in promoting peace and prosperity, and to work towards a better future for all the peoples of the region.

You are known for being a skilful political operator on the international stage and for bringing people together. Who else could have both Chinese and American military bases? How do you position yourself when Africa, including Djibouti, is criticised for moving closer to the Chinese or other partners - especially on issues of debt and infrastructure?

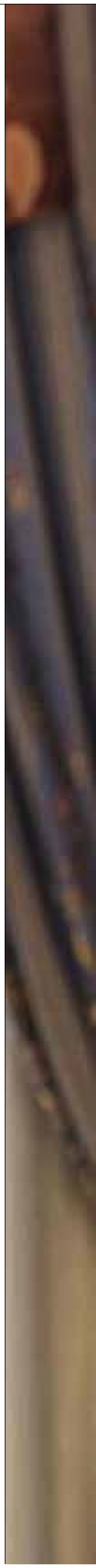
H.E. Guelleh: As a sovereign nation, Djibouti maintains diplomatic relations with countries around the world, including China and the United States. Our location and policy of neutrality enable us to maintain partnerships with international players, including those with military bases on our territory.

We see the presence of Chinese and American military bases in Djibouti as a manifestation of the confidence these countries place in our nation as a strategic partner.

As far as the partnership with China is concerned, I think it is unfair and inappropriate to put African countries on trial for their intentions. The same countries that make such criticisms are the first to rush to China, which is undeniably an economic and commercial power.

We adopt a cautious and balanced approach with all our partners. We are committed to making the most of our relations with them, while ensuring that these relations are mutually beneficial and respectful of our national interests and the principles of international law.

With regard to debt issues, we attach great importance to transparency, sustainability and account-




'All of the things that hinder growth are being removed. We are simplifying administrative procedures, reducing energy costs and creating a more favourable business environment to attract investment.'

Interview

ability in the management of our public finances and our partnerships with international donors. We ensure that all external financing is used responsibly and effectively to stimulate our country's economic and social development, while avoiding excessive debt and financial dependence.

With regard to infrastructure, we see foreign investment, including from China, as an opportunity to strengthen our infrastructure capacity and promote our country's economic and social development. However, we ensure that these investments comply with our environmental, social and governance standards, and that they contribute to the wellbeing of our people and sustainable economic growth.

It has been said that Djibouti has been underselling its services as a host to military bases. Are you seeking to renegotiate conditions with each country? Discussions are underway with France...

H.E. Guelleh: It is important to stress that our country considers collective security to be an absolute priority, which is why we host several international military bases on our territory.

Each country has arrived in a different context: France, as a historic partner, has maintained troops in Djibouti since independence as part of a bilateral military cooperation treaty. The United States has been present since the 11 September attacks as part of the fight against terrorism. Japan and Italy, as well as the European Atalanta Force, have deployed troops as part of the fight against piracy. The Chinese came later in the same context.

'Our country sees collective security as a key priority, which is why we host several international military bases on our territory.'

It is essential to understand that in this type of relationship the gains are not limited to money. There are political, diplomatic and economic benefits – particularly in terms of job creation.

Our military partnerships with these countries also give rise to genuine military cooperation, aimed in particular at strengthening our security capabilities and enabling us to play an active part in peacekeeping and regional security operations.

But it is fair to say that we no longer intend to bear the costs associated with the presence of foreign troops on our territory. Foreign forces benefiting from facilities granted to them in the past generate a significant financial shortfall for us today. It is therefore entirely legitimate for us to renegotiate a number of agreements in order to review our partnerships so that they are balanced and mutually beneficial.

We have conducted several rounds of negotiations with France involving experts and ministers. The discussions are progressing constructively and we are confident that we will reach a symmetrical final agreement that guarantees the interests of both parties.

Djibouti is known for its political and economic stability, its fixed exchange rate, and also its port, the second most efficient in Africa after Tangiers according to the World Bank. You have 12 undersea cables that cross the country. You set out a vision for 2035. Perhaps you could tell us how how the plan is progressing in terms of the milestones you have set?

H.E. Guelleh: In the two decades prior to the Covid-19 pandemic, we made significant economic and social progress, strengthening the development of our people and the infrastructure that serves them. Thanks to our policies and our strategic investments, we recorded a fivefold GDP increase since 2000.

Human Development Index measurements rose by 41% between 2000 and 2019. The rate of extreme poverty we experience fell from 22.3% in 2013 to 17% in 2019. Ninety per cent of our population has access to drinking water. School enrolment has risen to 91%.

This work has laid the foundations for long-term political and economic stability in our country. And that consolidates our role as a major player in the region.

This progress comes in the light of serious stress-tests. The Covid-19 pandemic; regional conflicts; climate change; geopolitical tensions such as the war in Ukraine, and the crisis in the Red Sea. These events highlight the need for Djibouti to diversify its economy and strengthen its resilience in the face of external shocks.

We are doing this by building on Djibouti's competitive advantages. Its political and economic stability, its fixed exchange rate, the quality of its ports and submarine cable infrastructure. We are consolidating our position as a regional and international commercial hub using the best tools available to us.

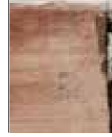
Like in many emerging countries the state plays an outsized role to stimulate investment. How can you encourage the private sector?

H.E. Guelleh: The state has played a dominant role in our economy through state-owned enterprises, which have built our basic infrastructure and made our economy attractive. These companies have performed well, but we now need to reform and promote the growth of the private sector. It is the key driver for sustained economic growth. But right now, the bulk of enterprises are small-scale and driven by short-term opportunities in the service sector.

We are changing this. Regulatory barriers; high taxation; the cost of electricity – all of the things that hinder growth are being removed. We are simplifying administrative procedures, reducing energy costs and creating a more favourable business environment to attract investment. The creation of the Djibouti Sovereign Wealth Fund in 2020 was a major part of this work.

We understand Djibouti was inspired by Singapore's Sovereign Wealth Fund, Temasek, to create its own Fund. What are your expectations of it?

H.E. Guelleh: The Djibouti Sovereign Wealth Fund is our main tool for attracting public and private capital so that we can support our socio-economic



development through projects in key sectors like sustainable infrastructure, tourism, green energy and communication technologies.

Our Strategic Vision 2035 requires that the fund consolidate our role as a port and digital hub while diversifying our economy and promoting inclusive prosperity. It establishes partnerships with investors, promotes transparency, good governance and real socio-economic impact. This strengthens our position on the international stage and promotes mutually beneficial cooperation with other countries and sovereign wealth funds.

You are a gateway to a market of 400 million people. Is the African Continental Free Trade Area (AfCFTA) helping you and your companies set up to serve the sub-region?

H.E. Guelleh: We are making significant contributions to the AfCFTA. We facilitate the transit of goods between African nations as a regional logistics hub. We reduce transport costs and times. We invest in port, rail and road infrastructure to strengthen intra-African trade and connect remote regions of the continent. We just need more – and that comes from being open to investment.

Our free zones and industrial parks offer tax incentives and facilities to businesses to fuel intra-African trade. By working with other African countries, including within the Intergovernmental Authority on Development (IGAD), Djibouti is promoting regional economic integration and helping to strengthen AfCFTA to stimulate economic growth and sustainable development on the continent.

Djibouti is the IGAD chair this year. What will you achieve in 2024?

H.E. Guelleh: As President of IGAD, we are fully committed to the promotion of peace, security and development in the region.

As a seat and founding member country, we will resolve the crises that affect our region by strengthening the IGAD Regional Economic Community.

We are ambitious. We will continue to help resolve the crisis in Sudan, working with all parties concerned to facilitate a peaceful and sustainable political transition. Similarly, we are focusing on monitoring the situation in Southern Sudan and working to support efforts to end conflict and promote national reconciliation in that country.

Security and peace remain at the top of our agenda, particularly in view of the ongoing crisis between Somalia and Ethiopia. We are stepping up our efforts to resolve this major new crisis.

At the same time, we are making IGAD a more effective and responsive organisation through reform. The adoption of a new charter at the IGAD Summit in Djibouti last June strengthened IGAD's functioning and improved its ability to respond to regional challenges.

We are also building IGAD's new headquarters. This demonstrates our commitment to strengthening its capacity to serve the needs of our member states.

As Chair of IGAD, Djibouti will spare no effort to maintain the cohesion of our organisation.

We know the challenges. We are resolute, ambitious, realistic and measured as to how we will overcome them. ■

Below: Djibouti's President Ismaïl Omar Guelleh (r) and Hu Jianhua, Executive Vice President of China Merchants, placing a brick during the launch ceremony for a 1,000-unit housing contruction project in Djibouti in 2018

Interview

Dileita Mohamed Dileita, President of the National Assembly

After serving as Prime Minister between 2001 and 2013, **Dileita Mohamed Dileita** *(below) returned to the forefront of the national political scene in March 2023, when he became President of the National Assembly. African Business spoke to this former diplomat.*

Why Djibouti's voice is always heard

Appointed to head the National Assembly by the President of the Republic, Ismaïl Omar Guelleh, Dileita Mohamed Dileita brings his experience as a former Prime Minister to the country's debating chamber, but also as a senior diplomat. He has held positions in Paris, was an ambassador in Addis Ababa – at the headquarters of the African Union – and has been chargé de mission for various international institutions. Although he has criss-crossed the continent, he has never strayed too far from Djibouti, his home country, where he is serving his fifth term as a member of parliament.

The Covid crisis and regional instability – particularly in Ethiopia – have slowed down the country's economic growth and attaining its Vision 2035 objectives. What can be done to accelerate the achievement of those objectives?

Dileita Mohamed Dileita: Covid was something new and sudden for countries all over the world. The President had the extraordinary reflex to close the border with the outside world very quickly. Economically, there were consequences, because the economy is based on trade with Ethiopia, and maritime transport in general, but we had to make do. We had launched the 2035 projects, but that didn't really bother us. The positive thing was that we had the courage to close all the borders. We've had fewer deaths and fewer positive cases.

The Djibouti Sovereign Wealth Fund is organising the Djibouti Forum in mid-May. What are your expectations of this event?

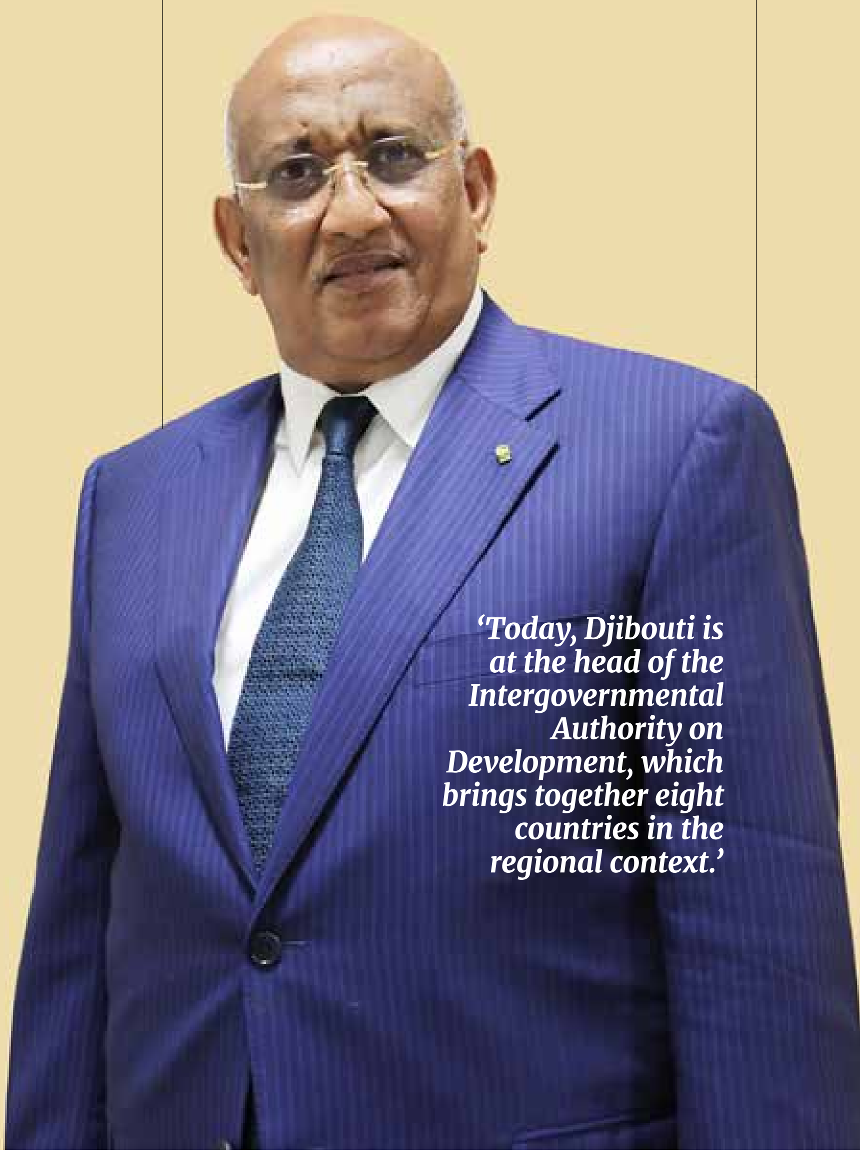
Dileita Mohamed Dileita: When you see the number of guests, the objectives and the commitments that could be made, it gives us great hope. Investors are going to come and see for themselves what opportunities are available to them here. A lot of people don't know Djibouti, and that's the problem. We need to sell our country's potential. We have high hopes for this forum.

You were appointed President of the National Assembly last year. How do you represent Djibouti's voice in bodies such as the African Union and the Arab League?

Dileita Mohamed Dileita: Djibouti has been a stable country for 40 years, with a government, elections and a democratic system. Even when there has been unrest in the region, Djibouti's voice has always been heard. Today, we are at the head of the Intergovernmental Authority on Development, an organisation that brings together eight countries in a rather difficult regional context. As far as we are concerned, we have very good relations with Ethiopia, even if there have been some minor reservations about the agreement they signed with Somaliland.

This agreement would give Ethiopia, a landlocked country, access to part of Somaliland's coastline...

Dileita Mohamed Dileita: Yes, President Ismaïl Omar Guelleh has gone to tackle this issue. As far as we are



concerned, there is only one Somalia, even though we have signed an agreement with Somaliland on the free movement of goods. The recognition they are fighting for is unthinkable, because the very basis for the creation of the African Union is the inviolability of the borders inherited from colonisation. The AU's predecessor, the OAU, was formed by all the independent African countries in 1963. The only country that was created after that was South Sudan, because negotiations were held. The President of the Republic of Djibouti has taken the Somaliland issue in hand.

Generally speaking, what are your relations with Ethiopia?
Dileita Mohamed Dileita: We have a very special relationship with this country, which we have helped a great deal and which supports us. Most of our port trade is with them. It's legitimate for Ethiopia to look for other opportunities in terms of ports because they have more than 100 million inhabitants, but it has to be done according to the rules. If tomorrow they sign a partnership with Kenya, or with another country like Sudan, that's perfectly legitimate, but with a country that isn't recognised, that poses problems.

Back to Djibouti – the continent needs strong institutions to ensure stability. What exactly is the role of parliament in the country's decision-making process?
Dileita Mohamed Dileita: The National Assembly plays a positive role not only in the capital, but also outside. After my appointment as President of the National Assembly, I had the opportunity to visit the five regions. I received an extraordinary welcome. We have already resolved some of the grievances that were brought to my attention at the time. The influence of parliamentarians is very important for Djibouti.

You have a long career behind you. In particular, you were lucky enough to witness the very first developments in the country, just after independence. How have you seen the country evolve?
Dileita Mohamed Dileita: The major obstacle was the lack of resources. Djibouti didn't yet have a blueprint for society or an economic structure. The country had to develop. In 1977, at the time of independence, everyone got down to work. The handover went very smoothly, because France didn't leave the country overnight, as it did in Guinea, for example. The High Commissioner, who was the supreme leader before independence, assisted President Hassan Gouled Aptidon. For a long time, there were French advisors in the administration or in the presidency.

