INTEGRATED SDG INSIGHTS

DJIBOUTI

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.

HOW TO READ THIS REPORT

Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).

It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).

Combined, these insights are mapped against SDG interlinkages to define policy choices the accelerate SDG progress, tailored to national context (**SDG Interlinkages**).

These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

SDG MOMENT: DJIBOUTI

While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

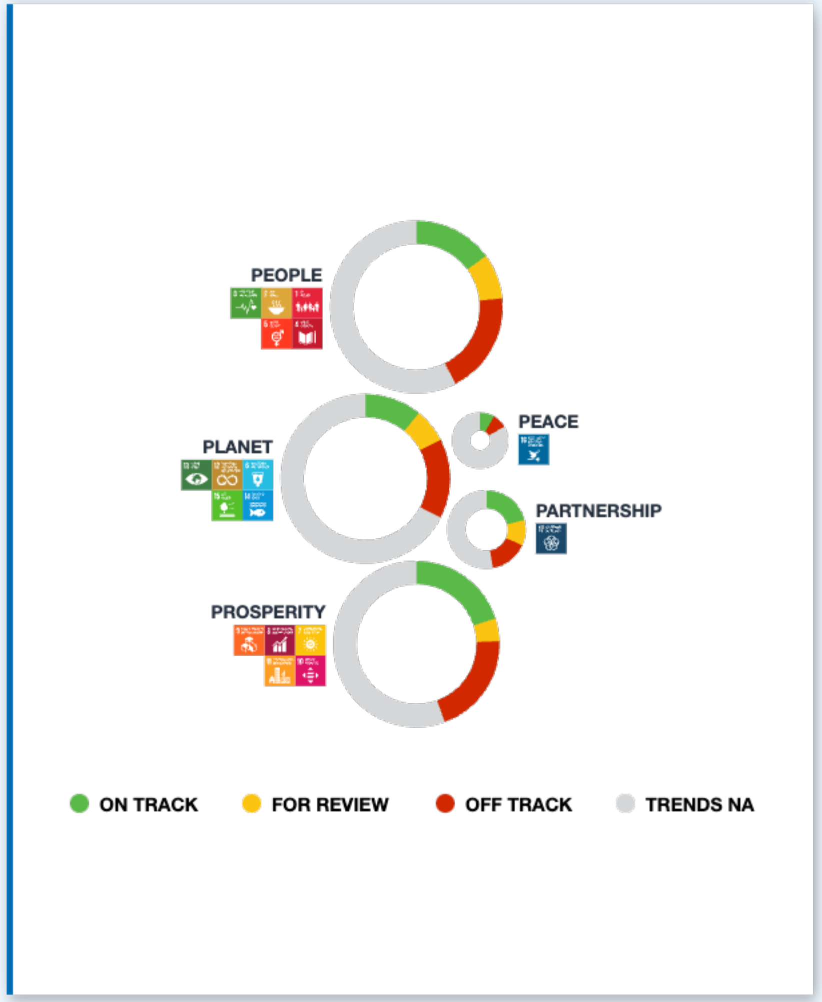
Djibouti's economy is growing at 4% through to 2023, but is expected to transition into acceleration mode by 2024-2025.[1] This pace of growth is characterized by being 74% higher, on average, than the global figure, and is aligned with the country's growth trajectory forecast before the pandemic. Accordingly, Djibouti's commitments to achieving the SDGs are focused on increasing people's well-being.

This pace of growth would exert a moderate positive impact on reducing poverty, though there are still challenges to accelerate poverty reduction from its relatively high prevailing levels when using stringent thresholds —especially in rural areas. The economic expansion, on the other hand, would be less dependent on carbon emissions as the country's fossil emissions intensity of GDP is projected to decrease at annual rates of around 7% —from levels that are currently among the lowest in the world.[2]

[1] The economic cycle is determined by adjusting the country's current GDP growth forecasts (April 2023) by their gap relative to the forecasts made before the pandemic and subsequent crises (October 2019). If the adjusted rates (not shown) are below 2%, the economy is considered in mitigation; it is coping if the adjusted rates range between 2%-4%, and it is in acceleration if they are above 4%.
[2] CO_2 emissions intensity of GDP is computed as tonnes of CO_2 per $1,000 (2017 PPP).

SDG TRENDS

Understanding how Djibouti performs against the SDG targets provides a baseline landscape against which to build integrated SDG pathways. SDG progress tracking follows UN Stats standards and methodology, and is aligned with country profiles.



Trends in detail:
https://data.undp.org/sdg-push-diagnostic/DJI/sdg-trends

SDG PRIORITIES

Djibouti's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.

