



Djibouti

Djibouti: Scenarios

Marvellous Ngundu

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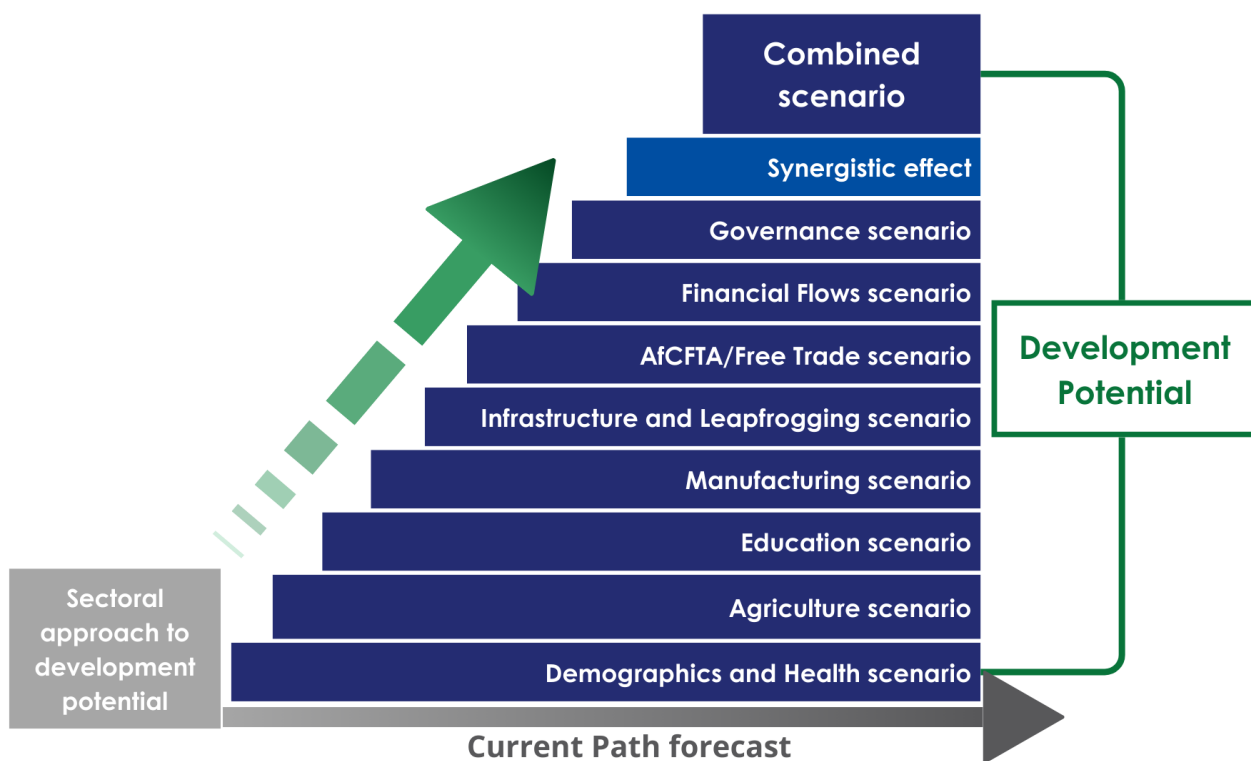
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Djibouti: Scenarios