The transition took place as Djiboutians returned to the country with degrees and training. So the first years of independence went very well, but what our people were afraid of at the time was the influence of their direct neighbours, like Ethiopia and its 90 million inhabitants, or Somalia. And then there was the Ogaden War. That's when President Hassan Gouled Aptidon had the intelligence to sign a defence agreement, to guarantee us protection, whatever the problems beyond our borders. In fact, Djibouti has never been affected by external political problems.

And what has been its economic trajectory?
Dileita Mohamed Dileita: When we joined the Arab League in 1977, many countries helped us to develop, notably Saudi Arabia. The Kuwaitis built our roads and the Emiratis built our port, even though we later split from them. All the Arab countries have supported us. With the arrival of President Ismaïl Omar Guelleh, these relationships have been strengthened. The Port of Doraleh, the oil port, the container terminal, all these major projects have been completed. The results are there, the roads are there, the infrastructure is there.

Djibouti was destabilised by civil war in the 1990s. What is the state of national cohesion, more than 20 years later, particularly regarding the Issas and Afars?
Dileita Mohamed Dileita: Before independence, all the parties were made up of Issas and Afars, who fought together for recognition of the country. But in 1977, a group from the Afar community refused to take part in the Paris Conference, which was the core of the birth of Djibouti. That's when the problems started. But today, in Djibouti, I can tell you that there are no tribal problems. If a minister wants to appoint someone from one community or another, he is free to do so. We have a tradition of living together.

President Ismaïl Omar Guelleh's term of office comes to an end in 2026. Who could succeed him and how should the succession be organised?
Dileita Mohamed Dileita: We are an open country with a highly advanced democracy. Everyone in Djibouti knows what this man has done. Initially, when he was elected President of the Republic in 1999, the constitution limited him to two terms. But we forced him back into power in 2011, because the regional context was tense, with piracy problems peaking. Appointing a new president overnight would have created problems for us, and our international partners agreed. In fact, we changed the constitution in a transparent way.

Our party won a large victory in the February 2023 elections. If the President wants to leave in 2026, that's his choice. It's up to him to guide us and tell us how to work to find a new President of the Republic. And if he wants to continue, all possibilities are open. Wise as he is, he will have the opportunity to guide us along the right path. We will take the instructions he gives us.

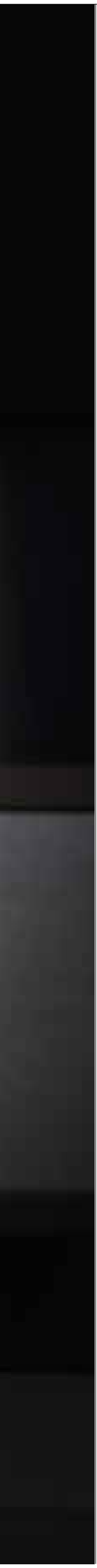
Do you have any final message to end this interview?
Dileita Mohamed Dileita: We're very hopeful about the creation of the Djibouti Sovereign Wealth Fund and the upcoming forum.

Recently, the Director of the Fund, Slim Feriani, came to explain the role of this institution to members of parliament during a plenary session at the National Assembly. With him, we found the right man in the right place. Today, everyone can measure their ambitions. I'm sure that at the end of this forum, the country's prospects will change a great deal. ■

Interview

As Djibouti gears up for its inaugural international investment forum, **Omar Ben Yedder** *is in conversation with the CEO of the country's young sovereign wealth fund,* **Dr Slim Feriani** *(below), who believes the country has all the factors for success lined up.*

Djibouti – the sky is the limit



Dr Slim Feriani, the CEO of the Fonds Souverain de Djibouti (FSD) or Sovereign Wealth Fund of Djibouti, is a British-Tunisian dual national. He has over 25 years of experience in international capital markets and recently served as a Minister in Tunisia where he led two portfolios, those of industry and SMEs as well as energy, mining and renewable energy.

His exposure to markets dates back to 1989, when as a professor at the George Washington University, he started to put the theories he was teaching into practice.

He is bullish about the economic prospects of one of Africa's smallest but most dynamic countries. Djibouti, occupying a strategic spot at the Horn of Africa controlling entry into the Gulf of Aden and the Red Sea and linking the African mainland to the Middle East, has an outsize significance not only in the African context but globally. It is bordered by Somalia to the south, Ethiopia to the southwest and Eritrea in the north.

His optimism is informed by his first-hand experience, having managed the country's sovereign fund over the past two years and seen the country's steady transformation under its Vision 2035 development plan. He is also convinced that the country possesses all the factors needed for inclusive, sustainable success.

Recent investments in ports and logistics, hospitality, renewable energy and fintech are bearing fruit and attracting the attention of investors from both hemispheres. Vision 2035 has laid out an ambitious but feasible roadmap that both local and international stakeholders can conveniently plug into.

Recent investments in ports and logistics, hospitality, renewable energy and fintech are bearing fruit and attracting the attention of investors from both hemispheres.

"Everything is relative and I think we need to put things into, first of all, the African context." In this case, context places these achievements into even sharper relief.

Having been involved in investment activities in over 100 countries, Feriani should know a thing or two about the economic potential of states and he says that Djibouti is a solid bet.

The country currently does not have a sovereign rating from any international agency but he is confident that if this were the case, it would get a favourable rating.

"There are not a lot of countries that have macroeconomic fundamentals as good as we do – whether it's inflation, current account balance, currency stability, foreign exchange reserves or the government leverage, which isn't particularly high and is investment, not consumption-driven. So within Africa, I would say it's a top-quartile country."

It also helps that Djibouti is one of the most stable countries in its East African neighbourhood. President Ismaïl Omar Guelleh has presided over the country's multi-party democracy, securing a fifth term in 2021.

Even more important, Feriani argues, is the presence of political will. "I think political stability is a key comparative advantage but I'll add political will to that. People don't pay much attention to political will but I think it's even more important."

Political will drives the kind of decision making that can lead to long-term benefits for a country in Djibouti's position.

One of those early decisions was to peg the Djiboutian franc to the US dollar, which has been the case since 1949. The result is a very stable currency even in currently turbulent times, when larger economies such as Nigeria, Ethiopia and Egypt have had to surrender much of their currency's value.

"If you want to make 10-15% annual investment returns in dollar or euro terms in another country where there is forex risk, you have to at least double that in local currency but here, you don't have to worry; that is the advantage of the stability we have." This, Feriani argues, means long-term institutional investors can expect US dollar returns of 10% or more annually. "Hence, you can double your money every seven years or less," he argues.

Feriani believes that Djibouti is on a similar track to Singapore and Dubai, two countries that have overcome their lack of size, much smaller than Djibouti, and in the case of Singapore, its dearth of natural resources, to post phenomenal growth and transform the lives of citizens. "I see Djibouti today as where Singapore and Dubai were in the 70s and 80s. I see many similarities – and that history is important because we don't have to reinvent the wheel."

Closer home, he points to Morocco and Rwanda (landlocked and with a similar landmass to Djibouti's) as countries which also stand out in Africa. The unifying thread, for Feriani, is leadership. "It's all about leadership, management and vision. For companies, it's the CEO and for countries, it's the political leader. They make all the difference and that's what we have here."

In for the long haul

The establishment of the sovereign wealth fund by the government in March 2020 can be argued as emblematic of a leadership committed to building a dynamic and diversified economy.

"It was created by and for Vision 2035, which imagines a future for Djibouti beyond the ports," Feriani explains. He is referring to the fact that following significant investments, Djibouti's ports have made it something of a trading and shipping hub, capitalising on its strategic location.

But like the Singapores and Dubais that Feriani so admires, there has to be more to the country than dependence on a single resource.

To achieve this, he points out that sovereign funds are increasingly a go-to feature for ambitious developing economies that use them to catalyse and crowd investments into targeted areas of the economy, build infrastructure and provide a stabilising bulwark in times of crisis.

However, he cautions, "We don't have a magic wand. It takes time and patience. This is a long-term objective. You don't build a sovereign wealth fund – or a country – in two or three years. There are stages."

This suggests that target sectors have to be picked carefully to ensure the optimal cost-benefit.

"We need to focus; we don't have to overstretch ourselves."

One of these sectors is tourism. "We have these

Interview

amazing islands and lakes and we have to monetise them. We need to make sure that investments create jobs because ultimately our goal is to reduce unemployment and poverty – and tourism is the biggest employer in the world."

He is also very enthusiastic about creating an international digital hub. A winner of the geographical lottery, Djibouti is in the almost perfect position to receive digital traffic. With its complement of 10 subsea cables, it compares favourably with other digital hotspots around the world, providing an important foundation on which to build a digital marketplace.

Financial services is another area of interest for the Fund. With a healthy and liquid banking sector, and stable currency, Feriani believes Djibouti offers a compelling proposition for investors in the financial services sector looking for a beachhead into the region.

The market is yet to mature in some critical ways but, he insists, this only represents more opportunity. "We need deeper financial markets but that is part of the opportunity. I prefer to look at the glass as half-full. So it's an opportunity and that's brilliant. Let's work together to develop them," he says, throwing down the gauntlet to the global investor community and part of their duty, encouraging them to make an impact on Djibouti and Africa more broadly.

Another sector is renewable energy. The Fund is involved in the Grand Bara solar project in partnership with Emirati company Amea Power, as well as with Neo Themis in two other solar projects, located in PK23 – at 47km² the largest free zone in Africa – and Damerjog, in another new free zone that spans 30km².

"The first one is for light industry and the second is for heavy industry, especially for the refining and storage of oil and gas," he explains. Generating more energy will also support the country's industrialisation, enabling traditional industries such as textiles and agribusiness to operate more cost-efficiently.

Feriani is quick to clarify that opportunities in health and education are not completely off their radar. "We are looking into that," he says, "we must be patient, realistic and pragmatic. We must understand that there are stages."

'I see Djibouti today as where Singapore and Dubai were in the 70s and 80s. I see many similarities – and that history is important because we don't have to reinvent the wheel.'

Private sector involvement is key

A key aim for the Fund is to boost private sector participation in the economy which, as Feriani points out, is dominated by the public sector. "Today, roughly three quarters of Djibouti's economy is still run by the public sector and we need to switch that. Most economies are now driven largely by the private sector and SMEs so that is the role we want to play".

Despite its ambitions, Feriani acknowledges that the Fund's capacity has its limits. "We have decent but not unlimited financial resources." That means approaching investments in a way that will deliver maximum returns without overstretching it. "We are happy to be a minority shareholder with a 25% share," he says.

This approach seems to be drawing the right response from the markets. With the Fund sharing the risk, investors are encouraged to undertake these projects with mutual benefits across the board. The Fund boosts investments; investors get their returns and the country gets the projects and the attendant benefits, including job creation.

This is not only for international investors but also local private sector investors that Feriani says the Fund is developing relationships with. "Ideally, the kind of project we want to be in is where we are the 'P' in public-private partnerships and there's a 'P' for private sector that is local and a 'P' for private sector that is international. That is Nirvana," he declares.

Djibouti itself remains the key focus of the Fund in the short-term. While most sovereign funds deploy all or the majority of their funds on external international projects, the FSD aims to retain half of its investments within the borders of the home country.

"In our case, at this stage the focus has to be Djibouti first, but, obviously we can't put all our eggs in one basket so by law, we have to have a balanced portfolio with roughly 50% invested in Djibouti and 50% outside." Expectations from this young fund and its management are so high, that they first have to deliver more projects locally before diversifying their risk internationally.

In a rapidly growing developing country, there are opportunities everywhere and Djibouti typifies this. As someone who cut his teeth in emerging and frontier markets, Feriani finds this to be an exciting, rather than a daunting prospect. "There is a big opportunity to close the gap between perception and reality and as a global investor, I love that. I love to go into places where the perception is a lot worse than the reality and if you know what you're doing, you can make a great trade." In other words, investors who recognise the diamond in the rough now can gain the first mover advantage.

Feriani points out that the Fund is not an investment promotion agency but is actively engaged in attracting foreign direct investment into the country, which is vital to its social and economic development, as is the case for the rest of the world. With the investment engine firing and contributing to an annual real GDP growth back to its historical trend of around 7%, combined with a typically low annual inflation rate of 2-3%, Djibouti's economy is likely to double in size within 7 years.

The Djibouti Investment Forum, set for 12th to 14th May, will give it a tremendous opportunity to make its pitch to a vast array of international money managers and Feriani is confident of the prospects.

"It's a big project for us in terms of inviting 150 people from across the world. In barely two years, we have been able to attract about a dozen partners as a sovereign fund. So on average, we have succeeded in attracting about one partner every two months."

The forum will give a new batch of investors the chance to discover Djibouti's many opportunities. "Djibouti is a hidden gem and we need it to shine. It's like a diamond in the rough; we need it to be discovered and to be polished so it can shine. The sky is the limit in Djibouti," Feriani concludes. ■

Djibouti's ability to place its geographic location at the heart of its economic strategy has been well documented. Its position on the approaches to the Red Sea gives it access to some of the most important shipping lanes in the world and has resulted in the development of one of Africa's most modern ports. But the government has also made the most of its location in its diplomatic strategy, building ties with countries in the West, Africa and the Middle East, as well as with China through a multipolar approach.

Djibouti's diplomacy in the international arena

Djibouti's diplomatic visibility has strengthened since June 2023, when the country's President, Ismaïl Omar Guelleh, assumed the rotating presidency of the Intergovernmental Authority on Development (IGAD), which has sought to mediate on the war in Sudan, among other conflicts. In March, the EU and IGAD launched their first comprehensive partnership dialogue in Djibouti to address peace and security challenges in the Horn of Africa.

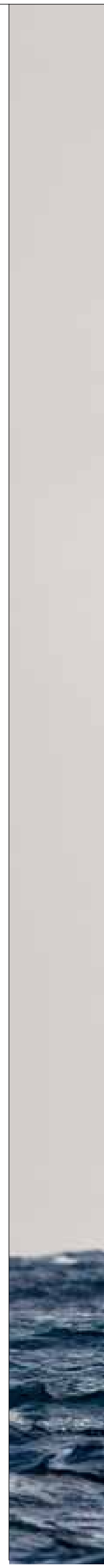
As a result of President Guelleh's IGAD role, the leaders of the two sides seeking to control Sudan – the Sudanese Transitional Sovereignty Council Army Commander, General Abdel Fattah Al-Burhan and the Commander of the Rapid Support Forces (RSF), General Mohamed Hamdan Dagalo – met in Djibouti in December 2023 for talks aimed at helping to resolve the conflict that had affected Sudan for eight months by that point.

Djibouti was also involved in mediation between the governments of Somalia and Somaliland in 2020, and has now also served as a member of the African Union Peace and Security Council three times.

Given that it is something of a haven of peace in a troubled region, Djibouti's desire to position itself as a mediator is understandable. Somalia's long civil war continues with no end in sight, while Ethiopia has had to deal with its own internal conflicts as well as fluctuating relations with Eritrea. Both Sudan and South Sudan have been blighted by terrible civil wars.

One conflict threatens Djibouti's own economy more directly, with many vessels avoiding the Bab el-Mandeb and Red Sea to avoid attacks by Houthi fighters based in Yemen on the opposite coast. Djibouti has used its IGAD presidency to try to influence events in Yemen, again making use of its location just 20km from the Arabian Peninsula at the narrowest point. Given that Yemeni refugees have fled to Djibouti among other countries, it is understandable that the government is keen to reach a resolution on humanitarian as well as economic grounds.

