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Djibouti

Djibouti: Current Path

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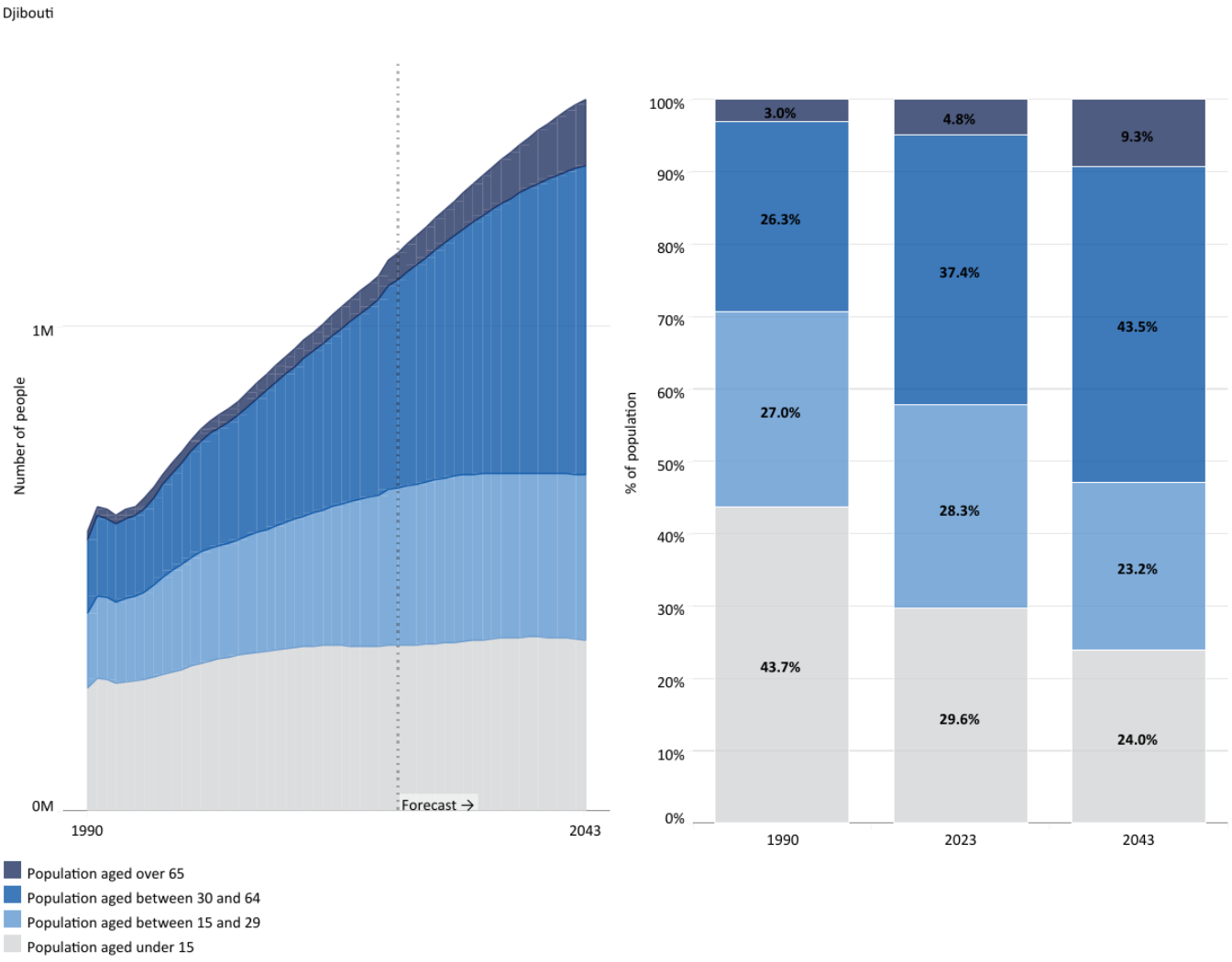
Djibouti: Current Path

Chart 2: Population structure in the Current Path, 1990-2043



Source: IFs 8.58 initialising from UNPD population prospects estimate and WDI population data

Chart 2 presents the Current Path of the population structure from 1990 to 2043.

Djibouti's population structure shifted from a classic youth-heavy pyramid in 1990 toward a more working-age-dominant profile today and through 2043. The total population roughly doubled from 579 500 in 1990 to about 1 169 820 people in 2024. The Current Path indicates a further increase to almost 1.5 million people by 2043. In global comparative terms, Djibouti's population remains a very small fraction (0.014%) of the world total, ranking around 160th globally by population size, with a median age of about 25 years.

The underlying demographic transition is visible in the changing shares of children (under 15 years), the working-age population (15-64 years) and the elderly (65+ years). The working-age population rose from about 53% in 1990 to 65.9% in 2024, and will edge up to 66.9% by 2043 under the Current Path. At the same time, the child share continued to narrow from 43.5% to 29.2% and then to 24%. The elderly share, while small, has risen from about 3% in 1990 to about 5% in 2024, and will reach 9.3% by 2043.

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Conceptually, the population pyramid is thickening through the central age bands, indicating that Djibouti is already within a potentially favourable demographic window (detailed in Chart 13) where the working-age population dominates the age structure. The fiscal implications of Chart 2 follow directly from the shifting composition of dependency. The falling child share can gradually reduce cohort pressure on primary education and child health systems, enabling a rebalancing from access expansion toward quality and completion, provided policy and financing keep pace. But by 2043, the rising 65+ share (9.3% under the Current Path) will imply that Djibouti must also plan early for higher demand for chronic disease care and support for older adults.

Fertility decline is the primary driver of this structural shift. Djibouti's total fertility rate fell from about 6 births per woman in 1990 to roughly 2.6 in 2024. The Current Path depicts a further decrease to 2 births per woman by 2043. This trajectory aligns with the standard dynamics of the demographic transition, as fertility approaches the replacement level of approximately 2.1 births per woman. At replacement level, each generation effectively replaces itself in the absence of migration. As Djibouti's fertility rate will reach 2 births per woman by the early 2040s, population growth is therefore expected to gradually slow.

The dependency ratio summarises how these moving parts affect the economic balance between potential producers and dependants. The dependency ratio declined from 0.88 in 1990 to 0.52 in 2024, and will decline to 0.5 by 2043 under the Current Path. A dependency ratio close to 0.50 is generally considered favourable at the macroeconomic level, but this is true only if labour markets can effectively absorb the working-age population. Essentially, a ratio of about 50 dependants per 100 working-age individuals indicates a significant potential productive base relative to the non-working-age population.

However, it is critical to distinguish age dependency from economic dependency. The International Labour Organisation (ILO) and Worldometer explicitly caution that dependency ratios do not account for labour force participation and unemployment; some people counted as "working-age" may not be employed, while some "dependants" may be working. This distinction is central to interpreting economic implications under Djibouti's Current Path.