Key documents for analysis:

1. National Development Plan 2020–2024
2. Vision 2035
3. National Strategy for Financial Inclusion
4. National Employment Strategy 2014–2024
5. National Policy for Youth and Culture
6. Multidimensional Poverty Index
7. Financing Strategy 2023–2030
8. SDG Investor Map
9. National Biodiversity Strategy and Action Programme

Priorities in detail:
https://data.undp.org/sdg-push-diagnostic/DJI/current-priorities

SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Djibouti to achieve the 2030 Agenda for Sustainable Development and to navigate trade-offs.

Based on a global framework for interlinkages, Djibouti's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices with the most potential to accelerate the SDGs for Djibouti:

- Target 8.2: Diversify, innovate and upgrade for economic productivity
- Target 9.1: Develop sustainable, resilient and inclusive infrastructures
- Target 11.3: Inclusive and sustainable urbanization
- Target 16.6: Develop effective, accountable and transparent institutions

ACCELERATION PATHWAYS

SYNERGIES

TRADE-OFFS

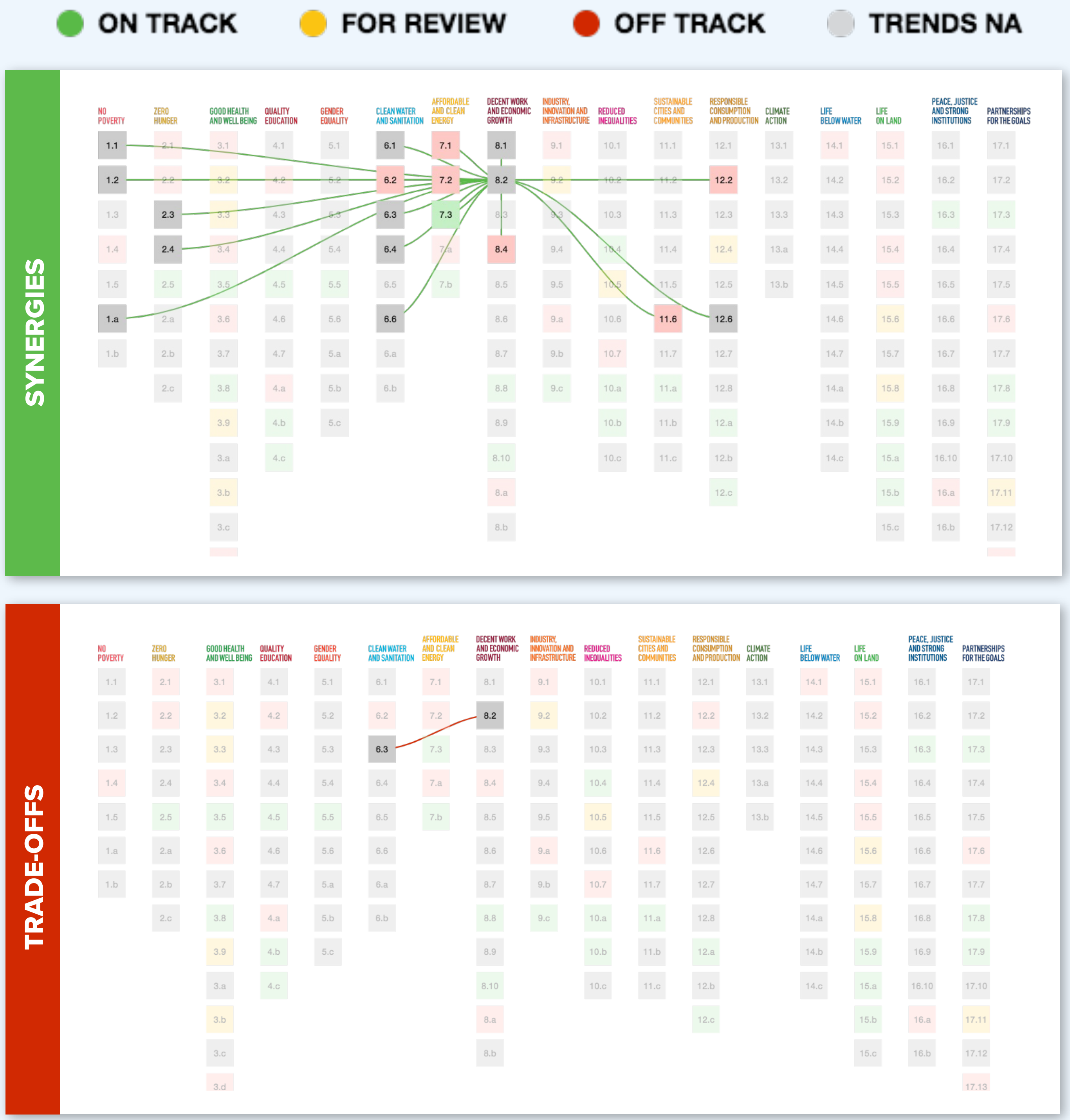
SDG INTERLINKAGES

8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

Economic diversification is key to advancing sustainable development, as it has a significant impact on progress and employment opportunities, stimulating growth and innovation, and reinforcing political stability and social cohesion. To achieve this, it is necessary to step up investment beyond transport and international trade.