Opposite: A US Coastal Riverine Force boat on its way to liaise with a US vessel off the coast of Djibouti



Overseas military bases

Djibouti's population is mainly urbanised because about 90% of its territory is thus far uninhabitable. But the government has turned this negative into an advantage by leasing land for overseas military bases to some of the most powerful countries in the world. In a unique global situation, the US, Chinese, French, Japanese, UK, Saudi Arabian and Italian militaries all make use of Djibouti's strategic location, national stability and proximity to more unstable areas, including shipping lanes that have been badly affected by piracy in the recent past.

The country offers easy access to the Middle East without actually being based there and the opportunity to protect the volumes of crude oil and refined petroleum products that pass by Djibouti on their way to the Suez Canal every day. Indeed, Camp Lemonnier, which was built following President George W. Bush's 'War on Terror', is the biggest US military base anywhere on the African continent and now home to the US Africa Command, or AFRICOM. Japan is constitutionally banned from having a military. But its Djibouti centre was the first overseas base for its self-defence forces since the end of the Second World War.

As well as generating hundreds of millions of US dollars a year in revenue, the bases give Djibouti a voice with a range of Western and Asian powers out of scale with the size of its territory, population or economy. Moreover, the presence of so many foreign militaries in such a small country surely makes any foreign powers less likely to attack Djibouti in the future, providing a great deal of protection. Finally, having so many foreign powers on its soil should reduce the risk of a single country exerting undue influence on a future Djibouti government.

Peacekeeper

Djibouti also contributes to African peacekeeping operations in Africa, providing police to the African Union-United Nations Hybrid Operation in Darfur (UNAMID), the United Nations Organization Stabilization Mission in the Democratic Republic of Congo (MONUSCO), and the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA). Many of its police officers have been trained by Italian instructors based in Djibouti itself.

In addition to deepening its relations with key regional and global players, Djibouti is also widening the pool of its international relationships by establishing diplomatic relations with more countries. Most recently, this included the establishment of diplomatic relations with Uzbekistan in early May, while last September Iran and Djibouti announced that they would resume diplomatic ties.

Despite the presence of the military bases, perhaps Djibouti's most important international relations are with Ethiopia. Strong Ethio-Djibouti relations are important for both countries, with landlocked Ethiopia relying on the Port of Djibouti for 95% of its trade in goods. A new railway was built between the port and Addis Ababa in 2015 that acts as a conduit for Ethiopian cargo that should generate increased revenue for Djibouti as the Ethiopian economy continues to grow strongly. The two governments help manage the line and are now assessing plans to double its capacity.

Aside from revenue, the military bases give Djibouti a voice with a range of Western and African powers out of scale with the size of its territory, population or economy.

In addition, Djibouti relies on Ethiopia for much of its water supply. CGC Overseas Construction Group of China built a pipeline to transport water 258km from underground reserves in Ethiopia, which is known as the Water Tower of Africa, into arid Djibouti. The latter currently also relies on power imports from Ethiopia via an interconnector that was completed in 2011. There has been some tension recently over Addis Ababa's desire to secure direct access to the sea but it is clear that maintaining positive relations is a key priority for both countries. ■

Interview

Ilyas Moussa Dawaleh, Minister of Economy and Finance, in charge of Industry

Ilyas Moussa Dawaleh, *Djibouti's Minister of Economy and Finance, in charge of Industry has been in charge of the country's economy and planning for the past 10 years. Over this period he has delivered consistently growth rates around the 5% mark and this year will be ranked among the fastest growing economies in the world. In this interview with African Business, he outlines the strategy to diversify the economy and crowd in the private sector.*

'All we ask for is a fair deal'

When we interviewed Ilyas Dawaleh in Washington during the World Bank Spring Meetings, he offered a balanced assessment of his country's economy.

"Touch wood," he said, "our economy has proved pretty resilient to all these shocks," referring to the series of global crisis from the Covid pandemic to the war in Ukraine. "You will see from the IMF projections, that are in line with our own, that we will achieve strong growth this year, amongst the top 10 or so fastest economies globally."

However, he adds a note of caution: "Having said that, I have to admit that these various crises are hurting us in several respects, mainly around the drop in FDI that we've seen in recent years, due precisely to the situation of uncertainty, in the region but also globally."

The way forward, he says, is to engage the private sector more closely as Djibouti continues its economic transformation campaign. Djibouti has made much of its strategic geographical position, building out its ports and logistics infrastructure and offering a bridge into and out of the region for its less well placed neighbours.

A lot more needs to be done and Dawaleh says the government will up the ante on partnerships with local and foreign investors in pursuit of its goals. "Our approach from now on will really be to get the private sector involved. This is the high point of our reform agenda – to work with the Djiboutian private sector, including in terms of strengthening their own capabilities and expertise, but also working a lot to bring in foreign partners."

That means going beyond Europe, America and the Middle East, where Djibouti has longstanding partnerships, to attract capital from other places such as Asia.

The key thing, Dawaleh stresses, is to diversify from the country's overdependence on its main earner, its ports."Djibouti's single-sector development model is no longer viable. It has enabled Djibouti to undergo its transformation; it will remain a very important sector, but it must no longer be an exclusive sector in terms of development, because our own ability to create jobs and more wealth is also at stake," he explains.

This has been addressed in a diagnostic report issued by the World Bank's International Finance Corporation as well as in Djibouti's own assessments. "So diversification is at the centre of what we are now doing, and we call this developing Djibouti 'Beyond the ports'. This will be the central element of our next strategic action over the next five years."

The country's President, Ismaïl Omar Guelleh, Dawaleh says, is not only behind the plan but is driving the vision that is guiding the strategy.

In the meanwhile, Djibouti also has to manage its debts. The African Development Bank projects that over 2023-24, public debt will rise to 73% of GDP, owing, in large measure, to the loans it has contracted to finance infrastructure projects.

Dawaleh says lenders at the Spring Meetings were quite understanding, although he believes there is more that can be done to support the country. "I often say that Djibouti is a global public good because of its geography, because of its geostrategy and because of the services Djibouti provides to the whole world.

"We really want Djibouti to be well understood in terms of the aspirations of its people and its government. And we are very happy to see that our partners understand and are following us."

That, he is quick to add, does not absolve Djibouti of its duty to manage its finances with the same discipline that should be expected of any nation. "We are not exempt from remaining focused in our approach, in our fiscal discipline, on the fundamentals in terms of macroeconomic management, in terms of public finance management, in terms of reforms. We also believe that others will come and support you, if we are capable of supporting ourselves," he emphasises.

Given its powerful friends, Djibouti's expectations are justified. Its geostrategic position has brought the United States, France, Japan, Italy and China to set up bases in the country, allowing them to pursue their strategic operations from the country.

Dawaleh estimates that the alternative to being

in Djibouti – to run an aircraft carrier at sea – would cost in the region of a million dollars a day. However, the financial arrangement with Djibouti has been less profitable than it would seem and according to some estimates, actually costs the country a net fiscal loss of $300m annually.

As the contracts come to an end, Dawaleh says Djibouti will be asking for new terms. In fact, talks with France are already underway. "We want to correct an asymmetry that has been the basis of various commitments by Djibouti. So we want to manage this particular asymmetry better."

For Djibouti, Dawaleh says, these relationships should have real and tangible benefits. "What interests us most in this partnership is really to be able to have more support on different levels such as infrastructure development, support in climate resilience and in helping us support our reform agenda."

However, he is quick to acknowledge the benefits of hosting the bases. "Having said that, the bases are very important in terms of security and stability. We do not underestimate that and it is what also gives us a competitive advantage and what gives our citizens, investors and visitors peace of mind. The fact that we have special defence agreements with France is also, for us, something that is very much appreciated," he points out.

The next few years will be critical for Djibouti and its reform agenda. Dawaleh says the priorities are

The fund is "to help co-invest with international partners and bring in investment, to be the link in the chain to drive the transformation of Djibouti."

to develop the country's human capital and boost infrastructure. Better infrastructure will also benefit another sector that will support the diversification agenda.

"We're talking about tourism, for example. We have many sites that are unique in the world and can only be found in Djibouti but they are either very difficult or impossible to access." Better road infrastructure would then unlock these sites and possibly open up another revenue stream for the country.

Also on the agenda are public policy reforms and securing more funding for the private sector and especially young entrepreneurs. Some public companies will be opened up for private sector participation to improve quality and delivery.

The Fonds Souverain de Djibouti, the country's sovereign wealth fund, is in part a response to these imperatives. The fund is "to help co-invest with international partners and bring in investment, to be the link in the chain to drive the transformation of Djibouti".

For Dawaleh, having recently been re-elected to the position of Secretary-General of the ruling party, his priority is summed up in his own words: "to support President Guelleh; remain loyal to him and make sure we win together". ■

Youssouf Moussa Dawaleh, President of the Djibouti Chamber of Commerce

Youssouf Moussa Dawaleh will soon conclude his second term as President of the Chamber of Commerce, a respected institution that has just celebrated its 117th anniversary. This former parliamentarian is one of the leading figures in Djibouti's business community. African Business caught up with him to take the pulse of the country's economy.

To diversify the economy, Djibouti must help the young take risks

The former UMP MP, Youssouf Moussa Dawaleh, a soft-spoken and elegantly dressed man, is a businessperson in construction and real estate. He welcomed us to his office in Djibouti city centre, where he explained that by focusing on the development of tourism, continuing to invest in renewable energy – to eventually reduce the cost of electricity – and allowing for more domestic processing businesses, the country could, in his view, make huge strides.

African Business: The Sovereign Wealth Fund of Djibouti is organising an economic forum in mid-May. What do you think of this initiative?

Youssouf Moussa Dawaleh: I think it's a good thing to organise a big event to showcase Djibouti's economic potential. The aim is to attract foreign direct investors to our country. As for the Sovereign Wealth Fund, it's a very young but dynamic institution that's starting to make a name for itself in the region. Thanks to its activities, delegations regularly come to Djibouti. There are projects in the pipeline and others that are in the early stages of implementation.

In your opinion, what sectors could boost Djibouti's economy?

Youssouf Moussa Dawaleh: I regularly think of tourism, a major investment lever that could be much more developed. Djibouti could also benefit from the renewable energy sector, to lower the cost of energy, and thus encourage the creation of industries and small and medium-sized enterprises.

Finally, there is a great deal of potential in the processing industry. The country can be a redistribution platform for the region, particularly in food products. I'm thinking of sugar and other products that could be stored here. We have free trade zones that can accommodate small factories, with tax advantages. But to do that, we need to reduce the energy bill. I believe in these three pillars of development, with the support of various international partners.

What has the country done to achieve energy self-sufficiency?

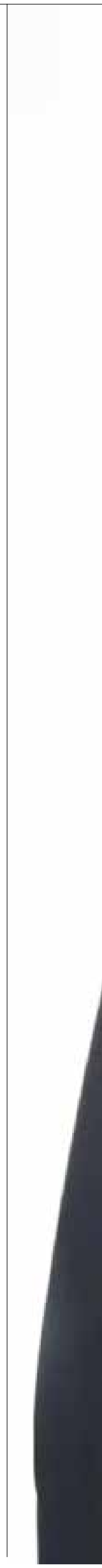
Youssouf Moussa Dawaleh: A wind power project is already up and running, which bodes well for the future, and it's only a matter of time before a second one is set up. The government has also launched solar energy projects. Together, these two initiatives could enable Djibouti to move closer to energy autonomy, and thus become less dependent on Ethiopia, which supplies us with electricity. There is also geothermal energy, which could yield good results. I think that foreign investors will have something to gain in this sector. In any case, if the price of electricity falls, it could encourage many Djiboutian operators to create small processing industries, and thus create jobs, to reduce the unemployment rate in the country.

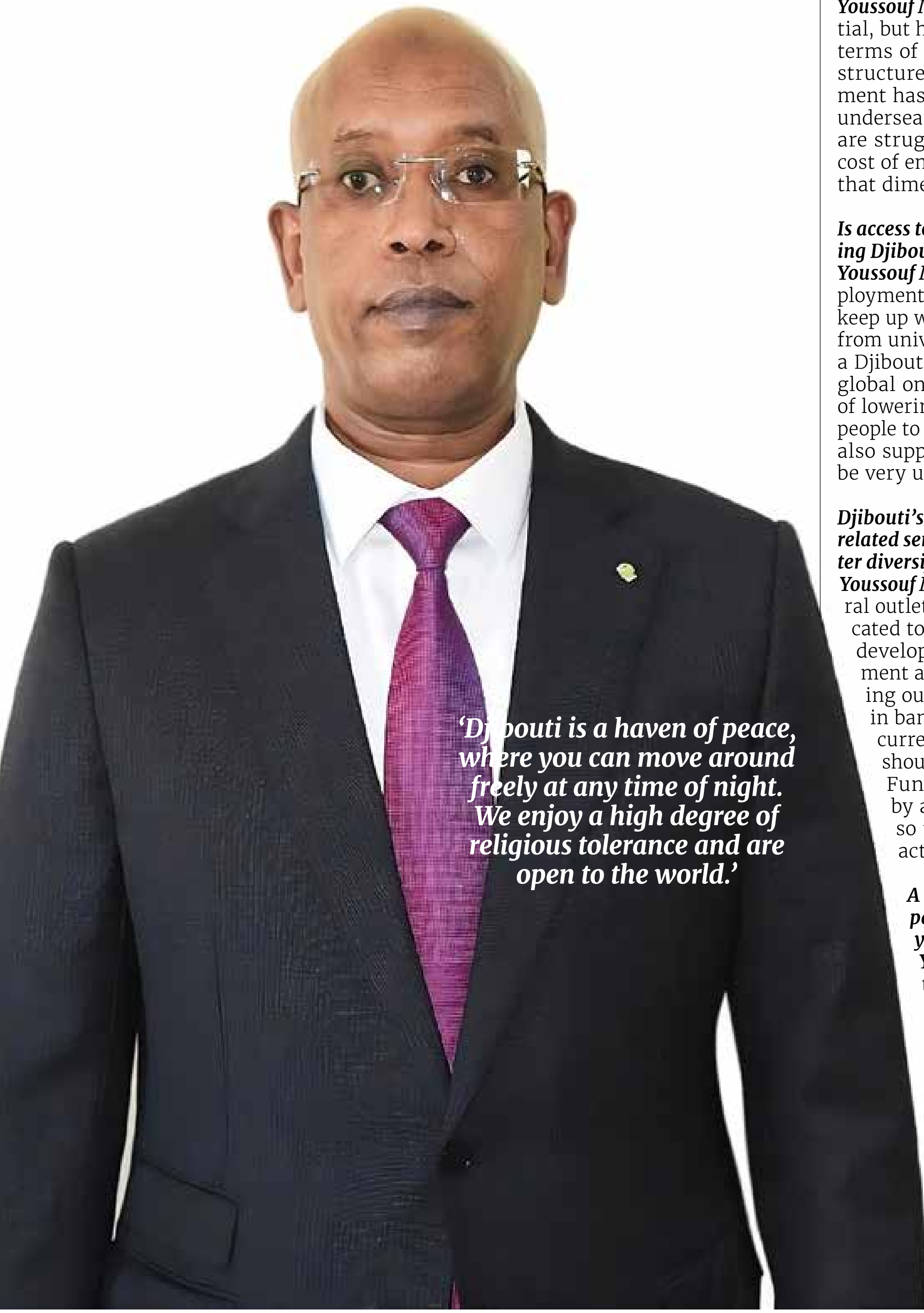
How can cooperation between local SMEs and foreign investors be strengthened?

Youssouf Moussa Dawaleh: Ideally, there should be a cascade of wealth redistribution. Unfortunately, in certain areas, we have not yet seen sufficient spin-offs. In any case, there needs to be synergy in the work done.

You've had a long career, particularly in the construction and real estate sectors. Who are the major economic operators in the region?