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Chart 3: Population distribution map, 2024

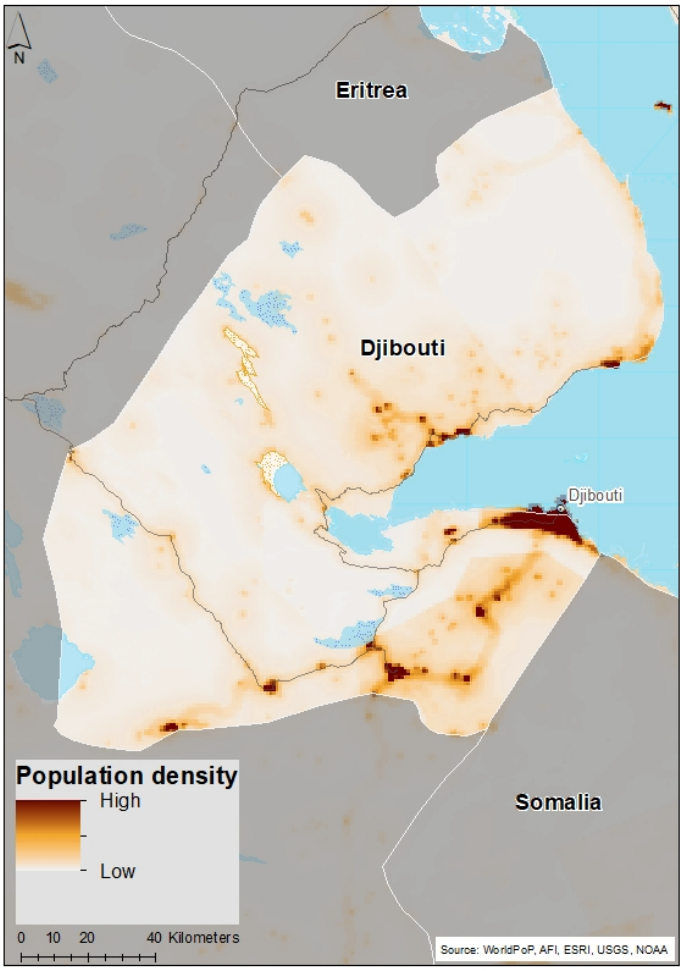

Chart 3 presents a population distribution map for 2024.

Djibouti's population distribution is characterised by extreme spatial concentration in and around Djibouti City and the coastal corridor. This pattern reflects both the country's geographic constraints and a political economy centred on port and logistics activities. In 2024, Djibouti's population density was approximately 50 people per square kilometre, based on a total land area of 23 180 square kilometres. Under the Current Path, density will increase to about 63 people per square kilometre by 2043.

As indicated in the introduction section, Djibouti's social geography is highly urbanised. In 2025, Djibouti City accounted for more than 62% of the national population, followed by Ali Sabieh (7.5%), Tadjoura (5.4%) and Dikhil (4.7%). This pattern of concentration is consistent with broader urbanisation trends. According to the World Bank's climate risk profile, around 78% of Djibouti's population was already living in urban areas in 2019, and the urban share is forecast to increase further to approximately 85% by 2050.

Djibouti's urban primacy has economic benefits and costs. On the upside, a dominant capital region can generate strong agglomeration economies: concentrated labour pools, denser consumer markets, lower per-capita cost of some infrastructure networks (for example, electricity distribution in dense neighbourhoods) and faster diffusion of services and innovation. This logic is consistent with Vision 2035, which explicitly frames the country's objective as positioning itself as a hub for the regional and continental economy. The World Bank's climate profile further highlights that the port complex is the principal economic driver, linking the spatial concentration of people and jobs to port-adjacent economic activity.

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On the cost side, this same concentration amplifies the challenge of urban services keeping pace with urban growth. With the population rising to roughly 1.5 million by 2043, the demand surge is not abstract; it translates into higher requirements for housing, water supply, sanitation, electricity connections, urban mobility and broadband capacity, especially in dense and often informal peripheral settlements. Djibouti is among the world's most water-scarce countries. It faces compounding climate risks, including drought, heat waves, floods, earthquakes and sea-level rise, which raise the cost and complexity of servicing dense coastal populations. When land-use planning and drainage infrastructure lag, dense urbanisation can turn climate shocks into repeated economic losses through port disruption, damaged housing and roads and heightened public health risks. In effect, the spatial pattern intensifies the need for urban resilience investments, including flood control, coastal defences, heat mitigation and reliable water systems.

Spatial concentration also carries a distributional dimension. The Strategy of Accelerated Growth and Promotion of Employment (SCAPE) identifies the need for more balanced territorial development. It explicitly includes an axis on “poles of both regional development and sustainable development,” while also aiming to reduce social disparities and guarantee access to basic services. In a country where the capital concentrates most people and formal economic activity, peripheral regions risk being trapped in a low-access equilibrium characterised by weaker service delivery, higher transport costs, fewer formal jobs and greater vulnerability to shocks. This is not only a rural–urban issue but also a corridor dynamic, given Djibouti’s dependence on port and transit activities, particularly those linked to Ethiopia.

A further spatial dimension shaping Djibouti’s development is the distribution of displaced populations and refugee hosting, which extends beyond the capital into peripheral regions. According to UNHCR, Djibouti hosts approximately 32 000 forcibly displaced people, of whom around 85% reside in refugee settlements, with the remainder living in urban areas, including Djibouti City. These settlements are primarily located in border regions, Holl Holl and Ali Addeh in the Ali Sabieh region, and Markazi in the Obock prefecture, highlighting a distinct geography of displacement that places additional pressure on already underserved areas.

Refugee-hosting regions are not only sites of humanitarian response but also emerging nodes of service delivery and infrastructure demand. Operational updates consistently highlight the need to expand access to water, energy, transport and social services in settlements such as Ali Addeh and Holl Holl, underscoring persistent infrastructure gaps in peripheral areas.

The above trends suggest that regional development strategies should go beyond fostering secondary economic hubs to explicitly incorporate refugee-hosting areas into national planning frameworks. Investments in these regions can serve dual objectives: addressing humanitarian needs while strengthening local economies, improving social cohesion and reducing spatial inequalities. Integrating refugee populations into local service systems and labour markets, where feasible, can also support more inclusive and resilient growth, particularly in a country where geographic concentration and resource constraints already shape development outcomes.

