

## Microgrid economics djibouti

Djibouti, February 1, 2024- Djibouti has achieved remarkable economic growth over the past two decades, driven by strategic infrastructure investments, its advantageous location, and political stability in a volatile region. With an average annual GDP growth of 4.4 percent between 2000 and 2021, the nation's real GDP per capita has more than doubled, surpassing USD 3,200 in 2021.

The report, titled "Djibouti Beyond the Ports and Bases: A Path to Prosperity for All", highlights the economic potential of the country. To achieve its potential, Djibouti faces multiple economic challenges, including a limited domestic market, high operating costs in the electricity and telecommunications sectors, limited economic diversification, and the growing challenge of climate change.

The report emphasizes the government's proactive approach in addressing these challenges through the "Djibouti 2035 Vision" and the National Development Plan (NDP) for 2020-2024. Recognizing the potential for further growth, the government has recalibrated its development strategy to promote structural challenges in social inclusiveness, sustainable development, infrastructure, and governance.

"Djibouti is uniquely placed, with assets that can be leveraged to expand its market and attract international private investors," said Stephane Guimbert, World Bank Country Director for Djibouti, Egypt, and Yemen. "As Djibouti enters its next stage of development, it is essential that the private sector drives growth and that the benefits of growth be shared by all segments of society, particularly women and young people," he added.

The report offers policy recommendations that would help increase job opportunities and reduce poverty. In particular, reducing electricity and telecommunications costs could boost real GDP by 39.1% by 2030, create 23,000 jobs, and substantially increase household income while reducing poverty.

The report suggests targeted investments in human capital, including expanding access to quality education, promoting health and adult literacy, and developing job-relevant skills, especially in labor-intensive sectors such as tourism and manufacturing. These efforts will enhance Djibouti's labor market outcomes and support a new growth model that benefits all Djiboutians, particularly women and youth.

Improving the efficiency and overall governance of state-owned enterprises are also a critical step in creating a conducive business environment. The report highlights the need to enhance competition regulations and practices to attract more foreign investment and create incentives for the development of local businesses. Strengthening financial oversight will help mitigate budgetary risks associated with state-owned enterprises.

The World Bank's portfolio in Djibouti consists of 22 projects, worth a total of approximately US\$458 million in IDA financing and trust funds. The portfolio focuses on education, health, social safety nets, energy, rural and urban development, modernizing public administration, digital development, strengthening governance,

infrastructure, and on private sector development, with an emphasis on women and youth.

Propelled by strategic infrastructure investments, its advantageous location, and the maintenance of political stability in a volatile region, Djibouti has achieved remarkable economic growth. However, decreasing electricity costs, among other recommendations, could significantly boost the country's GDP.

The country also demonstrates solid progress in poverty reduction, from 22.3% in 2013 to 17% in 2019, which has been a direct result of these gains. However, the report released today (1 February 2024) asserts that more efforts are necessary to ensure equitable benefits across all segments of society.

To overcome various economic challenges, including a limited domestic market, high operating costs in the electricity and telecommunications sectors, limited economic diversification, and the growing challenge of climate change, the government has been proactive in addressing these issues through the 'Djibouti 2035 Vision'; and the National Development Plan (NDP) for 2020-2024.

The recalibration of the development strategy by the government, aimed at promoting structural challenges in social inclusiveness, sustainable development, infrastructure, and governance, has been recognised in the report.

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