Youssouf Moussa Dawaleh: There are a number of family businesses that have grown from generation to generation, such as the Coubèche family in retail and industry, the Marill group in car distribution, and the Kamaj Group in real estate and hotels. There are also young people who have achieved industrial success, such as in organic mineral water. To create





> *'Djibouti is a haven of peace, where you can move around freely at any time of night. We enjoy a high degree of religious tolerance and are open to the world.'*

new national champions, I think we need to encourage young people to take risks and invest. We need to give them a chance.

Some entrepreneurs speak of Djibouti as a virgin country where much remains to be built. What are your thoughts on this?
Youssouf Moussa Dawaleh: Djibouti has a lot of potential, but has not yet reached maturity, particularly in terms of direct investment. So, yes, the port infrastructure is of a very high quality, and the government has invested heavily in digital technology via undersea cables, but industry and the private sector are struggling to keep up, not least because of the cost of energy. We have a lot of work to do to change that dimension.

Is access to employment one of the main challenges facing Djibouti?
Youssouf Moussa Dawaleh: Yes, because youth unemployment is around 43%. There aren't enough jobs to keep up with the number of young people graduating from university or technical colleges. This is not just a Djibouti problem, it's an African problem, if not a global one. I'd like to come back to the importance of lowering the cost of energy, to enable these young people to become entrepreneurs. The government can also support them in terms of taxation. This would be very useful for the country's development.

Djibouti's GDP is 70% dependent on the port sector and related services. How can the country's economy be better diversified?
Youssouf Moussa Dawaleh: Djibouti is Ethiopia's natural outlet, so we have developed infrastructure dedicated to maritime and port activities. We have also developed associated services, such as transhipment activities. We are now working on diversifying our economy, whether in the digital sector or in banking, which is based on the stability of our currency. Our country has many advantages that should not be overlooked. The Sovereign Wealth Fund must play a role in this diversification, by attracting investment in different spheres, so that we are not just dependent on our port activities.

A number of investors will be visiting Djibouti as part of the Djibouti Forum in May. What makes your country so special?
Youssouf Moussa Dawaleh: Our great advantage is our geographical position. Djiboutians are part-Arab, part-African, [also] part-European, and we have a rich cultural heritage. And we're the only French-speaking country in the whole region. Djibouti is also a haven of peace, where you can move around freely at any time of night. Last but not least, we enjoy a high degree of religious tolerance, and are open to the world. It should also be noted that Djiboutians are very home-loving. They return home after completing their studies abroad, and they are very attached to their nation. It's important to know all this to understand our country better. ■

With 70% of its GDP coming from port activities and associated services, Djibouti has been able to capitalise on its strategic geographical position at the entrance to the Red Sea. Over the years, it has developed its ecosystem to become one of the leading port destinations on Africa's eastern coast.

Djibouti's lungs – its ports

For several months now, the basins of the port in Djibouti city have been home to an imposing floating dock, all in steel, at the cutting edge of ship repair equipment on the continent.

Measuring 217 metres long and 43 metres wide, the dock is the latest addition to the chain of services put in place by the port authorities. It will be able to repair ships of up to a massive 50,000 deadweight tonnes.

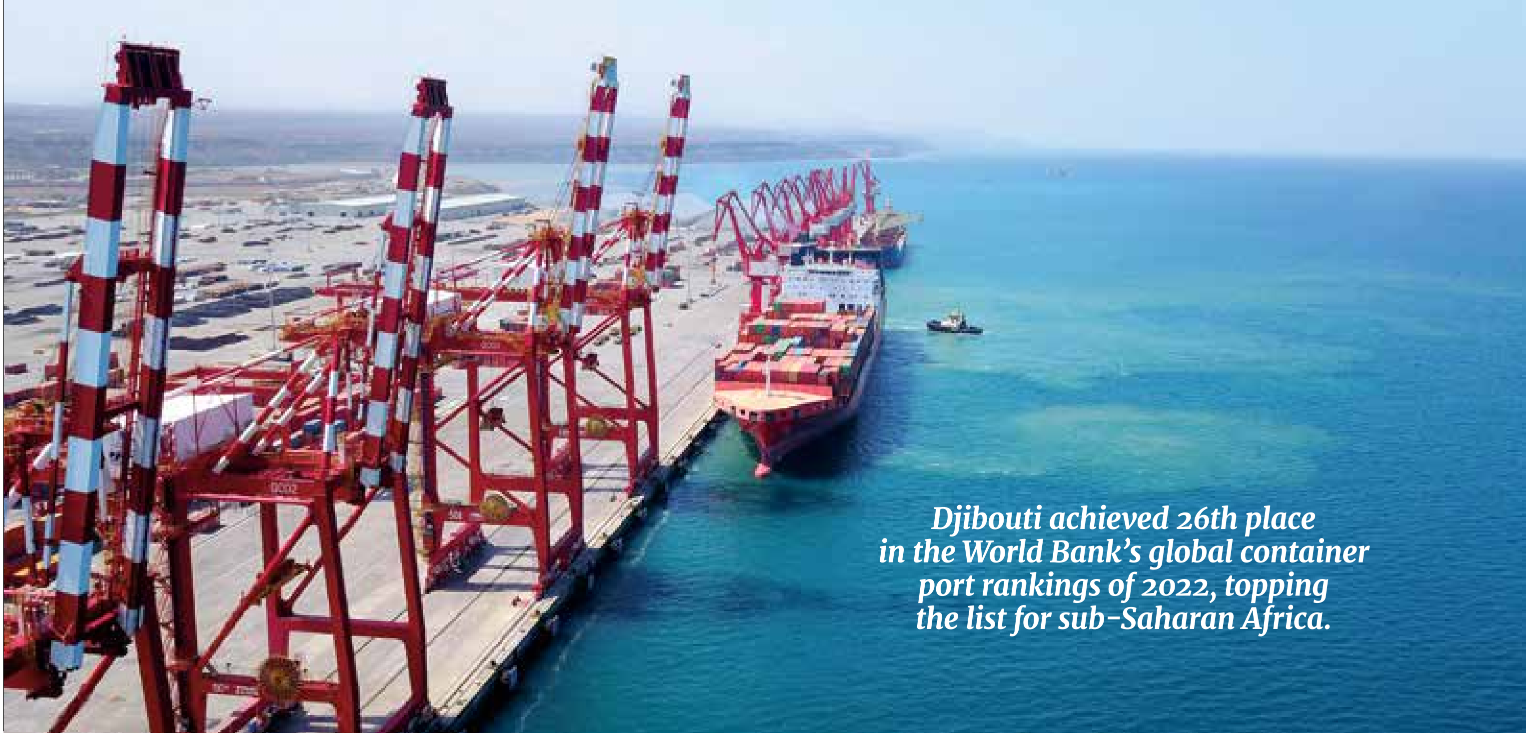
"We already have a full order book, including military fleets and ships hit by missiles or drones in the Red Sea," says Hamda Houssein Farah, Projects Director at Great Horn Investment Holding (GHIH), which groups together all the various Djiboutian links in the logistics chain that supplies the region.

"For the 2,000 or so ships that call at the port of Djibouti every year, it's reassuring to be able to count on a repair workshop. We offer everything a ship needs," says Aboubaker Omar Hadi, Chairman of the Port Authority and head of GHIH, who points out that Djibouti came 26th in the World Bank's global container port rankings for 2022, topping the list for sub-Saharan Africa.

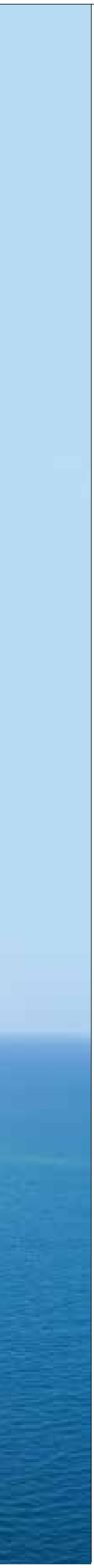
With 70% of its GDP derived from port activities and associated services, Djibouti has been able to capitalise on its strategic geographical position on the Bab-el-Mandeb Strait, at the entrance to the Red Sea. Around 15% of the world's maritime traffic passes through this zone. The country also benefits from its proximity to neighbouring Ethiopia, a giant of more than 120 million inhabitants, 90% of whose imports transit through Djibouti.

But Djibouti's success is not just linked to its geographical position. For more than a decade, the government has invested heavily along Doraleh Bay, 10 km west of the capital. This is where the 'star' of the country's port complex is located: An ultra-modern container terminal, with an estimated capacity of 1.6 million twenty-foot equivalent units, which was equipped at the beginning of the year with four latest-generation gantry cranes. At Doraleh, there are specialist services catering for a wide range of goods.

The country's deep-water facilities are linked by land and rail to neighbouring Ethiopia, as far as its capital, Addis Ababa. A bulk and mineral port has also been in operation on the coast since 2018, with the capacity to handle 8.7 million tonnes of products each year.



Djibouti achieved 26th place in the World Bank's global container port rankings of 2022, topping the list for sub-Saharan Africa.



Twenty years ago, the country had just one port, its operation in the capital. While significant parts of this historic port are operational, it is expected to be wound down. Within the next 25 years, it should be transformed into a business city, with offices, a shopping centre, a giant aquarium and a cruise port, according to the government's very ambitious plan. "It was the President of the Republic, Ismaïl Omar Guelleh, who took the decision to move port activity out of the city, which helped to reduce the amount of lorry traffic crossing the city from north to south," recalls the Chairman of the Port Authority.

In 2017, the country also received its first decentralised ports, in Tadjourah and Ghoubet in the north, in line with the desire of the President to better distribute wealth and jobs in the country. Finally, a port designed to meet the demand for hydrocarbon traffic is due to be inaugurated imminently at Damerjog in the south, close to the Somali border.

"If we build ports, it's to serve the continent. In East Africa, there are only three deep-water ports covering more than 3,000 miles," explains Hadi at the Port Authority.

Diversification

This diversification strategy means that Djibouti is less dependent on its neighbour Ethiopia, which has been deprived of a coastline since Eritrea's independence in 1993, and whose imports transit almost entirely through the port of Djibouti.

Although relations between the two countries are deep and long-standing, they are not always at their best. In fact, in January 2023, Ethiopian Prime Minister Abiy Ahmed signed a controversial agreement with Somaliland for access to 20 km of its coastline, creating a diplomatic incident with the Federal Republic of Somalia, and prompting Djibouti's President to take up the cause.

According to the Chairman of the Port Authority, "It is legitimate for Ethiopia to seek to diversify its maritime access, but now we are waiting for them to find another port so that we can compare rates and services. For our part, it's too risky to depend on a single customer. That's why we've already diversified our business. Today, 50% of our ports depend on Djibouti, and 50% on the rest of the world."

The port of Djibouti relies in particular on the vitality of its container transhipment business – which involves unloading goods from one ship and reloading them within a reasonable time on another ship. This sector is benefiting from the unrest in the Red Sea.

Since November 2023, a group of Houti rebels from Yemen have been attacking commercial vessels in what they say is retaliation for the war in the Gaza Strip. "All the ships that can't cross the straits in the Red Sea unload here, and then sail around the continent. We break up the goods along the various shipping routes. This situation is really unfortunate, but in terms of business, our volume has increased," explains Hadi.

The Port Authority can even envisage storing goods on a long-term basis before they leave for regional or continental markets. With its vast free zones, the country has the space to play the role of general distributor.

Above: Aboubaker Omar Hadi, Chairman of the Djibouti Ports and Free Zones Authority

Opposite: An aerial photo of Doraleh Multipurpose Port, a central part of Djibouti's port system

Free trade zones

This is one of the other pillars of the country's port strategy. In addition to its investments in the port, airport, road and rail logistics chain, the country has invested colossal resources in the creation of several free trade zones. The future Djibouti Damerjog Industrial Development Free Trade Zone (DDID FTZ), located 30 km south-east of the capital, is currently being developed at a cost of over one billion dollars. By 2035, this industrial port site will house fuel storage depots, a refinery, a cement plant and a power station, all backed by an oil port. "Two customers have already positioned themselves, one in vegetable oil and the other in energy production," explains Hamda Houssein Farah at GHIH.

In terms of its size and the amount invested, DDID FTZ is the counterpart of the 4,800-hectare Djibouti International Free Trade Zone (DIFTZ), which was inaugurated with great fanfare in 2018, catering to the light industry niche such as market gardening zones and mask production units. "We were slowed down by Covid, but today around 800 companies involving more than forty different nationalities have set up in all our free zones, mainly in the logistics sector," says Hadi.

The country's objective is to encourage more and more large companies to store their goods in Djibouti in order to optimise delivery times and thus strengthen its role as the logistics hub of the Horn. "The next step is to produce in Djibouti, and for that we need energy," he explains.

To this end, the port authorities have invested 10% in the first phase of the 60 MW Ghoubet wind farm, 120 km north of the capital. "We have several solar projects in our free zones, and the idea is to install them on all our sites," explains Hamda Houssein Farah, who deplores the fact that the cost of electricity is holding back the country's industrial development. "We're not competitive on the cost of energy, it's a brake, but we're working to fix that," she says.

Retracing national development

In Djibouti's private sector, however, some voices regret that the port sector does not provide enough jobs. Some believe that the country's growth over the last ten years has not been sufficiently inclusive. "The government is aware that the growth model based mainly on port activity, with Ethiopia as its main customer, is not viable in the long term. We need to diversify," says a local company.

Inaugurated by the President of the Republic in June 2022, opposite the old port in the capital, a brand-new exhibition centre will in any case retrace the broad outlines of the country's development, through the growth of its port activity. "The idea is to educate and inform our population about how far we've come and how history was made," elaborates Hamda Houssein Farah. "Here, we don't have gold or oil, but port activities and associated services represent our main source of income." ■

Interview

Aboubaker Omar Hadi, Chairman, GHIH

Djibouti's ports and terminals are its economic lifeblood. The country has invested a great deal to ensure these are as modern and efficient as possible but now has ambitious plans to build on the facilities and diversify the economy. We talk to **Aboubaker Omar Hadi** *(below), chairman of Great Horn Investment Holding, the company running the system.*

Ports as springboard for ambitious diversification

"We are ranked third in the whole continent, with only Morocco's Tanger Med and Egypt's Port Said ahead of us. We are number one in sub-Saharan Africa and number 19 in the whole world," says Aboubaker Omar Hadi proudly.

He is referring to Djibouti's ports and its free zones. He has been Chairman of Great Horn Investment Holding (GHIH), which is run by the Djibouti Ports and Free Zones Authority, since 2011, following a 40-year career in the business, which included a stint managing one of Nigeria's largest ports. Over the period of his stewardship, he has adroitly supervised investment into the ports, building them into a critical asset for the East African country. Investments in the last seven years or so top $1.5bn, making it one of the continent's largest investors.

Djibouti's geographical position places it at the centre of global trade, with two of the world's three busiest trading routes running through it. It has sought to maximise the potential.

The investments include the development of Doraleh Multipurpose Port, the electric railway linking Djibouti to Ethiopia, and the Djibouti International Free Trade Zone (DIFTZ), which the port authority says will be the biggest of its kind in Africa once

the second phase gets underway. DIFTZ has been operational since 2018.

Djibouti has six major ports and terminals: Historic Port of Djibouti (PDSA), Tadjourah, Doraleh Multipurpose Port (DMP), Ghoubet, Damerjog and the Société de Gestion du Terminal à conteneurs de Doraleh (SGTD). According to the World Bank, Djibouti's port system is also one of the most efficient in the continent now. Hadi says this has been achieved by "investing in human capital, technology, equipment and maintenance resources."