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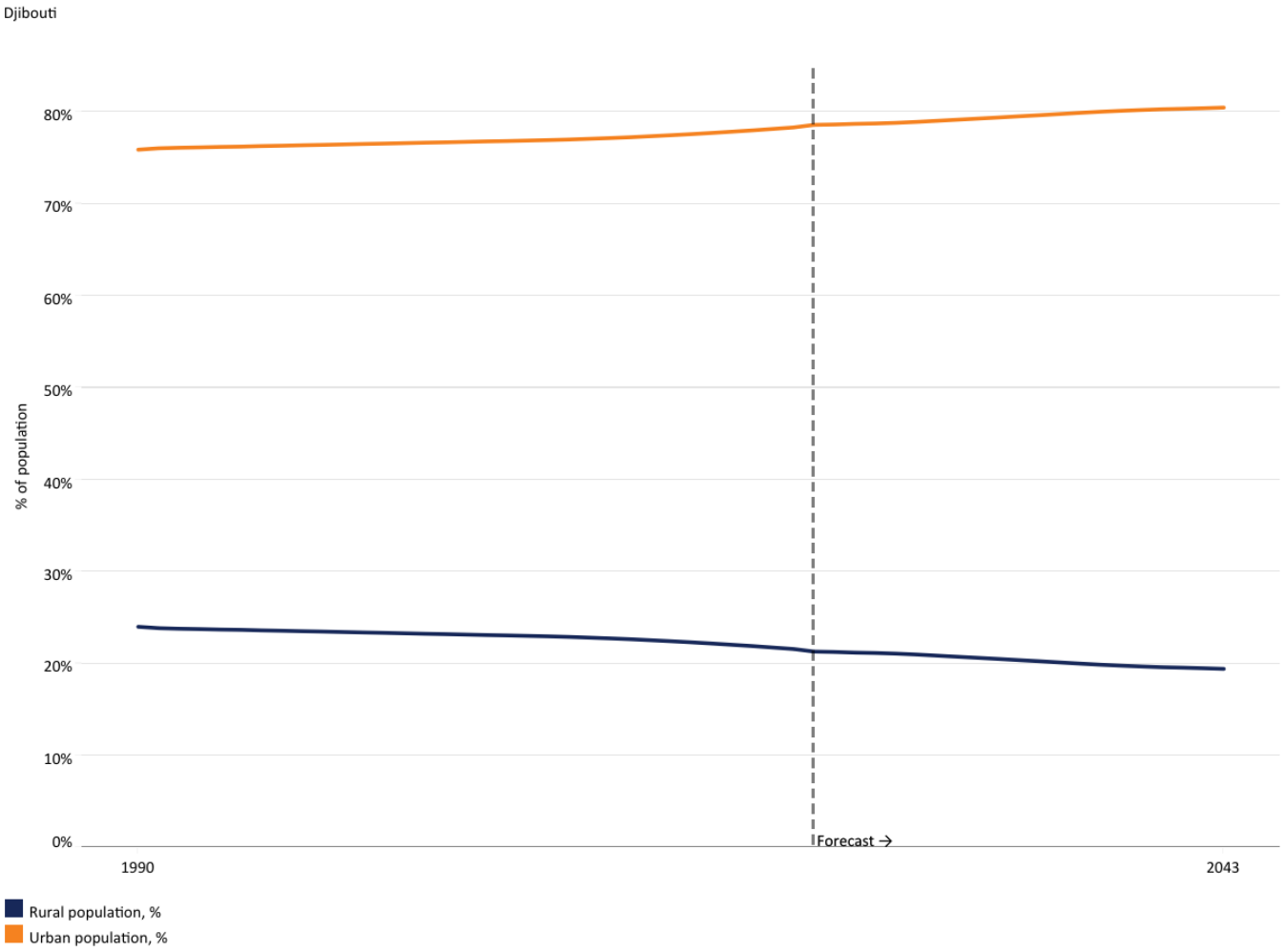
Chart 4: Urban and rural population in the Current Path, 1990-2043



Source: IFs 8.58 initialising from UN World Urbanization Prospects data

Chart 4 presents the urban and rural population in the Current Path, from 1990 to 2043.

Djibouti is already one of Africa's most urbanised countries. Urban share rose rapidly between 1960 and 1983 (from 50.4% to 74.5%) and continued upward to 76% in 1990. Since then, the pace of change has slowed. The urban share reached 79% in 2024 and will increase modestly to 80.5% by 2043 under the Current Path. The Current Path is broadly consistent with the World Bank's Climate Risk Country Profile Report forecast of an 85% urban rate by 2050, up from 78% in 2019. This flattening of the urbanisation trend is typical as a country approaches saturation, a point at which urban shares can still rise, but the dominant dynamic shifts to absolute urban population growth rather than sharp shifts in the urban–rural balance.

In absolute terms, the Current Path implies a large increase in the number of urban residents over the next two decades, even though the urban share changes only marginally. Djibouti's urban population rose from roughly 440 200 in 1990 to about 920 690 in 2024, and will reach about 1.18 million by 2043. The rural population also grew in absolute terms, from roughly 139 300 to about 249 130 and around 285 930 in the same period, even as the rural share declined. The key planning implication is that rural service demand does not disappear; it remains material and grows, while the urban service burden grows faster.

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The economic implications of Chart 4 hinge on the interaction between urban primacy, infrastructure capacity and labour-market absorption. Djibouti's economy is anchored in the capital's port–logistics complex; the World Bank profile describes the complex as the country's economic driver, which explains why people and jobs concentrate in Djibouti-Ville and its peri-urban communes. High urban concentration can generate agglomeration economies, dense labour markets, proximity to customers and services, and lower per-capita costs for some network infrastructure (electricity distribution, broadband rollout) when density is high. Under the Current Path, this can support productivity in tradable services (logistics administration, transport services, ICT-enabled activities) if the business environment and human capital allow firms to scale.

At the same time, the costs of high urbanisation are visible: housing deficits, congestion and undersupplied basic services can push a large share of the population into informal settlements and vulnerable living conditions. Vision 2035 explicitly acknowledges that rapid urbanisation (especially between 1977 and 2010) contributed to the "rapid development of precarious districts" driven by rural exodus and commits to a policy for "cities without shantytowns," including economic housing and sanitation of the built environment. This is not merely aspirational; Djibouti's Integrated Slum Upgrading Project (launched in 2018) aims to improve living conditions in deprived urban areas of Djibouti City and to strengthen institutional capacity for the government's Zero Slum Program (Programme Zéro Bidonville), explicitly targeting vulnerable groups, including refugees and displaced populations. Development partners also document acute service gaps in fast-growing peri-urban areas. For instance, AFD notes that Djibouti City hosts a very large share of the national population and that rapid urbanisation contributed to the explosive growth of Balbala, with water and sanitation networks described as "almost non-existent" in parts of the district.

Labour-market dynamics amplify these urban pressures. As Chart 2 shows, Djibouti's working-age population increases sharply in absolute terms under the Current Path; Chart 4 suggests much of this additional labour supply will continue to concentrate in urban areas. If labour demand in higher-productivity sectors fails to expand, the likely outcomes include higher unemployment and informality. This risk is already visible: the World Bank's modelled ILO estimates place total unemployment at 26% in 2025 for Djibouti. In such a context, high urbanisation can magnify social and fiscal strain (pressure for public employment, informal coping strategies) unless reforms accelerate private-sector job creation and skills development in line with national planning goals.

Urbanisation also intersects with displacement geography. As indicated in the previous section, UNHCR reports that 85% of the refugees hosted in Djibouti reside in refugee villages such as Ali Addeh, Holl-Holl and Markazi. At the same time, the remainder live in urban areas like Djibouti City. This means that even under a highly urbanised national profile, substantial service delivery needs exist in non-urban or peri-urban settings (camps and host communities), while urban systems must also plan for a share of refugees and asylum seekers integrated into city neighbourhoods. The urbanisation story is thus best understood as a two-track service challenge: scaling urban systems in the capital while ensuring infrastructure and basic services in refugee-hosting and rural areas keep pace with absolute population growth.

Finally, Djibouti's environmental and spatial constraints intensify the stakes of urban planning. The World Bank climate profile characterises the country as highly arid, with most land classified as desert, resource scarce and vulnerable to hazards that can be exacerbated by water scarcity and weak land-use planning. For a predominantly coastal, capital-focused settlement pattern, this raises the premium on climate-resilient infrastructure: reliable water production and distribution, flood management during extreme rainfall, heat mitigation and coastal risk management (all essential for protecting households, ports and critical logistics infrastructure).