With a high level of unemployment and informality, increased investment is needed in sectors with significant employment potential, which would also advance economic diversification. Djibouti's heavy dependence on international maritime trade, with ports and free trade zones accounting for around 75% of its GDP, makes the economy vulnerable to external shocks. The COVID-19 pandemic exacerbated this vulnerability, leading to lower production, fiscal pressures and reduced tax revenues.

Investing in inclusive education is essential to boost the employability and the effectiveness of young people, positioning them as valuable assets for the country's economic growth. Broadening employment prospects beyond the public sector and transitioning from an informal to a formal labour market offering decent opportunities is also an essential step in establishing a solid economic base. Furthermore, the ongoing privatization process has the potential to create space for entrepreneurship and competitiveness rooted in innovation and performance. Additionally, tapping into Djibouti's renewable energy potential, particularly in the fields of geothermal, wind and solar power, could be a powerful catalyst for economic development and diversification.



Explore the interlinkages at:
https://data.undp.org/sdg-push-diagnostic/DJI/synergies-and-tradeoffs

SDG INTERLINKAGES

9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

The benefits of major investment in modern port, rail and road infrastructures have transformed the country and positioned it as a regional economic hub for trade. But the benefits are not yet sufficiently felt by the vast majority of the population, especially outside of Djibouti city, with poverty at 35.8%, acute malnutrition at 17%, unemployment (15-59 years) at 27.5% and illiteracy at around 40%.

The Accelerated Growth and Employment Promotion Strategy (SCAPE) 2015-2019* has led to significant progress, including to the building of state of-the-art infrastructure to connect with neighbouring countries, such as the Djibouti-Addis Ababa railway, ports and a Free Zone. GDP growth has been estimated at around 7% between 2015-2019, due to the normalization of the situation with Ethiopia and major investments in infrastructure over 10 years.

Despite increased access to social services, access to housing, water and sanitation remains inadequate and disparate between Djibouti City and other regions. This underscores the need for a more comprehensive and inclusive approach. Elevating the quality of housing, water and sanitation, alongside providing enhanced access to social services, presents a promising opportunity to bridge these gaps and to create a more equitable and sustainable future for all.

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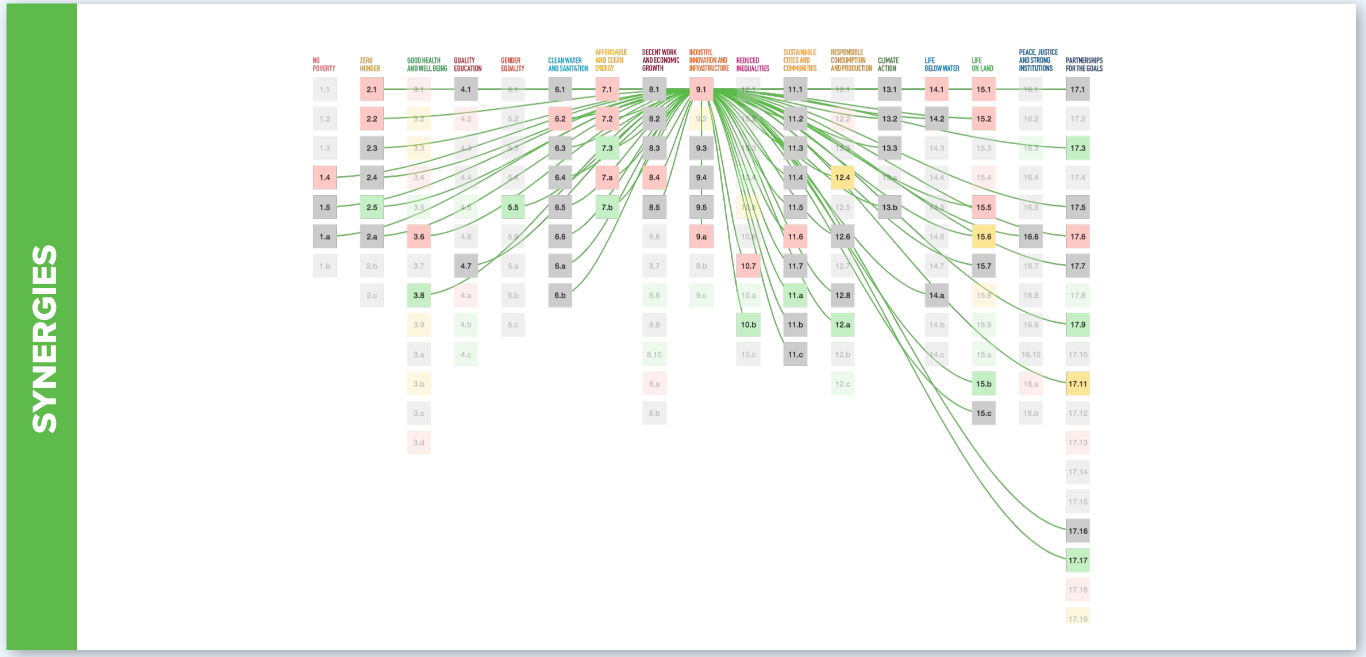