GHIH has made sizeable investments – for example, Doraleh Multipurpose Port, an extension to the main port 5km from the city of Djibouti, cost $590m. Another $338m went into the Djibouti International Free Trade Zone. GHIH put $120m into the Red Sea Power (RSP) wind farm in Ghoubet, while the Damerjog Liquid Bulk Port cost $224m. A further $128m was spent building the floating ship repair. The Doraleh container terminal (Société de Gestion du Terminal à conteneurs de Doraleh – SGTD) has also seen some expansion (4 Malaccamax), in which the company invested $70m of its own money.

Hadi has led changes in the operational approach of GHIH. "Over the past 10 years, we developed a lot of structures. We have built ports, we have built free zones, we have also got involved in the energy sector because the port and the free zones require a lot of energy," he says.

> ***'Over the past 10 years, we developed a lot of structures. We have built ports and free zones, we have also got involved in the energy sector because these enterprises require a lot of energy.'***

Investing in energy generation, such as RSP's 60MW wind farm, means the port system has access to affordable and reliable green energy, making it competitive and sustainable. Similarly, GHIH has invested in hotels, as part of a strategy to diversify its income streams and become less reliant on port traffic. Currently, there are 23 companies under GHIH, ensuring that it has diverse income streams and in some cases, is able to procure services it needs from under its own umbrella.

Diversification now the priority

Diversification is extremely important, not just to GHIH but to Djibouti. According to some estimates, over 70% of the economy is tied up in the port system and the services it provides, and as much as 35% of the traffic comes from Ethiopia, the country's much bigger, landlocked neighbour.

Even though recent uncertainties in global trade and traffic have been more of a boon than a bane for Djibouti, its leaders are right to seek to diversify away from the ports and grow other sectors. As the country's most important and valuable firm, GHIH is taking a lead role in this effort.

The free zones that the company is championing are one way of opening up a new income stream. Hadi insists that the company does not want to become a trading company but merely a service provider.

The free zones offer companies a way to diversify their production. "So rather than operating out of, for example, China, or India, they're bringing semi-assembled items to Djibouti to finish the assembly and ship to their customers." This is a way of optimising your treasury, Hadi explains, through the better management of inventory and just-in-time delivery.

For companies – and final consumers – this can be the difference between eight weeks or three days to delivery. It also helps to cut the carbon footprint, reduces costs and provides welcome revenue for the host country. Producers / companies have not needed much convincing, with some 800 taking advantage of the four free zones to date.

The company is also pursuing an inventive sea-to-air transport strategy where it receives goods at its ports and redirects them by air worldwide. "We started a year ago," Hadi says. "We receive cargo coming by sea to the Djibouti ports and then airlift them to, so far, 24 cities in 21 African countries." This includes high value goods such as IT equipment (electronics), urgent replacement parts as well as perishables such as medicines.

25% annual trade growth

Hadi sees sustained growth in the volume of trade, both externally and within Africa, leading to greater use of port facilities.

He predicts that business will grow by 25%, year on year, over the next 10 years. "I am confident because we are already doing 35%," he elaborates by way of context. When asked his financing needs over this period, he says it will be around $10bn.

These ambitions will be helped by stronger support from African financial institutions. Finding the capital for these investments has not come easy and it has taken a few years to convince financiers to support the company's expansion plans. Today GHIH can count on the African Export-Import Bank and Africa Finance Corporation among its backers, but in future, it will be looking for more and quicker support, not just debt but also equity, he stresses.

"It takes a long time to get the financing from the financial institutions," he says. "It can take three or four years before we can start construction. African banks have to take more risk than they do now."

However, he says that obtaining finance is easier now for GHIH than it used to be, on the strength of its past performance. "If you are reliable, have a clean record and pay back your debts, then there is no issue. But at the beginning it was very tough," he recalls.

Its track record should come in handy as the company embarks on the next chapter. The $10bn in investments is to build the consolidated portfolio that will fully diversify its holdings and secure it and the country from trade shocks, expected and unexpected.

"That money will go to developing real estate, a hotel, malls, as well as the ports. Some will also go into the six ports we have now. It will also enable us to industrialise our free zones," he adds.

With regards to equity partnerships, Hadi says the holding has already put in the funds for some of its projects, which investors are now able to participate in through refinancing.

If the past is indeed a prologue, then GHIH has set itself up for an exciting future, building on its investments, track record and leadership to create what may well become one of the pivotal institutions in the Horn of Africa, making a massive difference to how trade is conducted. ■

Infrastructure

O Capital Group, the African multinational headquartered in Morocco, is heavily involved in major infrastructure projects in the ongoing extension of the City of Djibouti, such as the renovation of its airport, all part of the country's Agenda 2035 development plan.

O Capital helping create new-look Djibouti city

The Morocco-based multinational company, O Capital Group, is one of the most significant organisations working to transform Djibouti into a modern and highly efficient trade and communications hub in the Horn of Africa.

The Group, an investment holding, is among only a select few African companies to have firmly established their presence outside their home countries and is now regarded as an important pan-African Group.

The Group's vision and philosophy are driven by its chairman, the Moroccan business magnate Othman Benjelloun, who throughout his career has been a firm believer in the opportunities that continental Africa presents. He has also been a keen proponent of South-South collaboration.

His long-term vision and patient approach has paid rich dividends. O Capital has established itself as a major player across the continent through its subsidiaries – notably, the Bank of Africa Group has a presence in North, West, East and Southern Africa as well as subsidiaries in Europe and China. While banking and insurance are its core business, it now has interests in renewable energy, infrastructure and telecommunications, not just in Africa but around the world.

Recent estimates put the Group's holding at $42bn under management. The Bank of Africa Group and the Royale Marocaine d'Assurance insurance organisation are considered some of the jewels in its crown. It has stakes in telecommunications through a partnership with Orange, and is involved in a variety of other sectors including infrastructure.

"We define ourselves as a diversified, pan-African Group and our vision is to be a leading player in Africa," says Abdou Bensouda, a director of Bank of Africa and MD of O Capital Investment Solutions, the international private equity and asset management arm of the Group.

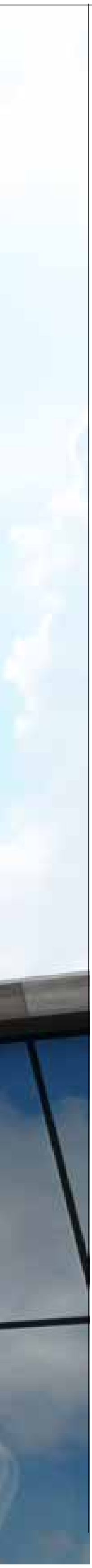
The Group's extensive footprint allows its asset management and investment divisions to gain vital local knowledge and thus better manage risk. Bensouda explains that as trusted partners they can help reduce the gap between perception and reality and provide confidence to international partners wanting to take part in the African opportunity.

"One cannot deny that the demographics and growth rates make Africa a compelling case. We understand the continent, we see the opportunity and we can assist our partners internationally to join us on this journey."

Partnerships, Bensouda says, are an integral part of the Group's approach. "I'd say it's in our DNA. What has made the Group really strong is our ability to partner with major groups that bring their know-how and skills to the table."

Examples include partnerships with the French telecom giant Orange, and more recently with ACCIONA on desalination projects.

Below: O Capital were involved, through their infrastructure arm, in the modernisation of the airport of Djibouti



Winning formula

The winning formula, says Bensouda, is the combination of international expertise with the Group's local knowledge. It's a formula that the Group is rolling out across its continental African holdings. "The idea is not only to bring capital but also expertise to the investments that we make." These partnerships can be project-specific or long-term and sometimes entail the transfer of knowledge rather than capital.

The Group's other objective is to help encourage more investment into the continent. "We want to attract international investors and accompany them to Africa." This can take several forms. "Often, we structure investment vehicles under European laws, which people can invest in and then those vehicles target African countries. For example, we set up mutual funds that invest in African stock exchanges, others that invest in African private equity funds and others that invest directly."

That means the Group does not have to necessarily place its own funds, but can still play a vital role bringing money into Africa.

Adil Jabri, CEO at Finatech International, says they have been scoping out opportunities – beyond its finance and insurance businesses – on the continent for about a decade.

The main focus, initially, has been on technological infrastructure and services. The Group has been able to leverage its experience and institutional familiarity with the continent into success. "That is the strength of the Group – our years of experience. This has enabled us to develop a fairly in-depth understanding of the economic and cultural dynamics in Africa."

Engaging with the global South is at the heart of the company's strategy, says Jabri. The Group is currently present in over 20 African countries. "It goes beyond simply providing services or technological and technical infrastructure solutions; it's about encouraging a transfer of skills and knowhow in all these areas."

This approach, he says, has been the key ingredient in the success they have had in the continent, including in Djibouti, where they are currently making some landmark investments. These investments are driven not only by the company's longstanding interest in the region – where Bank of Africa has a strong presence – but also by the country's favourable fiscal rules and investment climate, including a stable currency and free movement of capital.

"The Group is currently exploring the possibility of making Djibouti the hub for our raw material, chemical, and plastic activities. The country is appealing for Afric-Chimie, a subsidiary created in 1965," adds Jabri.

City of Djibouti

At present, the O Capital Group is involved in the 150-hectare extension of the City of Djibouti project, through its subsidiary, Finatech Group. The extension includes upgrades to the electricity network, roads, drainage, water systems, lighting and telecommunications, bringing the city in line with the highest international standards.

Below: Abdou Bensouda (l), MD of O Capital Investment Solutions; and (r) Adil Jabri, CEO at Finatech International

The Group is currently making landmark investments in Djibouti, driven by its longstanding interest in the region – where Bank of Africa has a strong presence – and

"We are extremely proud to be part of this project because we can see that the government is working hard to improve the lives of ordinary Djiboutians," Jabri says.

The other major infrastructure project that the Group has taken on in Djibouti is the renovation and extension of the Djibouti International Airport. "It's a project that's lasted a few years, and we've had a lot of difficulties, notably because of Covid and the maritime crisis," Jabri reports, noting, however, that "these are projects of which we are extremely proud."

Beyond putting its mark on the country's physical environment, the Group is also making an impact on the local workforce with training and recruitment programmes, which include the hiring of 500 engineers, technicians and other workers for these projects.

"At all these levels, we did our utmost to transfer these skills as part of the city extension project, [and] we built and made available to the government a building trade training centre. It's very important for us to have this long term impact on the local economic fabric," Jabri stresses.

The Group's continuing presence in Djibouti means it will be able to help attract other investors by the force of its own exemplary experiences. "We can show groups - usually our partners - the investment opportunities in Djibouti and there have been a few success stories."

That also means sharing their knowledge with other potential investors, passing on how they have succeeded and making the case that their path is replicable.

The Group will also benefit from the stable macroeconomy in Djibouti and build out its operations in the region from there. "The monetary stability means that we see Djibouti as a strategic regional hub to launch other activities in the region," Bensouda explains, noting that they are already present in Rwanda and Kenya.

Further expansion across the continent, with West Africa and Madagascar under consideration, will be driven by the fiscal conditions in those countries, the appetite for risk and the opportunities available.

"We like to go into countries where the Group is already present; where we know the market." Overall, Bensouda says, they see more opportunities than risks, unlike those who assess the continent from afar.

"We know the continent better than those who see it through a very different and distant prism; we know its assets, its strengths and so the idea is to be a bit of a bridge between Africa and the rest of the world. That is our vision - to play this role, whether directly as investors and financiers or indirectly with the support of partners who also want to benefit from the opportunities that the continent offers." ■

With its connection to twelve undersea cables, Djibouti has become a key gateway between Europe, Africa, Asia and the Middle East. On the ground, the lights are green for the development of a digital industry.

Djibouti wants to be a global digital hub

Djibouti has no oil, gas or precious metal resources, but it does intend to develop another type of wealth on its soil. "Over the past fifteen years, we have invested $200 million in twelve submarine cables, making our territory an exchange and rallying point between Europe, the Middle East, Asia and Africa, thereby reinforcing connectivity and interoperability between the regions," explains Mohamed Ahmed Mohamed, Director of International Business at the state-owned operator Djibouti Telecom, one of the flagships of the national economy, which makes around $100 million in profits each year.

As with its port sector, Djibouti has capitalised on its ideal geographical location, at the junction of the Red Sea and the Indian Ocean, on the Europe-Asia maritime route. "To get to Europe, all the submarine cables pass through the Red Sea, and therefore potentially through our country," explains Mohamed. "By setting up here, operators can easily switch cables and thus reach different parts of the planet. Today, Djibouti Telecom serves more than 50 telecoms operators with connections to over 90 countries."

The latest cable in which the public operator has invested is called Sea-Me-We-6. It links Singapore to Marseille, covering a total distance of 19,200 km. It should improve the performance of communications networks and support the development of new technologies, such as the cloud and artificial intelligence. The public operator has no intention of stopping there: "We are already in discussions with other cable co-owners, as in the case of the Peace submarine cable, which is 12,000 km long and links Europe and Asia," Mohamed continues.

Djibouti's current twelve submarine cables pass through a protective corridor, monitored by satellite. Once on land, they are connected to four autonomous energy stations which are monitored round the clock.

According to Mohamed Ahmed Mohamed, "Investment in submarine cables has enabled us to build a structure on which we can now capitalise. The country can develop a digital economy, with the installation of start-ups and data centres. In the future, I think traffic will explode. But we need to improve the price of electricity to become more competitive. Today it's 23 cents per kWh, which is enormous," he says.

Diversifying the economy

The investments are in line with the Djibouti government's strategy of making the country a digital hub. "Beyond the port activity, the information and communication technology sector offers an unprecedented opportunity to diversify our economy and stimulate innovation in new areas," explains Mariam Hamadou Ali, who has been at the head of the Ministry of Digital Economy and Innovation since its creation in 2021 – a first for this small, particularly strategic country in the Horn of Africa. "Our submarine cable infrastructure puts us at the forefront of African countries in terms of international connectivity, reinforcing our position as a strategic centre for data and information exchange on a global scale."