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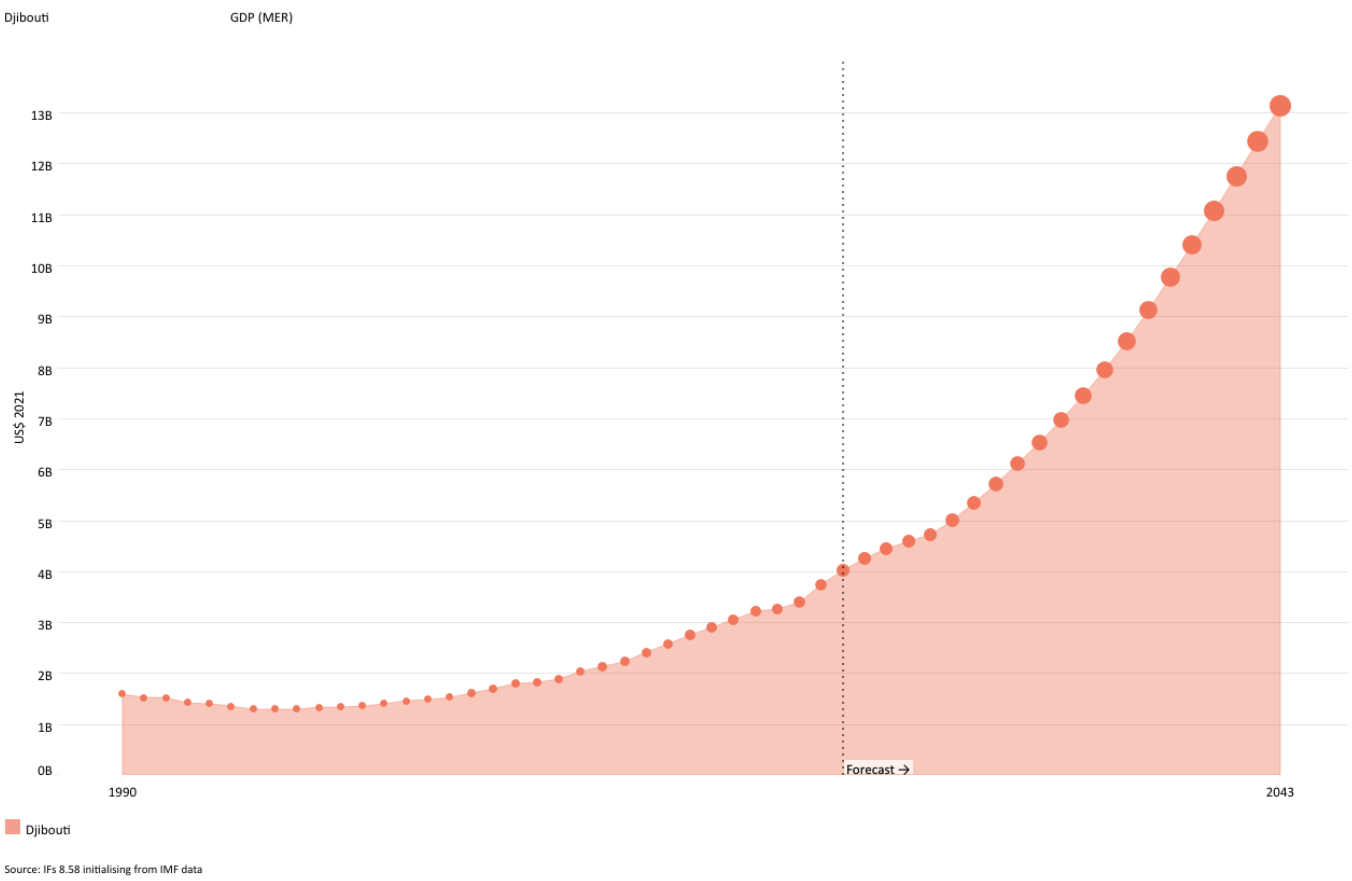
Chart 5: GDP (MER) and growth in the Current Path, 1990-2043



Source: IFs 8.58 initialising from IMF data

Chart 5 presents GDP in market exchange rates (MER) and growth rate in the Current Path, from 1990 to 2043.

Djibouti's GDP (MER) expanded from US$1.47 billion in 1990 to US$4.25 billion in 2024, reflecting an average annual growth rate of 3.3%. Despite this growth, the country remained relatively small in terms of GDP, ranking 164th out of 193 countries in 2024. Looking ahead, GDP will reach approximately US$13.13 billion by 2043 under the Current Path, implying a significantly faster average annual growth rate of 6.1% over the 2025–2043 period. Overall, Djibouti's growth trajectory since 1990 underscores its transformation into a capital-intensive, services-driven economy anchored in logistics and regional connectivity.

The historical pattern of GDP growth from 1990 to 2024 is consistent with the dominant narrative in official diagnostics. Djibouti's growth has been strongly shaped by large-scale investment in port and transport infrastructure, conversion of its strategic geography into service activity, and renewed corridor linkages to Ethiopia, often financed by a mix of external borrowing and partner-supported investment. The Government's National Development Plan 2020–2024 (Djibouti ICI) explicitly notes that the economy's performance improved since 2000, with growth around 5–7% per year, especially starting 2010, and it attributes recent performance in part to the implementation of SCAPE (2015–2019) and the associated rollout of state-of-the-art infrastructure such as the Djibouti–Addis Ababa railway, ports and a Free Zone. This investment-led pattern is corroborated by the World Bank's Systematic Country Diagnostic (SCD), which observes that Djibouti achieved "impressive growth," averaging 8% in 2013–2016, driven by public and private investments in port and transport infrastructure, while warning that this inward-investment strategy also triggered large public borrowing and debt-financed capital accumulation with sustainability concerns.

Two implications from these primary sources are central to interpreting the 1990–2024 period. First, the growth model has

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been services-heavy and capital-intensive. The World Bank SCD notes that the recent investment wave has generated a predominantly capital-intensive, services-based economy, with services accounting for close to 80% of GDP, and that growth has been limited in its inclusiveness, with high unemployment and persistent poverty. Second, macroeconomic vulnerability and fiscal space constraints have been recurring issues. The World Bank SCD documents the rapid rise in public and publicly guaranteed external debt during the investment boom and emphasises Djibouti's exposure to external shocks given its dependence on Ethiopia-linked port activities; it notes that Ethiopia's trade accounts for more than 80% of Djibouti's port activities and that any adverse shock or strategic reorientation could jeopardise Djibouti's ability to service its debt and sustain growth. These constraints matter because GDP growth, even when strong, does not automatically translate into broad-based jobs and incomes unless complementary reforms raise productivity, lower input costs (notably electricity) and improve the business environment.

The 2025–2043 acceleration to an average 6.1% annual GDP (MER) growth under the Current Path will therefore be a meaningful shift. It implies that the economy will sustain a growth pace close to doubling in size about every 12 years (rule-of-72 logic), which is much faster than the 1990–2024 pace (doubling roughly every 22 years). Interpreting this forecast requires linking it to the country's stated policy direction and to the kinds of drivers emphasised in IMF and World Bank diagnostics. Djibouti's long-term strategy explicitly targets high growth. Precisely, Vision 2035 sets an objective to raise average real GDP growth to 8–10% per year over 2013–2035, with growth expected to be enabled by increased port-related services and expansion of transport, commerce and industry, alongside diversification into sectors such as logistics, ICT, finance, tourism, fisheries and manufacturing.