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SDG INTERLINKAGES

11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

Investment in SDG 11.3 is crucial for Djibouti as, despite relatively advanced land administration in the city compared to neighbouring countries, the overall urban development process still faces significant challenges. Most of the development occurs without proper planning and basic infrastructure.

Consequently, the lack of services and disparate structure of urban areas impose substantial social, economic and environmental costs. The suboptimal planning system stems in part from insufficient public information and institutional capacity, as well as a lack of fundamental capacity by local governments.

Enhancing urban land administration is essential to promote sustainable development across Djibouti. This will enable effective infrastructure development, address social disparities, stimulate economic growth and reduce the impact of urban expansion on the environment. It also has the potential to empower local governments to implement well-structured development plans and efficiently manage urban spaces.

Explore the interlinkages at:
https://data.undp.org/sdg-push-diagnostic/DJI/synergies-and-tradeoffs

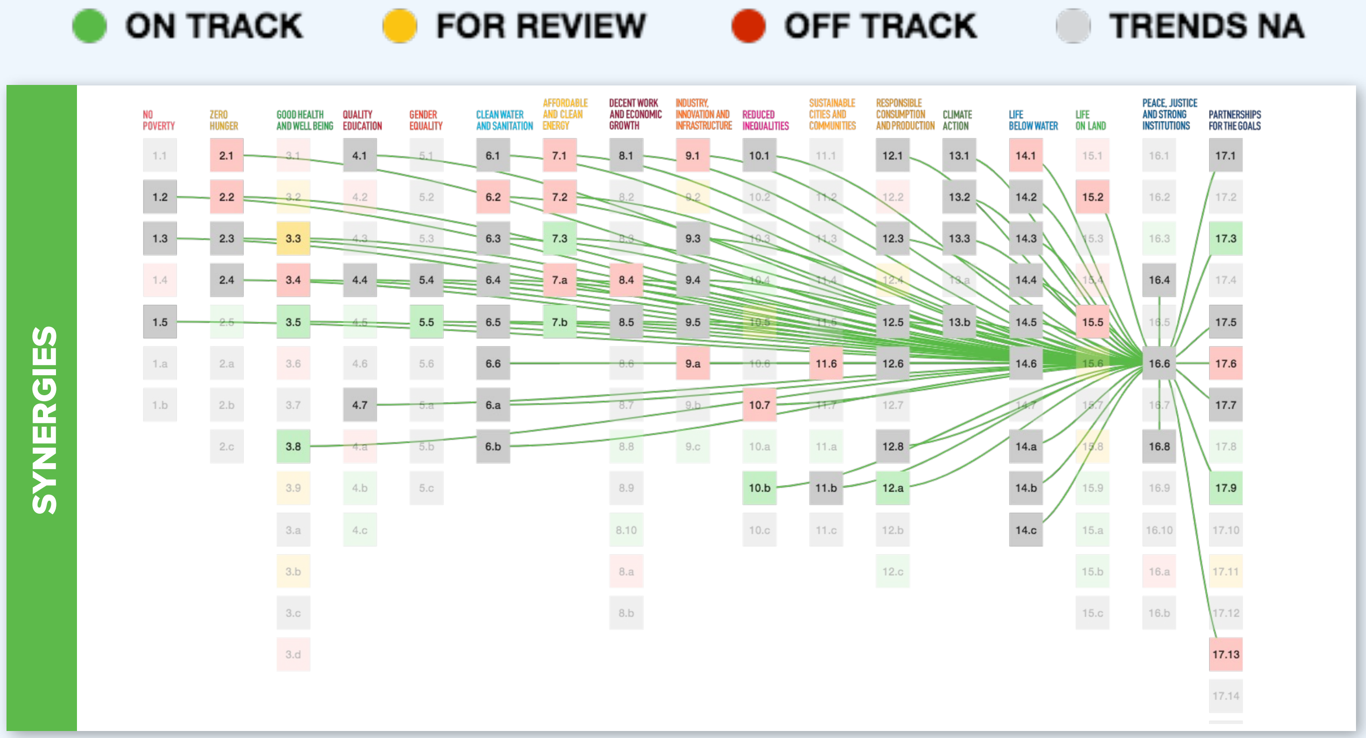
SDG INTERLINKAGES

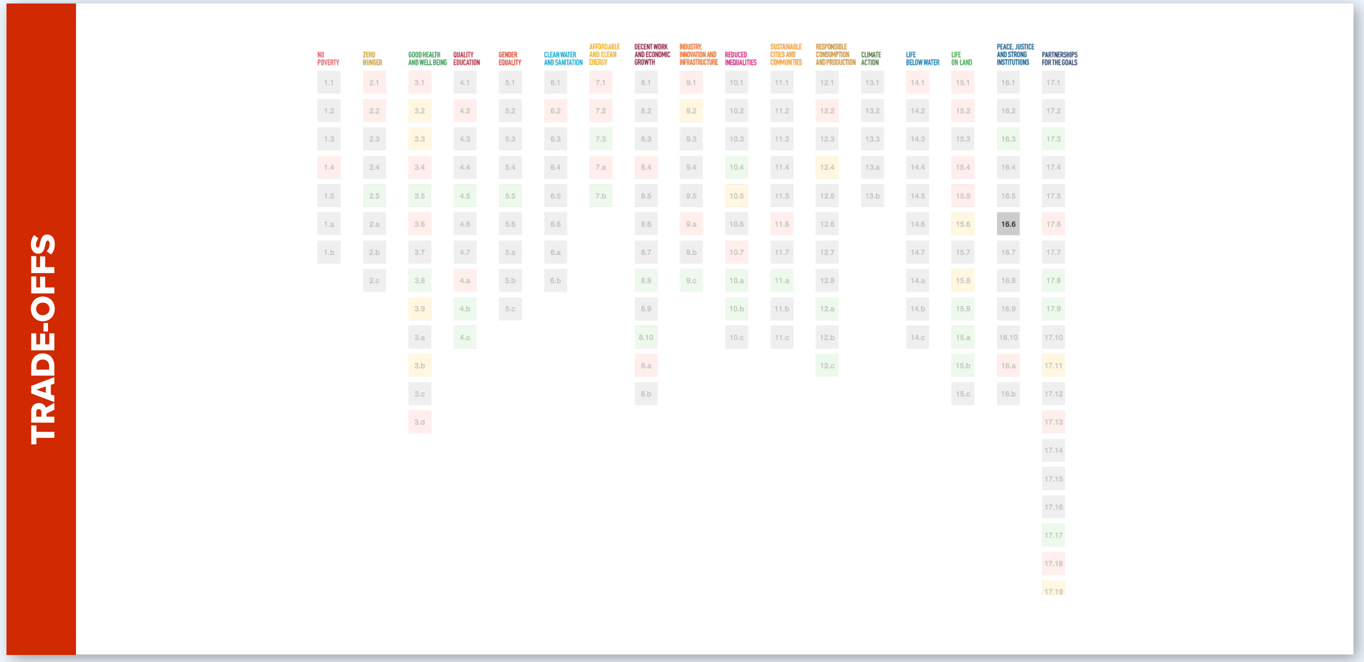
16.6: Develop effective, accountable and transparent institutions at all levels

The 2020 Mo Ibrahim Africa Governance Index (IIAG) report ranked Djibouti 42nd out of 54 countries, with particularly low scores for transparency, freedom of expression and assembly. Djibouti's civic participation, rights and inclusion recently witnessed a decline. According to the World Bank's World Governance Indicators*, the perception of government effectiveness, despite improving from 2017 to 2019, has fallen since 2020 and stands at less than 20% in 2021. Similarly, looking at the voice and accountability indicator**, while there has been a modest improvement since 2019, the overall perception remains demonstrably low, at a mere 14%.

Despite some progress in decentralization and de-concentration since 2006, the implementation of these processes remains limited due to numerous challenges. Development actors at both central and regional levels face significant hurdles related to technical and operational capacities.