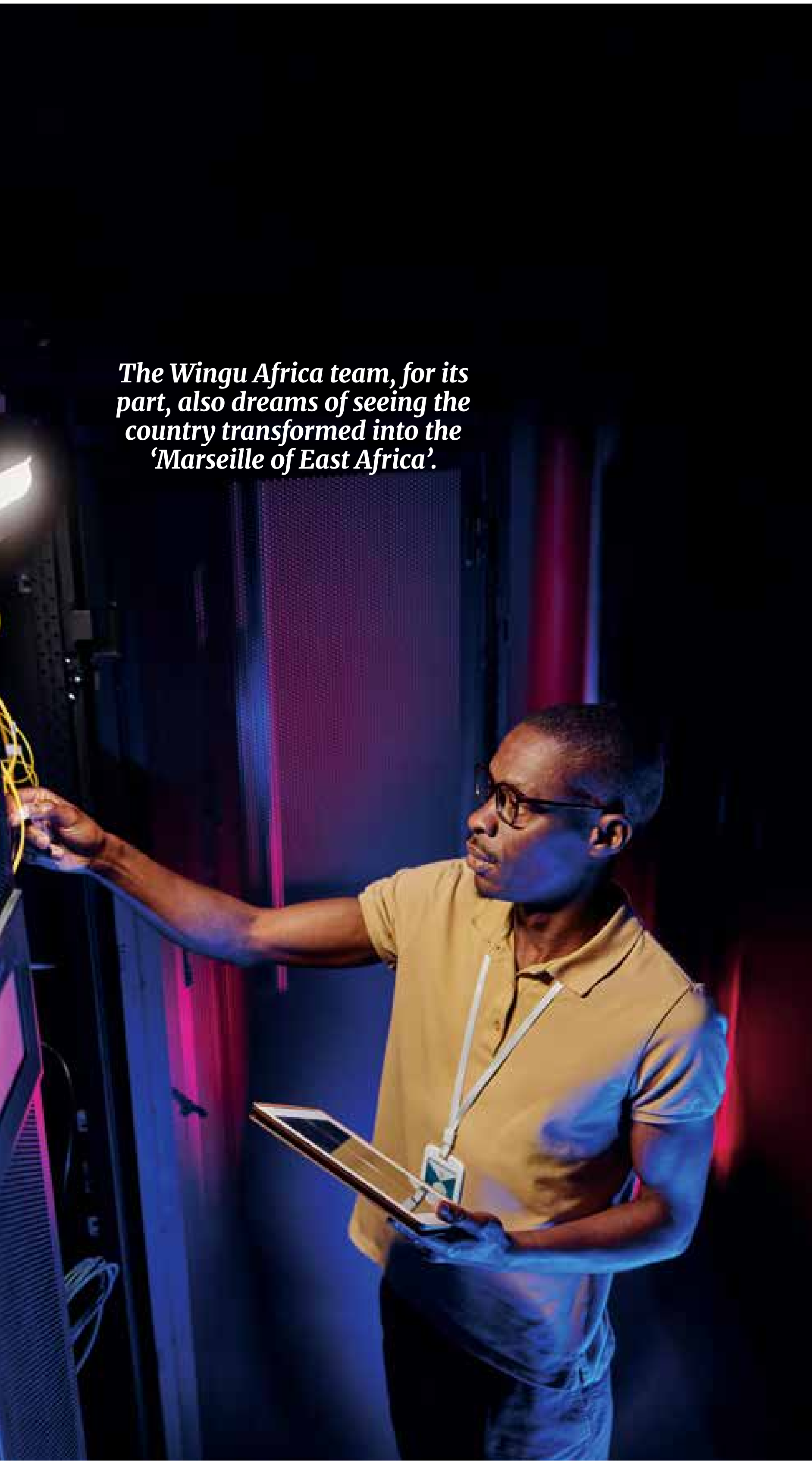
Today, the digital sector contributes 8% of Djibouti's GDP. This figure includes various sectors such as submarine cable infrastructure, telecommunications, fintech and e-commerce. "A share that is set to grow," says Minister Ali, who recently visited Marseille, France, to draw inspiration from the city, which in just a few years has become a hub for cable networks in Europe.

"We have recently launched initiatives to attract investment in data centres in a similar way," she says. "These data centres will serve not only local needs in terms of data storage and processing, but also those of regional and international companies, thereby consolidating our position as a regional digital hub." The Minister points out that the government's 'Djibouti smart nation' programme comprises 150 projects with a total investment of $850 million.

Attracting major operators like Facebook and Google

Pan-African data centre operator Wingu Africa recognised the country's connectivity potential early on. In 2013, the group opened a data centre on the premises of the 3G tower of Djibouti Telecom in the centre of the capital. Its niche is selling hosting services to international operators. This facility has served as a launch pad for opening three other data centres in the region, in Ethiopia, Tanzania and Somaliland.

On Djiboutian soil, the group is preparing to expand its operations with the imminent inauguration of a new data centre, called Djibouti City 2 – or DC2 – at a cost of $20 million. In its initial phase, this centre will be able to accommodate 200 racks, with a planned extension to 400 racks. An innovation centre will also be built on the DC2 site to promote technological innovation and entrepreneurship in Djibouti. "Last year, we finalised an important agreement with AMS-IX, one of the world's largest internet exchanges, which will replace the Djibouti Internet Exchange and considerably improve regional interconnection within our ecosystem," explains Anthony Voscarides, CEO of Wingu Africa.



The Wingu Africa team, for its part, also dreams of seeing the country transformed into the 'Marseille of East Africa'.

Ultimately, the group hopes to attract behemoths such as Facebook, Google and Amazon, so that it can serve end-customers directly, without transiting through Europe or another continent, as is the case today. The arrival of these big fish would considerably improve the latency of the regional internet connection. It would also give a new dimension to Djibouti's digital ambitions.

For Voscarides, the country's regulatory framework is conducive to investment. "The government is flexible, willing and open to accommodate projects, which makes the Djibouti business landscape simpler than that of other African neighbours. What's more, the favourable tax system, the ease with which foreign investment can be repatriated and the currency's peg to the US dollar provide strong incentives for growth in many sectors, including technology," he says.

The CEO of Wingu Africa is also keen to commend Djibouti's energy policy, which places the emphasis on renewable energy. "Today, 90% of the energy in our data centres comes from renewable sources," he explains, "and this figure is set to rise to over 97% in the near future."

The price of electricity, however, is an obstacle to the development of the digital industry. According to Mohamed Ahmed Mohamed at Djibouti Telecom, "In Djibouti, we are betting heavily on the deployment of renewable energy sources to bring down the cost of energy. Generally speaking, this is a challenge that concerns the entire African continent."

Another challenge for the government is to develop the domestic market, which has been criticised for the quality of its internet speed, despite the presence of submarine cables on its soil.

Towards opening up Djibouti Telecom's capital?

To encourage competition, stimulate innovation and improve the quality of services, the government has for some years been considering opening up the capital of Djibouti Telecom, one of the pillars of its economy and the only one, like the port sector, with the capacity to operate internationally.

"Opening up Djibouti Telecom's capital will make it possible to attract national and international private investment to modernise and extend its infrastructure, improve the quality of its services and strengthen its competitiveness on the market," explains Minister Ali.

At the same time, the government is also in favour of the arrival of a new operator on the telecommunications market in Djibouti. "The introduction of new players will make it possible to boost competition, encourage innovation and respond more effectively to consumer needs by offering a greater variety of services and more competitive rates," Minister Ali says, pointing to the country's progress in terms of internet connectivity, which rose from 6% in 2012 to 61% by 2022.

The Minister is also optimistic about the future. "Over the next ten to fifteen years, I see Djibouti moving towards a dynamic and prosperous digital future, characterised by a thriving digital economy, world-class connectivity and an innovative and inclusive society," she says. ■

Interview

Mariam Hamadou Ali, Minister of Digital Economy and Innovation

Mariam Hamadou Ali *has been at the head of the Ministry of Digital Economy and Innovation since its creation in 2021, when it was established to play a key role in national development.*

The driving force for digital transformation

Mariam Hamadou Ali's career began at the Ministry of Economy and Finance, which she joined in 1997. "I think I was the only female manager at the time," she recalls. "I worked in a number of exciting areas, which included managing the portfolio of state-owned companies, drawing up the 'Vision 2035' plan, and working in the Department of the Economy, Planning and Macroeconomic Analysis. Prior to this, I studied at the University of Fez in Morocco and then, a few years later, in France, where I obtained a master's degree in management and economic policy."

Since her appointment to the Ministry of Digital Economy and Innovation, the Minister has been at the forefront of Djibouti's digital transformation, spearheading ambitious initiatives such as the national 'Smart Nation' strategy, which includes 150 projects valued at $850 million, aimed at transforming the country's economy and society in the digital age.

Her leadership has fostered a significant advance in digital payment technologies in the country, and laid the foundations for a more efficient administration. "Digital technology is a crucial lever for socio-economic development," she says, citing progress in terms of internet connectivity, which has risen from 6% in 2012 to 61% in 2022.

Today, the digital arena contributes 8% of Djibouti's GDP. This figure includes sectors such as submarine cable infrastructure, telecommunications, fintech and e-commerce. "A share that is set to grow," says Ali, who recently travelled to Marseille, France, to draw inspiration from the city, which in just a few years has become a hub for cable networks in Europe.

'In the next 10 to 15 years, I see Djibouti evolving towards a prosperous digital future to aid sustainable economic growth.'

"We have benchmarked, studied and visited many countries, and Djibouti could draw inspiration from cities like Singapore and Marseille, which have succeeded in building a genuine digital economy by focusing on the deployment of data centres and cutting-edge digital infrastructure," she says.

The Minister also sees ports playing an important role in the digital transition. "Djibouti's ports could host data centres and cloud services," she says. "These would help to diversify the local economy and create jobs in the ICT sector." In any case, the Minister is delighted that Djibouti has become a major hub in the global undersea communications network, with twelve undersea cables linking the country to various continents.

Ali, who is also in charge of the Centre for Leadership and Entrepreneurship, is pleased to note that increasingly, there are entrepreneurs from all walks of life. "Ten years ago, there weren't as many women in positions of responsibility," she adds. "The First Lady, Kadra Mahamoud Haïd, has been a very inspiring figure for the whole population of the country."

As for the future, the Minister is optimistic. "In the next 10 to 15 years, I see Djibouti evolving towards a dynamic and prosperous digital future to ensure sustainable and inclusive economic growth," she says. ■

Interview

Ahmed Osman Ali, Governor of the Central Bank

Ahmed Osman Ali is the Central Bank Governor of Djibouti, whose priorities lie in growing the financial services sector as well as providing the monetary stability that has held the country in good stead. On the sidelines of the World Bank spring meetings, he discusses a number of issues with **Omar Ben Yedder**.

'Monetary stability is an asset we will not compromise on'

African Business: ***There are discussions amongst economists around pegging a currency to the euro or the dollar. Some see it as an asset, because it brings stability and clarity to investors, whilst others say it's a hindrance to the country's competitiveness, compared to its peers or the Asian tigers for example, especially during a time of dollar appreciation – which is what we are seeing because of a red-hot US economy. What's your take?***

Governor Ahmed Osman Ali: That's a very good question. I think it works well for Djibouti. We are predominantly an export-led economy, essentially in services, and these are not in direct competition with other countries in the region. So it doesn't impact our competitiveness negatively.

I'd also like to point out that many countries tried to peg their currencies but few stuck to it because of the difficulty in maintaining this discipline, in terms of balancing the books. So the fact that we have managed to do it for so long is commendable.

We don't see ourselves handicapped by it. On the contrary, the predictability of the Djibouti franc has helped attract investment, provides a stability to forecasts, and economic operators see this as a considerable advantage for our country.

'Djibouti has many favourable indicators including a limited deficit, low inflation rate, a fairly high tax-to-GDP ratio and a good trade balance.'

And as far as interest rates are concerned, and inflation control, how do you manage that then?

Governor: So, mechanically, inflation in Djibouti is essentially imported inflation given our high reliance on imported products. But you will see that we have extremely low inflation rates, and these have hovered around the 2-3% mark.

And that means you track the US in terms of interest rates?

Governor: Yes, we mirror the US Fed.

But this stability and predictability has also enabled residents and even non-residents to use the financial centre in Djibouti to preserve their savings, whether at the level of individuals or companies. The financial services industry is sufficiently liquid, deposits are much higher than loans and that enables the banks in the centre to provide interesting savings rates.

How are you going to encourage the banking sector to take more risks and increase its lending to the private sector? What reforms are you planning?

Governor: Our aim is to have solid commercial banks that are able to finance the needs of the economy with clear rules, in other words by controlling the risks they take. It is not a question of pushing the banks to grant loans where there is no likely operator or project owner that is sufficiently profitable to justify the lending.

Djibouti is today largely an economy based on services and trading. There isn't really a lot of private investment apart from big operators like the port or telecoms.

So the needs are essentially trade financing needs, in the form of letters and credits and so on. The banks are extremely liquid, so we can't push them to take more risks on projects that don't exist at the moment.

However, as we diversify the economy we expect our banks to develop capacity within their own institutions to be able to understand and support the financing of emerging businesses and opportunities, including in light and heavy industry, which we are doing through our new free zones.

What about supporting the SME sector?

Governor: Absolutely. It's a constant subject of reflection. This was the essence of your first question, where banks are often criticised for collecting deposits and placing them in safe assets rather than deploying the money more widely.

To encourage banks to take more risk [with the

SME sector], we came up with the idea of creating a partial credit guarantee fund. This is a fund financed by the state to take on part of the risk of the loan book, so that the bank does not find itself in a bind.

Do you see Djibouti becoming a financial centre? You have banks that are very liquid, you have the parity of the dollar. Are you looking to become a centre like Singapore? Are these the country's ambitions?

Governor: Djibouti is positioning itself for the future with a clear roadmap. That is why we are part of regional bodies such as IGAD and COMESA, to be part of a wider economic block where we can be an important actor.

And in fact, Djibouti has many favourable indicators: a limited deficit, low inflation rate, a fairly high tax-to-GDP ratio, a good trade balance and a stable currency and no exchange controls or restrictions on the repatriation of dividends or your investment. All are factors that make it an important centre, and around which we can also become an important financial centre.

Excellent. When it comes to financing major projects, infrastructure investments, where do the different stakeholders fit in, government, DFIs and private banks?

Governor: As it happens, most of the major investments that have been made to date have been financed through external partners, and the local banks have not been very involved. But this is changing, and a local bank was part of a syndicated loan on the Damerjog pipeline.

The increase in the level of debt has raised a few eyebrows. Where do you stand with that right now?

Governor: We've had this question, and there's been a lot of talk about Djibouti's indebtedness.

When you look at the evolution of our debt, with two projects we went from a debt of around 30% of GDP to around 70% - two large infrastructure projects around the port and the railway.

But we've always considered this to be justified and manageable, when the debt is to finance projects that are themselves capable of creating wealth, as is the case with the railway for example, which is a commercial activity – this commercial activity is designed to repay the loan.

Regional issues in Ethiopia have delayed things a little but these are projects that will deliver a return on the investment. ■

Interview

Amina Abdi Aden, Minister of the City, Urban Planning & Housing

Amina Abdi Aden joined the Ministry in 1993. She was then appointed Minister of State in 2011, then Minister of the City, Urban Planning and Housing in 2021. African Business met this urban planner, who is in the process of balancing economic development and the natural environment in the service of the population.

Putting nature at the heart of development

"I'm here to solve problems and bring perspective," says Amina Abdi Aden (*below*), Minister for the City, Town Planning and Housing. Since her entry into the ministerial sphere, she has gradually grown in stature, culminating in her appointment to her current post. She gives us her vision of urban planning, a sector that is enjoying great vitality in the country.

'When I think of the Djibouti of tomorrow, I imagine a green capital.'

African Business: Because of its strategic location, relatively small size and port activity, Djibouti has some similarities with a country like Singapore or a city like Dubai. How can you attract foreign investors in real estate, as these two examples have done, and so contribute to a country's economic boom?

Amina Abdi Aden: Djibouti has more or less the same characteristics as these city-states. In terms of urban planning, we're trying to draw inspiration from Singapore to develop our city in the best possible way.

For the next masterplan, we want to involve the Asian city-state in our vision, while retaining Djibouti's characteristics. We are aware that even if our economies and geographical position are similar, our countries are not the same and our cultures differ, but Singapore is a very good example for Djibouti, if only in terms of greenery.

Singaporeans leave plenty of room for nature in their landscaping. They have also solved the problem of mobility, which is a major concern for us. Today, most government offices are concentrated in the old city, and there is a migration, particularly in the mornings and evenings. So we're thinking about redistributing administrative services and economic activities so that they're better distributed across the territory.

We have a workshop coming up just after the Djibouti Forum that is being held in conjunction with the South of France region and a number of partners including Rwanda, Singapore and Morocco, to reflect on the future of the city.

We are asking "How can we transform the city to make it both resilient and dynamic?" One very important topic is: "How can the ports be integrated into the city?" The city needs to benefit economically from this infrastructure. There must be no physical divide between port facilities and the urban populations, who must benefit from these developments not only in terms of jobs but also in terms of creative spaces.

The property sector falls behind with crises like the pandemic or sub-regional instability. What can you do to stay on track for Vision 2035?

Amina Abdi Aden: We're taking advantage of Djibouti's economic vitality and what's happening in the sector. We have some very large private-sector real estate projects underway and good prospects for the coming years, when many projects are being developed or will be delivered shortly. Even though construction products are imported, and those successive crises have had an impact on costs, activity in the sector remains dynamic and the needs are there.