Meanwhile, the Government's SCAPE framework sets goals that demonstrate the same logic, accelerating growth, modernising the economy, increasing the role of the private sector, promoting employment and reducing social and territorial disparities. Read against these targets, the Current Path forecast of 6.1% average GDP (MER) growth per annum will be below the Vision 2035 target. However, it represents a robust acceleration in the medium- to long-run relative to the past three decades.

From an economic perspective, the IMF 2025 Article IV helps explain the types of drivers that can plausibly support such an acceleration, as well as the conditions required for sustainability. The report notes that Djibouti's investment-focused strategy has propelled average growth of about 6% over the past decade, and notes that 2024 growth was about 6.5%, driven by robust transhipment amid Red Sea maritime disruptions, showing how Djibouti's hub role can translate geopolitical shocks into short-run trade and service gains. At the same time, it emphasises that high public investment and rising debt service have constrained fiscal space and calls for reforms to boost private investment, diversify the economy and create jobs, highlighting actions such as leveling the playing field between firms under special and general regimes, lowering electricity costs, improving small and medium enterprises (SMEs) financing and strengthening education and job training (aligned with the national Vision 2035 strategy).

The same diagnostics also clarify the downside risks. Debt sustainability and corridor dependence are structural constraints, not marginal issues. The World Bank SCD explicitly frames debt-financed growth as raising sustainability concerns and highlights the vulnerability created by reliance on Ethiopia-linked port activity and exposure to shocks (including adverse climate events) that can reduce fiscal space and undermine growth. In practical terms, this means that the Current Path trajectory to 2043 should be interpreted as achievable only if (i) corridor and transshipment services remain strong, (ii) Djibouti progressively broadens its service export base and reduces input costs (notably power and ICT costs, which the SCD and IMF treat as competitiveness constraints) and (iii) fiscal consolidation and improved public investment efficiency prevent debt service from crowding out human capital and resilience investment. Climate risk is also a material macro risk driver for Djibouti, especially given water scarcity and exposure of critical infrastructure to extreme heat and episodic flooding, risks that can raise operating costs and disrupt transport and logistics activity.

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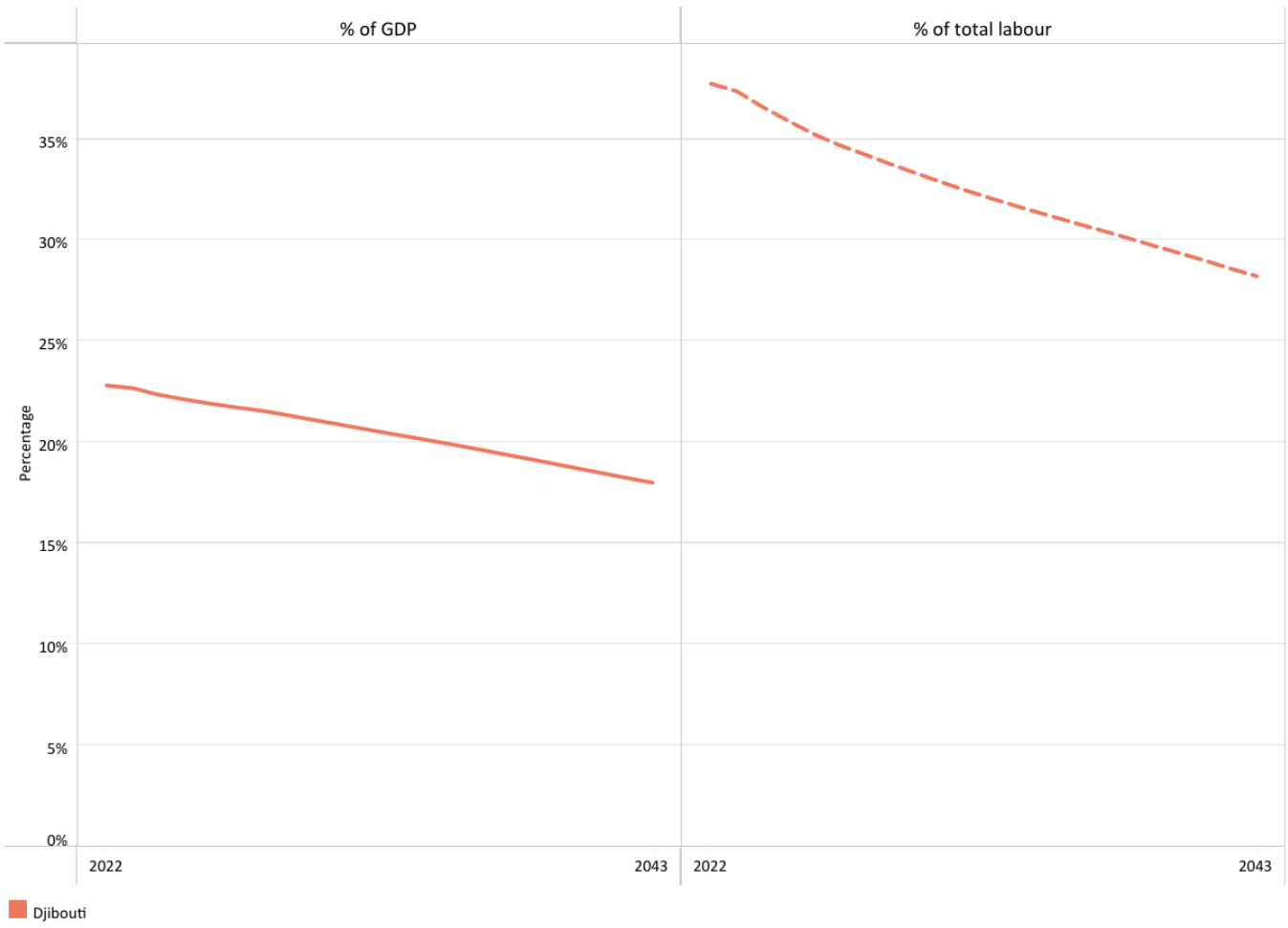
Chart 6: Size of the informal economy in the Current Path, 2022-2043



Source: IFs 8.58 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 6 presents the size of the informal economy as a percentage of GDP and percentage of total labour (non-agriculture), from 2022 to 2043. The data in our modelling are largely estimates and therefore may differ from other sources.

Djibouti's Current Path suggests a gradual but meaningful reduction in informality over the next two decades. Informality will already be lower than the African lower-middle-income (LMIC) average and will widen that gap by 2043. The informal economy's share of GDP will decline from 22.4% in 2024 to roughly 18% in 2043. Over the same period, the informal share of the non-agricultural labour force will decline from 36.6% to 28.2%. By comparison, the African LMIC average will decline from 30.3% to 26.3% of GDP and from 57% to 53% of the non-agricultural labour force. These trajectories imply that Djibouti's Current Path will reduce informality at least as fast as the LMIC average in GDP terms, and substantially faster in labour-market terms, moving from one-third informal toward about one-quarter informal non-agricultural employment by 2043.