To foster a resilient economy capable of effectively recovering from setbacks and absorbing future shocks, it is essential to invest in SDG 16 and to strengthen Djibouti's institutional capacities across various governance areas, including in administrative, economic, financial, local, political and judicial governance, as well as in public financial management. Such investments will not only facilitate economic development but also contribute positively to other relevant targets and SDGs for Djibouti.





Explore the interlinkages at:
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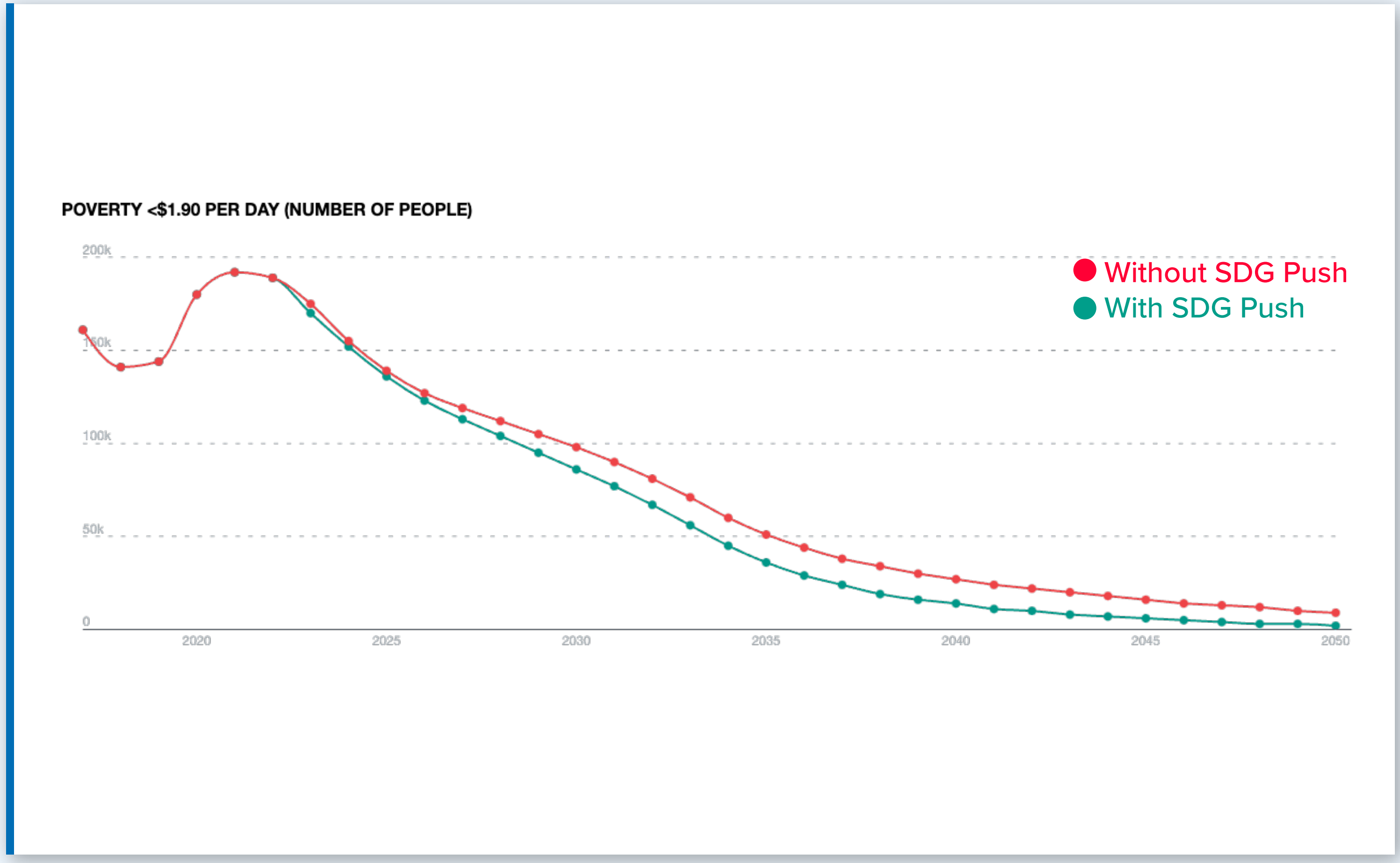
FUTURES SCENARIOS

Achieving the SDGs is possible.

The ‘SDG Push’ is a futures scenario based on 48 integrated accelerators in the areas of Governance, Social Protection, the Green Economy and Digital Disruption. It uses national data to explore the impact on human development by 2030 and by 2050 across key SDG indicators.

