

Background Note on the Economic and Development Significance of the Port of Djibouti

The Port of Djibouti is an important regional hub for trade and is also a major refueling center for ships passing between Europe and Asia. The port is particularly important for Ethiopia, for which it is the major transit point for imports and exports, handling an estimated 80 per cent of Ethiopian trade.

A project is underway to expand the port with work at Doraleh that will add a roll-on/roll-off facility and fifteen berths that will be able to accommodate another 1.5 million tonnes of cargo. There are also three other projects underway to expand shipping capacity outside of the existing port to enhance the country's capacity as a strategic shipment hub.

A new livestock port at Damerjog is scheduled to begin construction soon, and construction continues at both a new general cargo quay at Tadjoura to the north, and to the west a facility to export gypsum and salt in Goubet. In addition, there are a number of projects underway that will strengthen links between Djibouti and Ethiopia. These include upgrading of a major highway between Dire Dawa and Dwele that will then link directly to a road to the Port of Djibouti, a new road linking Afar State in north western Ethiopia to Djibouti, and the Djibouti-Ethiopia railway which will connect Addis Ababa to Djibouti.

The overall expansion of port capacity has boosted economic growth and will continue to push growth higher over the medium term. Capital investment in the port has also contributed to GDP growth, although borrowing for this investment has pushed the country's fiscal deficits considerably higher, despite improvements in domestic revenue collection. Despite the improvements in growth, the country still faces some significant issues in the form of high urban unemployment and problems with food security, driven by recent droughts. There are also risks to growth going forward if there are disruptions to global output, which will feedback into slowing trade.

In addition a dispute between the government and Dubai-based DP World, the operator of the current Doraleh terminal could affect investor confidence in future port activities and expansions.