Before 2024, Djibouti's informality is best understood as a structural feature of a services-led, urban economy in which highly capital-intensive logistics and port activity coexist with a large base of low-productivity urban services and trade. The World Bank's SCD characterises Djibouti's services dominance and notes that, outside the public sector, "most workers are

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engaged in low-value informal wholesale and retail trade," and that a large share of the working-age population is unemployed, informally employed or out of the labour force. This diagnosis aligns with the classic informality dualism: a narrow modern sector (ports/State Owned Enterprises (SOEs)/public sector and some formal services) alongside a broad set of microenterprises and casual work in trade, transport, personal services and construction. Informality is therefore both a livelihood strategy and a sign of limited economic transformation, especially when it reflects survivalist self-employment rather than dynamic entrepreneurship.

Measurement and definition matter when interpreting any informality trajectory. The ILO distinguishes between the informal sector (enterprise-based) and informal employment (job-based) and provides the international statistical guidance used by many countries and datasets. The World Bank also emphasises that informality is measured using multiple approaches and has compiled a multi-method Informal Economy Database, reflecting how different estimation methods can yield different levels and trends. For this report, the critical interpretive task is not to claim a single true informal share but to explain what a declining trajectory implies for productivity, inclusion and fiscal space.

The Current Path decline in informality is consistent with Djibouti's long-run policy intent to shift from a state-led, capital-accumulation model toward a more competitive, private-sector-driven economy with higher employment intensity. The Vision 2035 framework explicitly defines a pillar of "a diversified and competitive economy with the private sector as the engine," alongside governance and human capital pillars that are essential for formal, productive job creation. SCAPE (2015–2019), positioned as a principal operational instrument of Vision 2035, targets large-scale job creation and emphasises private-sector-led economic growth, human capital development, strengthened governance and regional development poles. In this policy context, falling informality in the Current Path can be interpreted as the model's assumption that a larger share of firms and jobs will become registered and regulated over time, particularly as infrastructure will improve, the business environment will reform, and formal services and value-adding activities will expand around the ports, free zones and corridor economy.

Economically, the payoff from reducing informality is substantial. Lower informality generally implies higher productivity (through better access to finance, technology adoption and scale), stronger worker protections and expanded participation in formal systems. The ILO frames transitions to formality as a core development challenge and highlights that policy packages for transition support sustainable development (SDG) progress and decent work. For the state, formalisation broadens the tax base and strengthens the contributory base for social protection, enabling more sustainable financing of service delivery and public investment. The IMF's 2025 Article IV stresses that revenues are limited relative to spending needs and identifies priorities, including standardising tax regimes to broaden the tax base, narrowing exemptions and pursuing reforms that foster private-sector development and formal job creation, alongside energy-sector reforms and human capital investment. These recommendations are consistent with the Current Path, in which informality will decline as fiscal institutions improve, firms' incentives to formalise strengthen, and the regulatory burden becomes more predictable.

Nonetheless, the persistence of informality, 18% of GDP and 28% of non-agricultural employment by 2043 under the Current Path, signals that structural constraints will remain. Djibouti's corridor-dependent model is exposed to regional disruptions and geopolitical shocks that can move workers into informal coping strategies. Climate and water stress can also suppress productivity and raise the cost of formal operations, especially for small firms, reinforcing informality in low-margin activities. The Current Path improvement is therefore best read as gradual progress, not automatic transformation. To realise the forecast reductions, Djibouti must expand formal private-sector job creation faster than population growth and ensure that formalisation is not simply enforcement-driven but incentive-compatible (cheaper compliance, better services, better access to finance).

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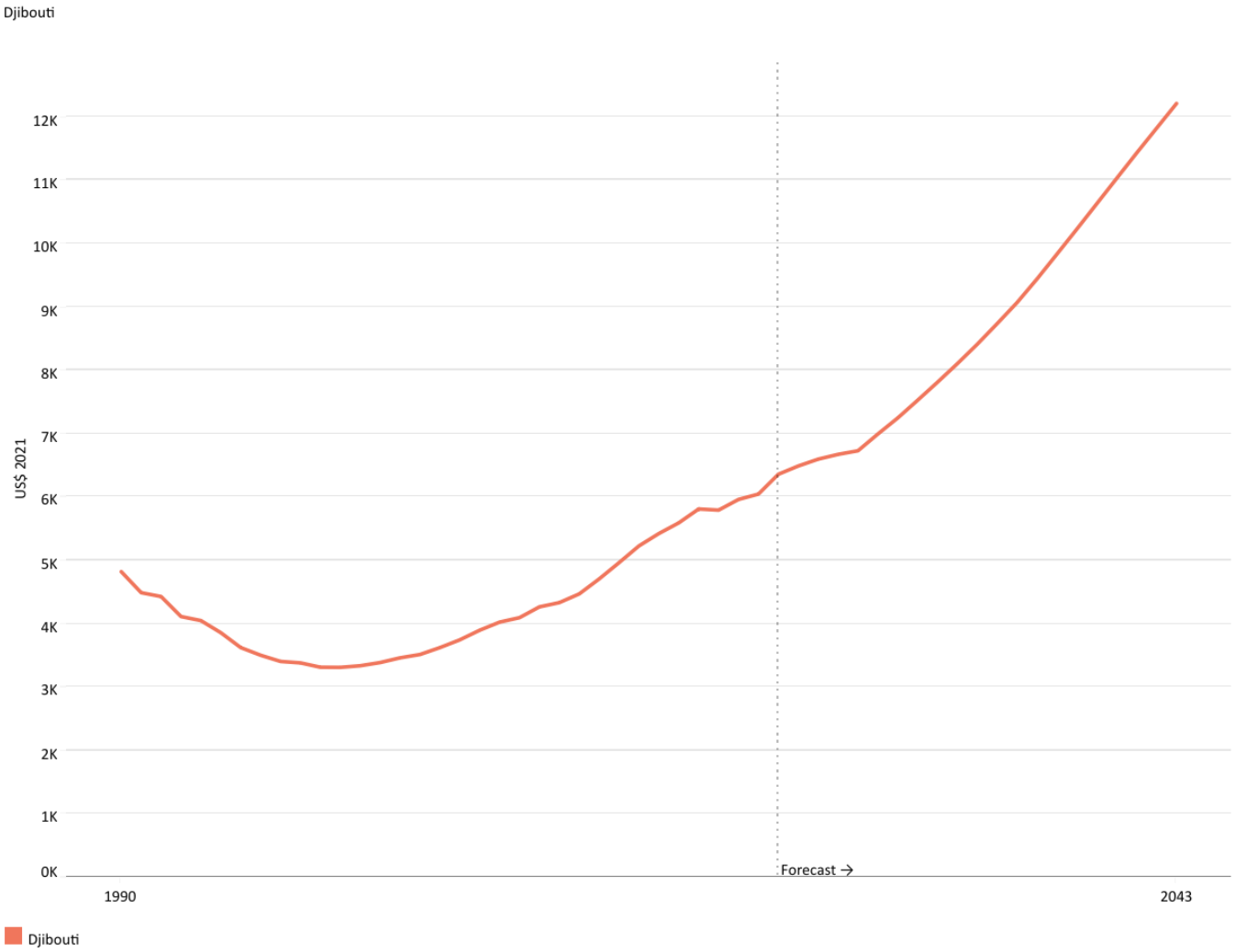
Chart 7: GDP per capita in Current Path, 1990-2043



Source: IFs 8.58 initialising from IMF data

Chart 7 presents GDP per capita in the Current Path, from 1990 to 2043, compared with the average for the African income group.