How is Djibouti's construction and property sector faring today?

Amina Abdi Aden: There's an adage that says, 'when the building goes, everything goes'. Anyone who knows Djibouti will know that the construction sector has come a long way in recent years. There has been a lot of building, both in terms of public infrastructure and private construction, particularly in the housing sector, which has accounted for around 6% of GDP for several years now.

This sector is driven by public institutions, but also by the private sector. A few years ago we issued implementing decrees to encourage the private sector to build private housing for the middle and upper social classes, and this has borne fruit.

How can we facilitate access to home ownership for the middle classes, and why is this a challenge?

Amina Abdi Aden: Public institutions produce social housing, and to meet the needs of the middle class, private developers have benefited from incentives to build housing adapted to this group.

In Djibouti, there is a huge demand for housing, particularly among first-time buyers, because the population is young. The roles had to be shared.

What role do local banks play in this?

Amina Abdi Aden: In the past, banks didn't play a very big role in housing finance. More recently, the government has encouraged such financing by, for example, taking steps to resolve the legal problems surrounding mortgages. The courts were slow to enforce decisions, so the government removed this obstacle. A law was passed, and since then things have changed. Recently, a programme was introduced to encourage banks to reach out to the lower social classes, and a housing guarantee fund was set up so that low-income households can also qualify.

What are the housing needs for the city and the country as a whole?

Amina Abdi Aden: According to our studies, we need to build between 3,000 and 4,000 new homes every year. But we've had a shortfall of 20,000 homes in recent years. The current pace of construction, both public and private, is not yet sufficient to meet demand. But all the conditions are in place to ensure that we can make up this shortfall year-on-year.

How will your masterplan support Djibouti's economic and demographic growth over the coming decades? What about the country's other towns?

Amina Abdi Aden: Djibouti has always had masterplans for urban development and planning. The most recent one dates from 2014. It covered a ten-year period. This year, we're going to start drawing up a new masterplan that will be much more ambitious. Our aim is to transform this city.

It's a city that, because of its geographical position, faces a lot of challenges, especially in terms of climate change. A large part of the city is built at sea level, so we have problems with rainwater drainage, and what's happening around the world doesn't reassure us. We also have masterplans for the towns in the regions. The planning is there, the regulatory measures also exist.

In terms of cultural habits, will the construction of new buildings change the way people live?

Amina Abdi Aden: Ten years ago, we started building social housing in the form of blocks of flats. At first, people were very reluctant, but economically it's more profitable than building individual dwellings. It minimises costs for the households that will benefit from it. To make things easier, we're building housing on four levels, with two flats per landing, and we've set up co-ownership associations so that people can learn how to manage communal areas. It's an apprenticeship. We have also built this type of housing in the regions. It's something that Djiboutians now accept, and demand is now constant.

Are there any plans to renovate, preserve and enhance Djibouti's historic city centre?

Amina Abdi Aden: Djibouti's historic centre has an architectural heritage preservation code. We are trying to implement it to revitalise the city centre. In recent years, more and more economic activities have sprung up, there has been a lot of restoration and the buildings have increased in value.

Now, we have to reconcile the economic interest – for example, when people want to knock down an old building to turn it into a block of flats – with making people understand that a buildings may be historic. In the heritage preservation plan, there is a classification of buildings of historic interest and then there are the other buildings that people can destroy but which must be rebuilt in a certain spirit.

It's not just a conservation plan. It's also a dynamic plan to transform the city centre and give it economic vitality, while preserving the heritage that bears witness to Djibouti's history. The difficulty lies in reconciling economic activity with the need to preserve the cultural heritage.

Can the city be developed without altering the environment too much?

Amina Abdi Aden: This is essential, because the climate in Djibouti is quite hot and it doesn't rain every day. The government is taking action and a tree-planting campaign has been launched, both in the city and in the regions. Djibouti needs more greenery, so a park will soon be opened in the city on the initiative of the President of the Republic. In all the housing estates we are building, we are including tree planting, and we are encouraging people to look after them.

How do you see the Djibouti of tomorrow?

Amina Abdi Aden: I imagine a city that is better developed, more resilient, that offers many facilities in terms of services to its inhabitants, and above all, a green city, because it is the dream of every human being to live in an area where nature is dominant. All the more so as, at the same time, with the consequences of global warming, we have increasingly high temperatures in Djibouti, which is already known for its high temperatures in summer. So we hope they won't rise too much. ■

In September 2023, Djibouti inaugurated its first wind farm in the north of the country. Add solar farms, geothermal power and biomass plants, and Djibouti hopes to become the first country on the continent to supply its population with 100% renewable energy.

How Djibouti will produce 100% green energy by 2035

The construction of this project, which is part of our energy transition, is a decisive milestone in the energy sector,” announced H.E. Ismaïl Omar Guelleh, President of the Republic, when he inaugurated the country’s first wind farm in September 2023. Located near the Bay of Ghoubet, 120 km north of the capital, it is perched at an altitude of 230 metres. This mountainous site - the windiest in the country - is now home to 17 wind turbines with a total capacity of 60 MW.

“This is an important step towards achieving our goal of producing 100% of our electricity from inexhaustible renewable sources by 2035,” continued President Guelleh.

The stakes are high for this ambitious country, which would like to improve its energy competitiveness in order to develop its industry. The country’s annual electricity consumption is currently between 100 and 140 MW – but at a cost of 23 cents per kWh, one of the highest on the continent.

The wind farm is the first large-scale initiative by an independent power producer in the energy sector since the 2015 law liberalising the sector. For the government, the aim was to open up electricity production to independent operators so as to achieve energy independence as soon as possible. It should be noted that the state-owned company Électricité de Djibouti retains a monopoly on the transmission and distribution of electricity.

Reducing energy dependence on Ethiopia

The project was developed by Red Sea Power (RSP). “This site has the best wind energy potential in Africa, alongside Tangiers in Morocco,” says François Maze, its CEO.

The farm cost around $130 million to build, which was supplied in part by an investor consortium led by RSP, consisting of the Africa Finance Corporation, an African development finance institution based in Nigeria, the Entrepreneurial Development Bank of the Netherlands, the fund manager Climate Fund Managers, and the investment company Great Horn Investment Holding, which is owned by the Djibouti Ports and Free Zones Authority.

Djibouti contributed its own funds directly to the financing of this major operation via a public-private

partnership. Red Sea Power is already planning to add a further 43 MW by installing thirteen new turbines, although no contract has yet been signed.

In ecological terms, the Ghoubet wind farm will enable Djibouti to reduce its C02 emissions by around 250,000 tonnes a year. At the same time, it will enable the country to reduce its energy dependence on Ethiopia, from which it currently imports around 50% of its electricity consumption via a high-voltage line. Finally, the project has a social component. The construction of a seawater desalination plant will supply water to two neighbouring villages, to the tune of $35m^3$ per day.

Solar

In its bid to become the first country on the continent to produce 100% green energy by 2035, Djibouti can also draw on other ambitious projects. These include the solar power project in the Grand Bara desert, for which work began in 2020. This voltaic power station will have a capacity of 25 MW, with the possibility of an extension of up to 100 MW. The project was originally developed by France's Engie, which withdrew in 2022 in favour of AMEA Power of the Emirates, which has signed a public-private partnership contract with the Sovereign Wealth Fund of Djibouti.

It will be the first national-scale solar power plant to meet electricity demand. "We hope to start production by the first quarter of 2025," says Slim Feriani, CEO of the sovereign wealth fund, which holds a 25% stake in the project company. The project, like others, has been delayed by the global pandemic.

Geothermal

Because of its geographical position, at the meeting point of three major rifts – the Red Sea, the Gulf of Aden and the East African Rift – Djibouti also has a rich resource buried in its subsoil: Geothermal energy.

President Ismaïl Omar Guelleh has been quick to make this a priority. In 2013, he created the Office Djiboutien de Développement de L'énergie Géothermique. According to studies carried out by the body, the country has more than 1.1 GW of geothermal resources underground. "The potential has been confirmed and exploration has identified several zones," says Gouled Mohamed Djama, Director of Energy at the Ministry of Energy and Natural Resources.

In particular, a power station is due to be built at Fialé Caldera, near Lake Assal, a volcanic area with chimneys, fumaroles and hot springs. Djama underlines the potential of this energy source, which does not depend on external factors such as wind or sun: "Geothermal energy can provide us with clean, constant energy. It has the potential to totally eliminate our dependence on thermal energy," he believes.

Biomass

The country also has ambitions in biomass. A waste-to-energy plant with a capacity of 40 MW (including 5 MW reserved for its operation) is due to be built soon at Damerjog, in the south of the country. In 2020, a contract was signed with the American company CREC Energy, but the project was delayed by Covid.

Above and opposite: The Red Sea Power wind farm near the Bay of Ghoubet, 120 km north of the capital

Tide

The country is also carrying out pre-feasibility studies to produce tidal energy in the straits of Ghoubbet-el-Kharab (nicknamed 'the chasm of the demons') and Bab-el-Mandeb.

Hydrogen

Finally, the government is exploring the potential of green hydrogen, a low-carbon energy carrier. Internationally renowned companies such as Australia's Fortescue Future Industries, the UAE's AMEA Power and US giant CWP Global have already begun pre-feasibility studies to produce hydrogen for export. In December 2023, the Republic of Djibouti signed up to the African Green Hydrogen Alliance.

The country's formidable prospects in terms of renewable energy means that Slim Feriani can look to the future with confidence. "The objective for 2035 is to be self-sufficient in energy production," he says. "We should get there before then. The idea would be to have an energy mix made up of solar and wind power, with some geothermal energy. There's also a project to convert waste into energy. It's a question of 'when', not 'if'. The political will is there," he assures us.

Order of priority

While lowering the cost of electricity remains one of the major challenges facing the country as it seeks to get its industry off the ground, things need to be done in order, according to Djama at the Ministry of Energy and Natural Resources. "The priority is to convert our current consumption to renewable energy, then to increase the rate of access to electricity, particularly in the regions, and finally, the cost stage will come next," he says. "We need to take a gradual approach to avoid price fluctuations. We will always be in the quest to produce more to meet growing demand."

In his view, the country's energy consumption could double, or even triple, with the completion of projects such as the launch of the industrial port site at Damerjog, in the south of the country. "To meet this demand, there should be an increase in the number of independent energy producers in the various sectors – wind, solar and geothermal," he believes.

This specialist is betting heavily on the development of biomass and geothermal projects. "If these renewable energy sources materialise in the next three years, we will really be able to take the decision to drastically lower the price of electricity, because we would find ourselves in a situation of energy abundance," he continues.

In the meantime, the director is calling for people to be more aware of their energy consumption, as air conditioning often causes bills to soar.

Lowering the cost of electricity is a major challenge for Djibouti, but the benefits would be substantial. According to the World Bank, reducing the cost of electricity and telecommunications could increase real GDP by 39.1% by 2030, generate 23,000 jobs and considerably boost household incomes, while reducing poverty. The country has everything to play for. ■

International Finance Corporation – a member of the World Bank Group – is the largest global development institution focused on the private sector in emerging markets and one of Djibouti's key development partners. It has signalled its determination to stay the course and see the country achieve its aims under its current national development plan.

IFC committed to supporting Djibouti's development journey

Expounding on the partnership between the International Financial Corporation (IFC) and Djibouti, Cheick-Oumar Sylla (*pictured right*), the IFC's director for North Africa and the Horn of Africa, states: "We are committed to contributing to Djibouti's journey to become a regional hub for trade, logistics and financial services." This is in line with Agenda 2035 – the country's national development plan that Djibouti is pursuing.

IFC seeks to promote sustainable economic growth by encouraging private investment. It also provides financing, advisory services and technical assistance to private companies, particularly small and medium-sized enterprises, to create jobs and reduce poverty.

The objectives of Djibouti's national development plan are to stimulate growth and improve citizens' quality of life by leveraging private investment and Djibouti's geostrategic position.

Key targets are to build out Djibouti's productive infrastructure, improve the investment climate, strengthen the capacity of small business and boost the country's stature as a tourist destination. To support the vision, IFC is providing investment and technical assistance towards financing trade, financial institutions, affordable housing, and hotel construction.

Currently, IFC has two major investments in Djibouti. One is a trade guarantee facility for the East Africa Bank, while the other is in the construction of a hotel.

The East Africa Bank, licensed by the Central Bank of the Republic of Djibouti, was launched in 2010 to provide a broad range of products for large corporations, individuals, and small businesses in line with the highest standards of Sharia principles.

These investments, the international institution says, are in line with the global sustainability goals and will help Djibouti meet its commitments to green and inclusive growth.

IFC is also involved in three consultancy projects: supporting the government to structure and implement a bankable and commercially viable public-private partnership in affordable housing; strengthening the capacity and skills of the East Africa Bank in terms of global risk management and credit management; and helping to create an enabling business environment and to assess potential investment opportunities with the country's first financial institution to offer leasing.

Cheick-Oumar Sylla says there has been progress in all these projects. An advisory mandate was signed with the government regarding the affordable housing project in 2022. The World Bank agency granted a trade guarantee facility of up to $5 million to the East Africa Bank under its Global Trade Finance programme to support its clients in the import and export sector as well as small- and medium-sized enterprises.

IFC is also working with the Djibouti Sovereign Wealth Fund to improve the legal and fiscal framework for leasing in the country, while exploring investment options for establishing a leasing company.

It has already signed, in March 2022, a new partnership with the Central Bank of Djibouti to strengthen the central bank's stress-testing capabilities and systems, and ultimately to enhance the strength and resilience of Djibouti's banking and financial system.

Joint initiatives

Promoting effective partnerships between the private and public sectors is very much par for IFC's course. "Joint initiatives strengthen the delivery of essential services and infrastructure projects and I am happy with our strong collaboration with the government of Djibouti," Sylla says, adding that "IFC has played a key role in public-private partnership projects in Morocco, strengthening collaboration between the government and the private sector for infrastructure development."

Beyond these interventions, the upstream team at IFC is exploring ways, in line with their mandate, to make the energy, telecommunications and financial services sectors in Djibouti investment-ready.

Another area of cooperation is in climate strategy, where together with other World Bank agencies, including the Multilateral Investment Guarantee Agency (MIGA), IFC is working on a Country Climate and Development Report (CCDR) for Djibouti.

Ultimately, both Djibouti and IFC want a thriving private sector able to attract and deploy investment towards delivering goods and services for both local

and international consumers.

According to a Djibouti Private Sector Diagnostic Study, conducted by IFC teams and published in October 2023, by improving the business climate, improving access to finance for businesses and increasing access to affordable energy and digital connectivity, Djibouti can attract more private investment, create jobs and support economic development.

Sylla outlines the three key recommendations from the report. "Firstly, Djibouti must take advantage of its geostrategic location and infrastructure to realise its potential as a regional hub for trade, telecommunications, and finance.

"Secondly, the country must capitalise on its natural resources to diversify its economy and maximise job creation. Finally, to promote entrepreneurship and SME development, Djibouti needs to boost human capital development and create better links with the business sector and military bases."

Potential growth areas

The diagnostic report notes that the country's stability and its transport and logistics infrastructure have established it as a regional trade hub, linking its neighbours, including Ethiopia, to global value chains. It also identifies tourism and fisheries as potential growth areas, while there is fertile ground for PPPs to develop infrastructure including roads, telecommunications, and energy.

In addition to its geostrategic position, Djibouti's port and digital infrastructure (it has the latest SEA-ME-WE and 11 other undersea fibre cables running through it); its young and dynamic population; its stability; and its stable currency (which is pegged to the dollar) make it an arresting proposition for any investor.

Its membership of the Common Market for Eastern and Southern Africa (Comesa) means access to a market of 500 million consumers, while investors can also count on financing from regional and international financial institutions.