Incorporating ‘SDG Push’ accelerators into development interventions in Djibouti can reduce the number of people living in poverty over time.

People living in poverty Djibouti's Population = 1.1 MM	By 2030	By 2050
Without the SDG Push	98,000	9,000
With the SDG Push	86,000	2,000



Explore SDG Futures Scenarios at:
https://data.undp.org/sdg-push-diagnostic/DJI/future-scenarios

FINANCE & STIMULUS

Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to government revenue and debt as a proportion of GDP and the natural resource share of total revenue. The financial indicator graphs shows higher frequency data on external debt servicing relative to revenue and the country's latest Debt Sustainability Assessment (DSA) risk rating.

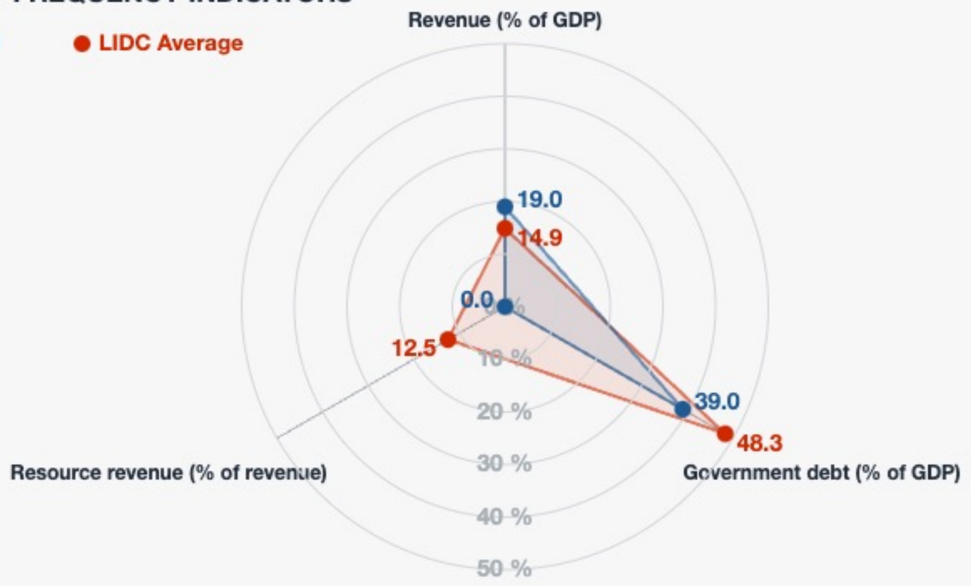
Djibouti's gross government debt, projected at 39% of GDP in 2022. The country is expected to collect 19% of GDP in revenue this year, thus 4.1 percentage points (pp) above the LIDC group ratio of 14.9%.

Djibouti's external debt servicing this year is projected to be as high as 31.8% of revenue and hence more than double the average LIDC with 14.1%. As a consequence, the latest World Bank and IMF DSA from May 2020 rated the country as at 'high risk of debt distress'. The country is in negotiation with its main creditor, China, to restructure.

Djibouti is using an Integrated National Financing Framework (INFF) to address key fiscal and financial constraints and to build a more sustainable financial architecture at the national level. Priority actions have been identified in the areas of tax (e-tax project for comprehensive digitalization and tax reform for optimal taxation); in mobilization of foreign direct investment, including through a facility for de-risking foreign investment; and in development cooperation (aid coordination policy).

LOW-FREQUENCY INDICATORS

● DJI ● LIDC Average



FINANCIAL INDICATORS

● DJI ● LIDC Average

Total external debt servicing (% of revenue)

DSA Rating

HIGH

Notes: External debt covers public and publicly guaranteed debt. The LIDC average of resource revenue (% of revenue) only includes the 38 countries that reported data for that indicator.

Sources: UNU-WIDER GRD (resource revenue, data from 2020), IMF WEO April 2023 (debt and revenue, forecasts for 2023), IDS (external debt, data from 2023), IMF/World Bank (DSA Rating as of 31 May 2023).