Djibouti's GDP per capita trajectory reflects three distinct phases: a sharp contraction in the 1990s, a strong recovery after 2000, and a forecast acceleration after 2024, with the country surpassing the African LMIC average around 2030/31. GDP per capita declined from about US$4 820 in 1990 to US$3 310 in 2000 before rising steadily to approximately US$6 840 in 2024. This recovery aligns with evidence from the World Bank's SCD, which shows that average per capita GDP growth shifted from 4% in 1991–1999 to 2.6% during 2000–2014 and accelerated further to about 5.8% between 2015 and 2017, reflecting a broader structural turnaround after 2000. Under the Current Path, GDP per capita will nearly double to approximately US$12 220 by 2043, roughly US$2 600 above the African LMIC average forecast. However, the country is unlikely to achieve its Vision 2035 target of tripling GDP per capita by 2035.

The historical drivers of Djibouti's post-2000 per-capita recovery are closely linked to services- and infrastructure-led growth stemming from its strategic location. The World Bank SCD notes that Djibouti's stable domestic political environment enabled it to leverage its strategic position to attract investors and highlights major investments, including port development and the electric railway connection to Ethiopia. As indicated in Chart 5, these investments

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helped fuel a predominantly capital-intensive, services-based economy. The same diagnostic emphasises that Ethiopia's trade accounts for more than 80% of Djibouti's port activities, clarifying both the scale of the opportunity and the vulnerability embedded in the corridor model. This structure helps explain why per-capita growth can be strong during periods of corridor expansion and transhipment booms, while also being exposed to external shocks and strategic competition from alternative routes.

Those vulnerabilities are central to interpreting the forecast period under the Current Path. The IMF's 2025 Article IV notes that Djibouti's "investment-focused strategy" has yielded average growth of about 6% over the past decade, and states that growth remained strong at about 6.5% in 2024, driven by "robust transhipment amid Red Sea maritime disruptions." These dynamics, Djibouti capturing logistics and transhipment rents from regional disruptions, can temporarily lift GDP and, depending on inflation and population growth, can support higher GDP per capita. However, the report simultaneously warns that substantial public investment, declining revenues and rising debt service have constrained fiscal space and increased pressure on debt sustainability. The World Bank SCD echoes this risk, arguing that capital accumulation has been increasingly debt-financed and that debt service can constrain fiscal space and limit necessary spending in social sectors.

In short, the Current Path's strong per-capita forecast to 2043 is consistent with ongoing expansion of services and corridor activity. Still, it is contingent on maintaining debt sustainability, strengthening institutions and improving the inclusiveness of growth.

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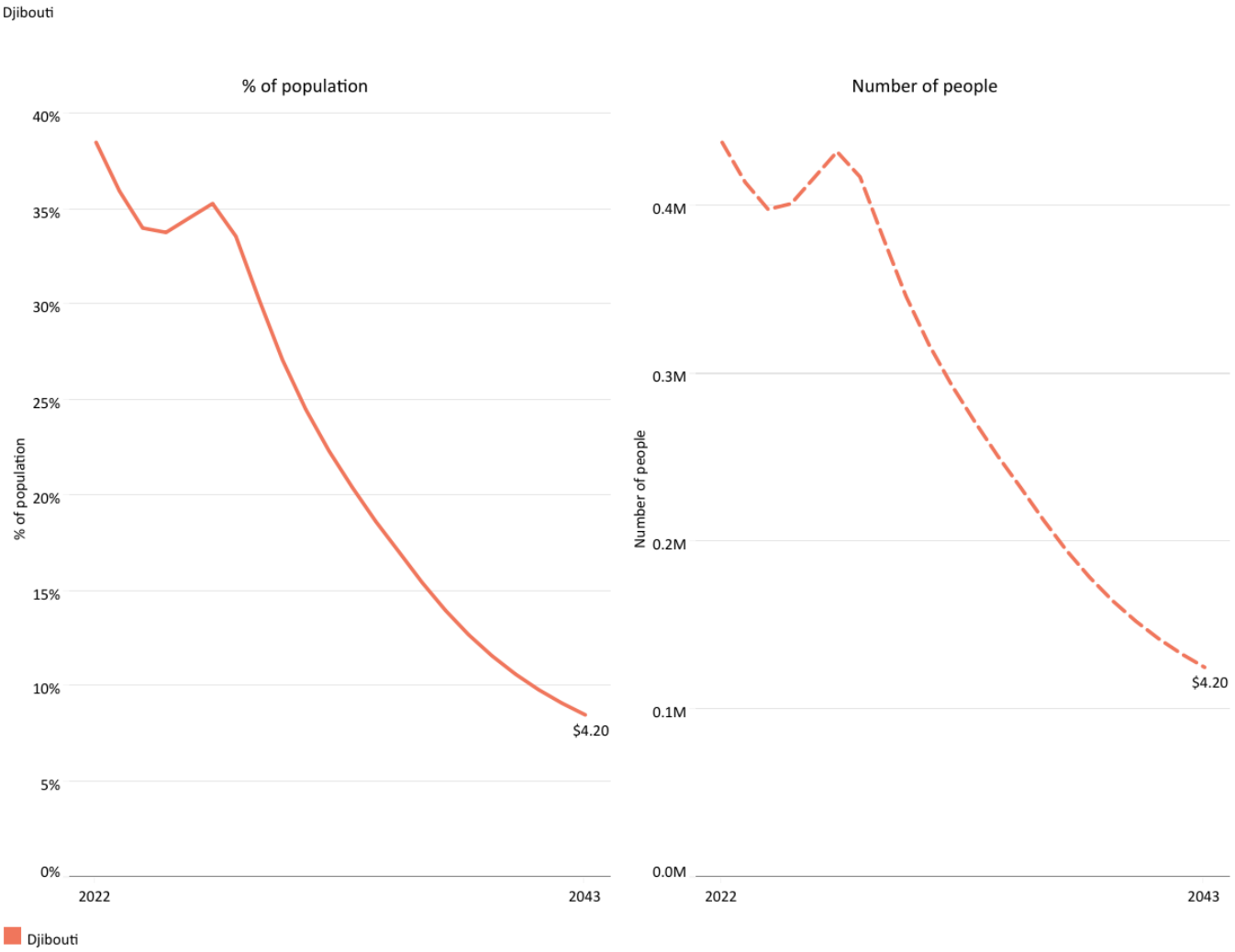
Chart 8: Extreme poverty in Current Path, 2022-2043



Source: IFs 8.58 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 8 presents the rate and number of extremely poor people in the Current Path from 2022 to 2043.

In June 2025, the World Bank updated its poverty lines to 2021 PPP terms, now using US$3.00 per person for extreme poverty, US$4.20 for lower-middle-income countries (LMICs) such as Djibouti, and US$8.30 for upper-middle-income countries (UMICs).