The financial sector is another source of strength, having grown from two banks in 2006 to a total of 13, including Islamic and commercial banks, by 2020.

"The banking sector can have a significant impact on Djibouti's economy, firstly by improving access to finance for SMEs, and secondly by developing the microfinance sector to increase the number of loans to the many informal businesses that make up a large part of the country's private sector," Sylla stresses.

Although the sector is concentrated, with the two largest banks, Banque pour le Commerce et l'Industrie – Mer Rouge (BCIMR) and Bank of Africa Mer Rouge, holding 80% of the market share, smaller institutions are steadily increasing their presence.

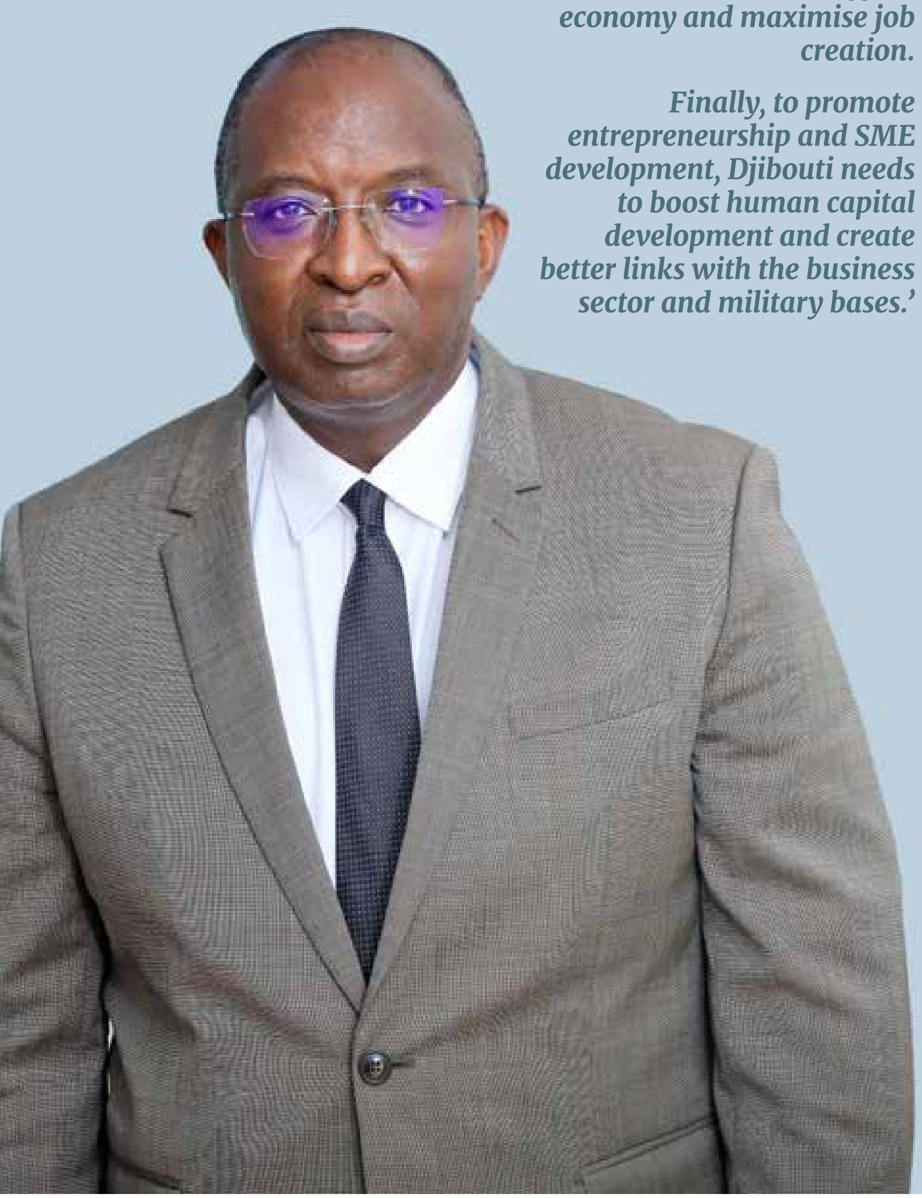
Sylla is convinced that the partnership with Djibouti will yield the right results and IFC is determined to stay the course. "We are committed to supporting the government of Djibouti's reform agenda aimed at creating a strong and dynamic private sector, as well as promoting private sector-led initiatives to strengthen regional integration in the Horn of Africa," he says. As 2035 approaches, Djibouti's leaders will be heartened to have such a big hitter in their corner. ■

Sylla outlines the report's key recommendations:

'Firstly, Djibouti must take advantage of its geostrategic location and infrastructure to realise its potential as a regional hub for trade, telecommunications, and finance.

Secondly, the country must capitalise on its natural resources to diversify its economy and maximise job creation.

Finally, to promote entrepreneurship and SME development, Djibouti needs to boost human capital development and create better links with the business sector and military bases.'



With its picturesque lakes, mountains, heavenly islands and diverse marine life, Djibouti has a number of excellent reasons for seeking to enhance its tourism sector. But major infrastructure investment is needed.

Capitalising on Djibouti's natural beauty

Every Friday morning, the Sheraton Djibouti Hotel offers its guests a boat trip to Moucha Island, some fifteen kilometres off the coast of the capital. "With this destination, there is no need to envy the Maldives or the Seychelles," enthuses Emmanuel Riggi, the manager of the hotel, which has been operating in the country for 42 years.

Yet few tourists in the world are aware of the existence of the island's fine sand, turquoise water, coral reefs and richly diverse seabed. It has to be said that its tourist infrastructure is underdeveloped. "Generally speaking, the country has enormous potential, which has not yet been exploited to the full," laments the hotelier.

This is the challenge facing the Djibouti government, which wants to improve the country's attractiveness in order to diversify its economy, which is still largely dependent on port activity. "Our goal is to welcome 500,000 tourists by 2035, compared with around 140,000 today. It's an ambitious target, and the pandemic has slowed us down, but we're still hopeful," explains Osman Abdi Mohamed, Managing Director of the Djibouti National Tourist Office.

"To achieve this, we need to strengthen our infrastructure at tourist sites, with access to water and electricity, and develop beach and land transport, possibly through a public-private partnership."

Far from mass tourism, the country intends to capitalise on its marine and terrestrial biodiversity, consisting of plains, mountains, lakes, plateaux, mangrove areas, beaches and islands. One of the country's jewels is Tadjourah Bay, where dozens of whale sharks congregate from October to January. The country is already renowned for its scuba diving.

Another point in favour of promoting tourism in this country, which is host to five foreign military bases, is its reassuring security environment, in a region that is regularly plagued by conflict. The country's inhabitants are proud to say that it is possible to walk the streets of Djibouti at any time of the day or night. 'We don't have a heritage location like the Eiffel Tower or the Cheops Pyramid. Our model is based on the protection of natural sites. We're aiming for a niche tourism sector that cares about its environment," says Mohamed.

While the sector currently contributes 3% of GDP, the government hopes to double this figure by 2035. To achieve this, the Director General of the National Tourist Office highlights the measures put in place in recent years to promote tourism, such as lower visa prices since 2019, as well as the possibility of obtaining the documents digitally. "With the support of international experts, the government has also set up a new training centre for the hotel trade," he adds.

Below: An aerial view of tourists visiting Lake Assal in central Djibouti, a saltwater lake 150 metres below sea-level

More hotel units needed

On the infrastructure side, the airport has already undergone extension and refurbishment work, with a view to improving its operational capacity. The government is also conducting a feasibility study into the construction of a new airport, with a view to positioning the city as an airport hub in the long term.

Another positive sign is the inauguration of the 5-star Ayla hotel in early March 2024, located on the capital's seafront. Built by private Emirati operator Sheikh Nahel for around $200 million, it has a capacity of 217 rooms and can host international conferences. The businessman is well known in the country for having invested in the Kempinski hotel, the Bawadi Mall shopping centre and around thirty villages in Haramous, a residential area of the capital.

However, there is still a long way to go to achieve the targets set for 2035. While the sector currently has 44 hotels with a total of 1,814 rooms, not all of them match the standard targeted by the government's strategy.

"We would need to build between 12 and 15 hotel units to be able to meet the needs of 500,000 tourists," calculates Slim Feriani, CEO of the Sovereign Wealth Fund of Djibouti, who describes the typical tourist as "essentially a business tourist who spends two, three or four nights in Djibouti." In his view, the imbalance between supply and demand contributes to the high prices charged by businesses.

What's more, the country is struggling to recover its pre-pandemic visitor numbers. In 2023, the country welcomed 142,551 tourists, 25,000 fewer than in 2019, at a time when the global tourism industry had not yet been weighed down by the health crisis. "There's still a lot to be done, but the potential is enormous. You just have to come here to see the opportunities," Feriani continues.

Great potential for tourism

To get things moving, the national private sector also has its part to play. Businesswoman Hibo Bacha is well aware of this. She regularly travels to international trade fairs to promote her country. "When people ask me what Djibouti looks like, I tell them about the whale sharks that gather every year in the Gulf of Tadjourah. I describe Lake Assal, an immense expanse of salt that lies 150 metres below sea level. Or Lake Abbe, which resembles the planet Mars, with red sand and warm water rising from the earth. I'm also talking about the Seven Brothers archipelago, a coral reef where you can go diving," explains the founder of Bacha Travel, an agency with a good reputation in the capital of Djibouti. "Our country has great tourist potential, but what we lack is infrastructure. We need to find investors to sell the destination," she says.

The Managing Director of the Kamaj Group, Houssein Mahamoud Robleh, who operates in real estate, distribution, security, hotels and transport, would also like to change the face of national tourism. "It's a good thing to have big hotels in Djibouti city, but now we need to build extensions to get to the tourist sites. The road going to Lake Abbe is very poor, for example, and this is holding back the development of infrastructure there," says this businessman, owner of the Les Acacias Hotel, located on the seafront in the Heron residential district of the capital.

Below: A diving enthusiast off Moucha Island. Bottom: The Djibouti Sheraton Hotel overlooks the Red Sea

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To enable travel to sites such as Lake Abbe in record time, the businessman is considering offering helicopters for hire-purchase, in partnership with international operators. In the meantime, he is finalising the construction of a stopover gîte at As-Eyla. "The idea is to get up very early to see the lake at sunrise, with flights of pink flamingos," he says.

Full of ideas, the entrepreneur is also building bungalows and a restaurant on Maskali, the neighbouring island of Moucha, off the coast of the capital. At the same time, he is developing the seafront of his hotel overlooking the Gulf of Aden. "The development of responsible tourism can enable us to develop our regions and redistribute wealth more effectively. We need to create jobs, because unemployment is high, especially among young people. The idea is to create an endogenous economy. There's a lot to be done, particularly in terms of road infrastructure, because we're in a country that's still in its infancy," he says.

A lack of international visibility

To develop its tourism sector and meet the objectives of Vision 2035, the country will also need to raise its profile internationally. "In Europe, nine out of ten people don't know where Djibouti is on a map, and others think it's a military garrison. People don't see Djibouti as a tourist destination. In fact, only 10% of our customers are 'holiday' tourists, which is also linked to the limited number of flights available and the high price of tickets," says Riggi of the Sheraton, which has 185 rooms and 226 employees.

"Another problem is the high cost of products, because everything is imported. In a Sheraton in Abu Dhabi, you pay 120 dollars a night, here it's 230 dollars for the first price. As an example, I pay a million dollars a year for electricity. It's one of the most expensive kWh costs in the world."

However, this sector specialist is convinced: "The tourism sector can bring a huge windfall of jobs to the country, both directly and indirectly. But everyone needs to be moving in the same direction, all at once, to build roads, canvass customers and develop skills in the catering trade. We need investors with solid backing to set up things that won't be profitable for several years. We need to be able to create supply to attract demand, because 2035 is tomorrow." ■

Portrait of an entrepreneur

At the head of a small family empire of six companies, Hibo Bacha is a businesswoman who sees her country as virgin territory, "where everything remains to be developed".

Leading the way for women entrepreneurs

During a recent trip to the Chinese city of Shenzhen, businesswoman Hibo Bacha was surprised to find a robot serving her dinner in her hotel room. "I had ordered room service. The robot was able to speak, it could even open and close the door," she recalls. "When I came back to Djibouti, I said to myself that we had a lot of work ahead of us."

A key figure in Djibouti's private sector, the businesswoman draws inspiration from her travels to the four corners of the world to develop ideas for her country. In 20 years, she has built a small family empire of six businesses, including a hairdressing salon (Hollywood Beauty Center, created in 2000), a travel agency (Bacha Travel, launched in 2014), a real estate agency (Dream House Real Estate, 2019), a coworking and gaming space (Shoaz, 2021), a visa application agency (Bacha Visa Application Centre, 2022), and finally, a wall ceramics shop (Yusur Ceramic & More, 2023). All these businesses came under the Bacha Business Group umbrella in 2022.

Bacha is campaigning to promote entrepreneurship among Djiboutian women. 'I tell them they need to take risks, but invest in areas where they have experience', she says.

At the same time, this local figure is campaigning to promote entrepreneurship among Djiboutian women. In particular, she represents her country on behalf of the International Federation of Business and Professional Women, which brings together businesswomen in over a hundred countries. She is also an ambassador for Women in Africa, an international platform dedicated to fostering support for African women entrepreneurs. "I've always been a role model for women," says Bacha. "I tell them that they have to take risks to go far, but by investing in areas where they have expertise, without trying to copy others."

Promoting her country

In the course of her career, Bacha, 52, has worked as a flight attendant for an airline, a project manager for the World Food Programme, and as an employee at the US Embassy in Djibouti, where she held a management post for 17 years. The elegant businesswoman is full of anecdotes to share, such as the time 20 years ago when she helped to fly and land an empty plane belonging to the Secretary-General of the United Nations.

In 2017, following a decisive meeting with one of the richest men on the African continent, she decided to devote 100% of her time to focusing on business. She then spent a year training in the real estate sector in Arizona before returning to her country, which she sees as "uncharted territory where everything remains to be developed".

A keen traveller with 125 countries to her name, Bacha never misses an opportunity to promote her country. "In recent years, I've taken part in world tourism conferences. When people ask me what Djibouti looks like, I tell them about the whale sharks that can be found every year in the Gulf of Tadjourah, I describe Lake Assal, an immense expanse of salt that lies 150 metres below sea level, or Lake Abbe, which resembles the planet Mars, with red sand and warm water rising up from the earth," enthuses the founder of Bacha Travel, her agency in the Djiboutian capital. "Our country has great tourist potential, but what we lack is infrastructure. We need to find investors to sell the destination," she says.

Entrepreneurial spirit

Bacha owes her openness to the world and her entrepreneurial spirit to her mother, who traded clothes, jewellery and accessories between Djibouti, Dubai, India and China. Hibo Bacha has passed on the torch to her five children. "They started working very young. When I opened my hairdressing salon, there was one to look after the till, another to welcome customers and yet another to help the hairdresser," she recalls, amused.

Recently, her daughter Zaïna came to help her develop the family business. "It's important to bring back our skills and experience to try and develop the country," explains Zaïna, who studied at a business school in France and then spent a year working for a major real estate agency in Dubai. The Djiboutian has no shortage of ambition: "I'd like to launch an estate agency. My dream is to build affordable houses and flats for the middle class. Because today, it's very expensive to buy a property."

Her mother is delighted to see her children getting involved in the family group. "They're going to innovate by launching new businesses in their specific fields, in engineering and digital technology. In fact, my youngest daughter, aged 15, wants to become an architect. At the same time, I want to encourage women to open businesses that are close to their hearts. Djibouti has the potential to become a little Dubai or a little Singapore. Over there, everything is biometric, digitised. We need to draw inspiration from them." ■