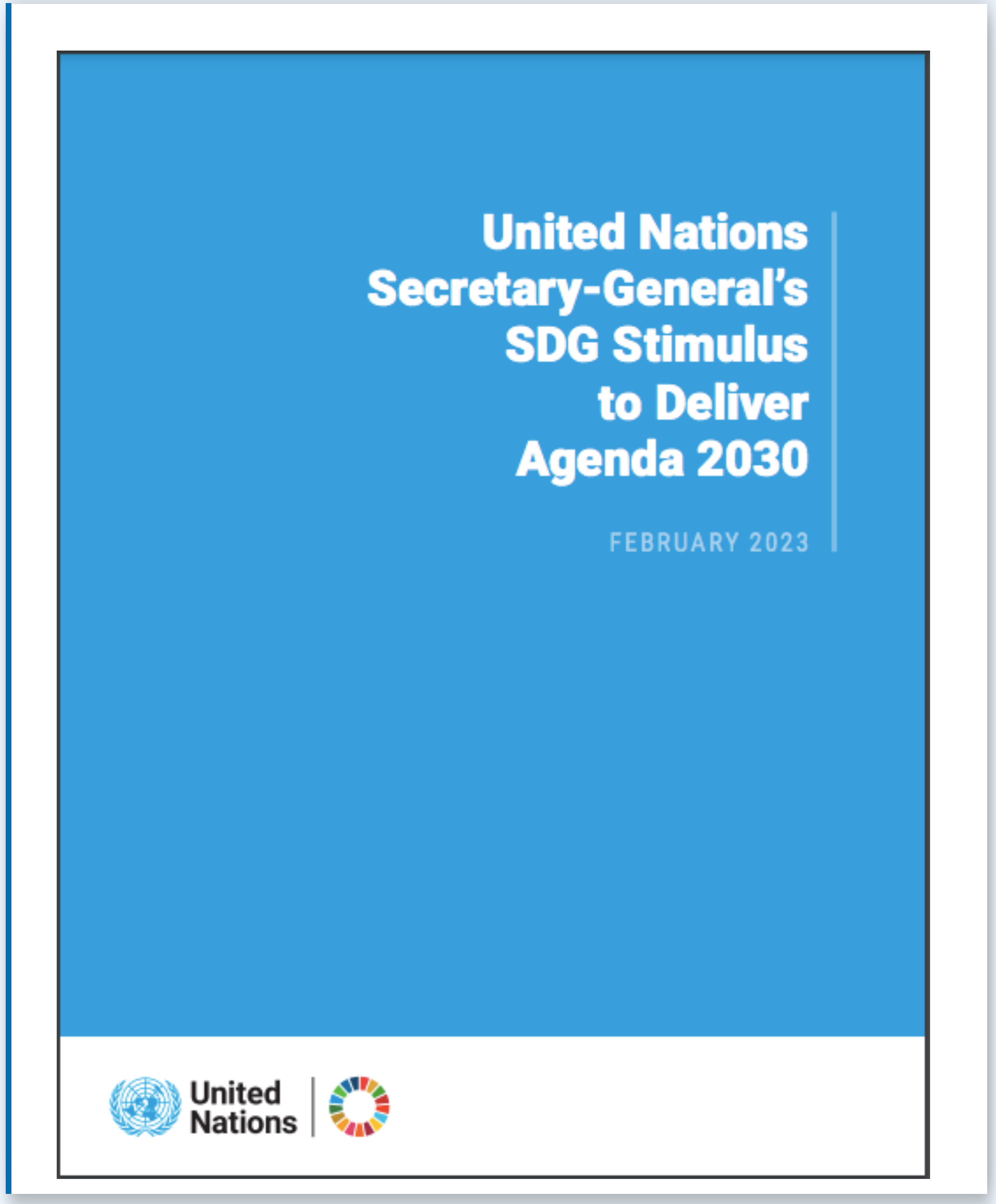
SDG STIMULUS

The UN Secretary General's SDG Stimulus Plan lays out a blueprint for action within the existing financial architecture. It includes:

- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

Given the projected fiscal and financial constraints faced by Djibouti, possible funding options for the investments derived from the identified interlinkages are as follows:

- Tax administration and policy reform
- SDG-aligned business environment and investment
- Debt for SDGs
- Accessing financial markets and insurance
- Climate finance
- Blended and public-private finance
- Remittances, philanthropy and faith-based financing



METHODOLOGY

Click here to view the Methodological Note for the Integrated SDG Insights

SDG MOMENT

Methodology
Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

Data Sources
Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO_2 emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).

TRENDS & PRIORITIES

Methodology
SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed
using machine learning to reveal the most prominent SDGs referenced in national policy documents.

Data Source
Trends utilizes official UN statistics to assess SDG progress, supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.

INTERLINKAGES

Methodology
Global target-level interlinkages are drawn from the KnowSDGs Platform by European Commission. SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

Data Source
The exercise globally considered a total of 454 documents published from 2015 to August 2022. (Miola et al., 2019 updated in 2021-2022)

FINANCE & STIMULUS

Methodology
Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

Data Source
Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).