Djibouti's poverty reduction story before 2022 is best described as growth with weak inclusiveness, shaped by a services-led, infrastructure-heavy development model that generated sizable output gains but did not consistently translate into low poverty and broad employment. The World Bank's SCD emphasises that, despite strong growth during the 2013–2016 investment boom, "growth has not been inclusive," and notes that a 2017 national household survey found that 20.8% of the population lived in extreme poverty. At the same time, the extreme poverty rate measured at the older World Bank's US$1.90 line stood at 22.5%, worse than the average poverty rate of 16.4% for LMICs. The same SCD links persistent poverty to structural constraints: capital-intensive growth dominated by capital accumulation with limited labour contribution, high unemployment and informality and a narrow base of private formal job creation. This aligns with

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Djibouti's own planning narrative in SCAPE (2015–2019), which frames accelerated growth as necessary but explicitly pairs it with job creation, improved access to basic services, and a commitment to reducing poverty as part of the Vision 2035 trajectory.

Recent World Bank macro and poverty monitoring indicates that poverty has been declining but remains widespread. Precisely, the Djibouti Macro Poverty Outlook reports that the share living below US$3.00 per day fell from 25.4% to 20% between 2017 and 2024, while the US$4.20 per day poverty rate dropped from 43.7% to 35.4% over the same period, with further decline forecasted through 2027. The Current Path, likewise, indicates that the downward momentum in poverty will continue and accelerate. At the US$3.00 line, extreme poverty will drop to 3.1% (45 440 people) by 2043. At the US$4.20 line, the Current Path shows poverty declining to roughly 9% (125 120 people) at the same time, substantially outperforming the Africa LMIC average and placing Djibouti within the targets of its National Development Plan (NDP) 2020–2024 (Djibouti ICI) to cut poverty by 28% in 2025. The headcount will fall by approximately 171 040 people and 272 630 people between 2004 and 2043, respectively.

This scale of poverty reduction (both at US$3.00 and US$4.20 lines) is consistent with an economy that continues expanding in high-value services (ports, logistics) while gradually improving access to basic services and human capital, drivers emphasised in official strategies (SCAPE/Vision 2035) and in partner diagnostics as necessary for inclusive outcomes. The IMF's 2025 Article IV similarly acknowledges that Djibouti's investment-focused strategy has produced robust growth, but stresses that rising debt service and constrained fiscal space increase the need for reforms that support private investment, job creation and sustained human capital spending. In poverty terms, the Current Path's sharp decline at US$4.20 implies that growth is assumed to translate more effectively into household incomes than in the pre-2022 period, through some combination of (a) expanding employment and earnings in services linked to ports and logistics and ancillary urban services, (b) reduced informality and improved productivity that raise earnings per worker and (c) stronger social protection and service delivery that prevents households from falling into poverty during shocks.

The main risks to this poverty trajectory mirror Djibouti's structural vulnerabilities. First, corridor dependence and regional instability can rapidly affect service revenues and employment. Second, climate and water stress can raise food and living costs, especially in dense urban areas, slowing poverty reduction or reversing gains during shocks. Third, macro-fiscal constraints can limit the state's capacity to expand targeted transfers and human capital spending at the pace implied by these forecasts.

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Chart 9: National Development Plan of Djibouti

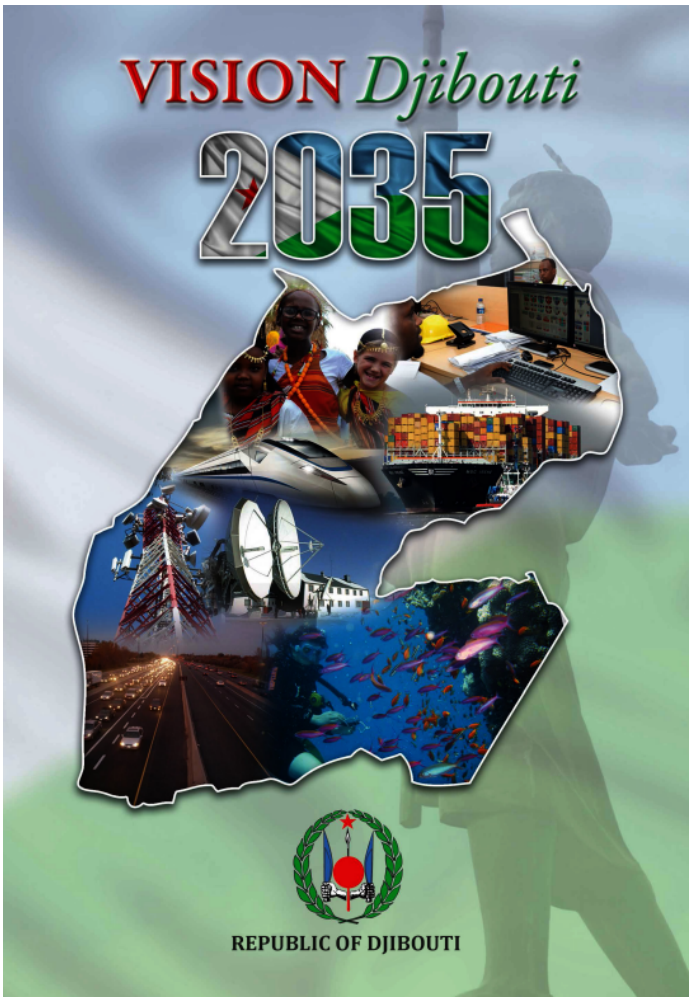

Chart 9 depicts the National Development Plan (NDP).

Djibouti's national planning hierarchy is anchored in Vision Djibouti 2035, a long-term national vision intended to guide development toward "a desired future" by 2035. Vision 2035 is organised around five pillars. (1) Peace and National Unity, (2) Good Governance, (3) A diversified and competitive economy driven by the private sector, (4) Consolidation of Human Capital and (5) Regional Integration, explicitly linking national cohesion, institutional performance and economic transformation to inclusive development and international integration. Implementation is designed through five-year planning cycles: the Government describes SCAPE (2015–2019) as the first operational version of Vision 2035, implemented in these five-year cycles. SCAPE and Vision 2035 define a high-ambition development trajectory, tripling per capita income, creating more than 200 000 jobs, reducing unemployment to roughly 10% by 2035, reducing absolute poverty by more than one-third and achieving universal access to energy, water and basic services, providing a clear target framework for the Current Path and scenario interpretation in the rest of this report.

The second major operational plan is the National Development Plan (NDP) 2020–2024, "Djibouti ICI", explicitly presented as consolidating SCAPE achievements and the COVID-era National Solidarity Pact, and developed within the Vision 2035 framework. Djibouti ICI is structured around three strategic axes, inclusion, connectivity and institutions, reinforced by intersecting themes including human capital development, environment and climate change and renewable energy. It also explicitly situates national planning within continental and global agendas, stating that it encompasses Djibouti's international commitments, including the AU Agenda 2063 and the UN 2030 Agenda. Djibouti ICI includes explicit distributional targets and social objectives, for example, a stated target to reduce poverty by 28% and reduce the Gini

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index from 0.42 to 0.35 in 2025, while expanding access to schooling, basic health services and energy, water and sanitation. It also signals an intent to mobilise external resources (including Aid and diaspora engagement) and explicitly notes that measures to mobilise the diaspora would increase remittances.

The feasibility of this planning architecture hinges on three binding trade-offs repeatedly highlighted by development partners. First, the growth model has been investment-heavy and corridor-dependent. Second, fiscal space is constrained by the interaction of development needs and debt service. Third, environmental constraints increase delivery costs. These trade-offs shape how the report maps plan targets to the Current Path, sectoral scenarios and the Combined scenario forecasts.

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