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Briefly

Chart 10: Relationship between Current Path and Scenarios



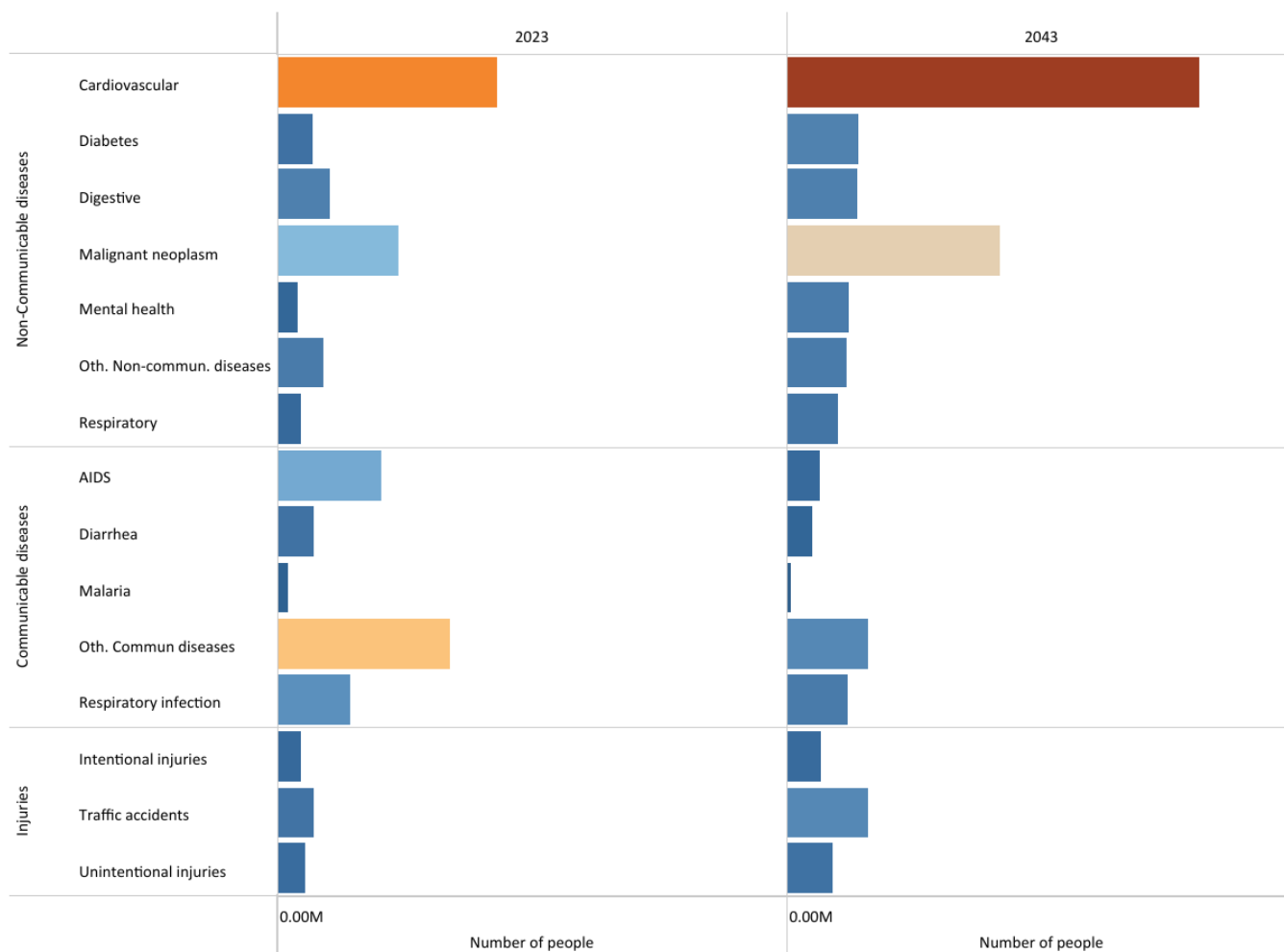
The [Technical Page](#) explains the eight sectoral scenarios and their relationship to the Current Path and the Combined scenario. Chart 10 summarises the approach.

Demographics and Health scenario

Chart 11: Mortality distribution in the Current Path, 2023-2043



Djibouti



Source: IFs 8.58 initialising from IHME data

Chart 11 presents the mortality distribution in the Current Path for 2024 and 2043.

The Demographics and Health scenario envisions ambitious improvements in child and maternal mortality rates, enhanced access to modern contraception, and decreased mortality from communicable diseases (e.g., AIDS, diarrhoea, malaria, respiratory infections) and non-communicable diseases (e.g., diabetes), alongside advancements in safe water access and sanitation. This scenario assumes a swift demographic transition supported by heightened investments in health and water, sanitation, and hygiene (WaSH) infrastructure.

Visit the themes on [Demographics and Health/WaSH](#) for more details on the scenario structure and interventions.

Djibouti's Current Path mortality distribution indicates that the country is now firmly in a double-burden phase of its epidemiological transition, where non-communicable diseases (NCDs) rise rapidly while communicable diseases continue to decline and injuries remain a persistent risk. [WHO's DataDot country profile for Djibouti](#) shows that by 2021, an

estimated 47% of deaths were from NCDs, 42% from communicable conditions and 9% from injuries, suggesting that Djibouti was at (or very near to) the point where NCD mortality became the largest share.

Under the Current Path, NCD mortality will become the dominant and fastest-growing pressure on the health system over the next two decades. Deaths from NCDs will rise from about 4 060 in 2024 to 7 110 by 2043, an increase of 3 050 deaths. Over the same period, deaths from communicable diseases will fall from about 2 910 to 1 530, a decline of 1 380 deaths. This is the classic signature of an epidemiological transition: as fertility declines and the population ages (as shown in Chart 2), chronic conditions become a larger share of avoidable mortality, while infectious disease burdens retreat but do not disappear.

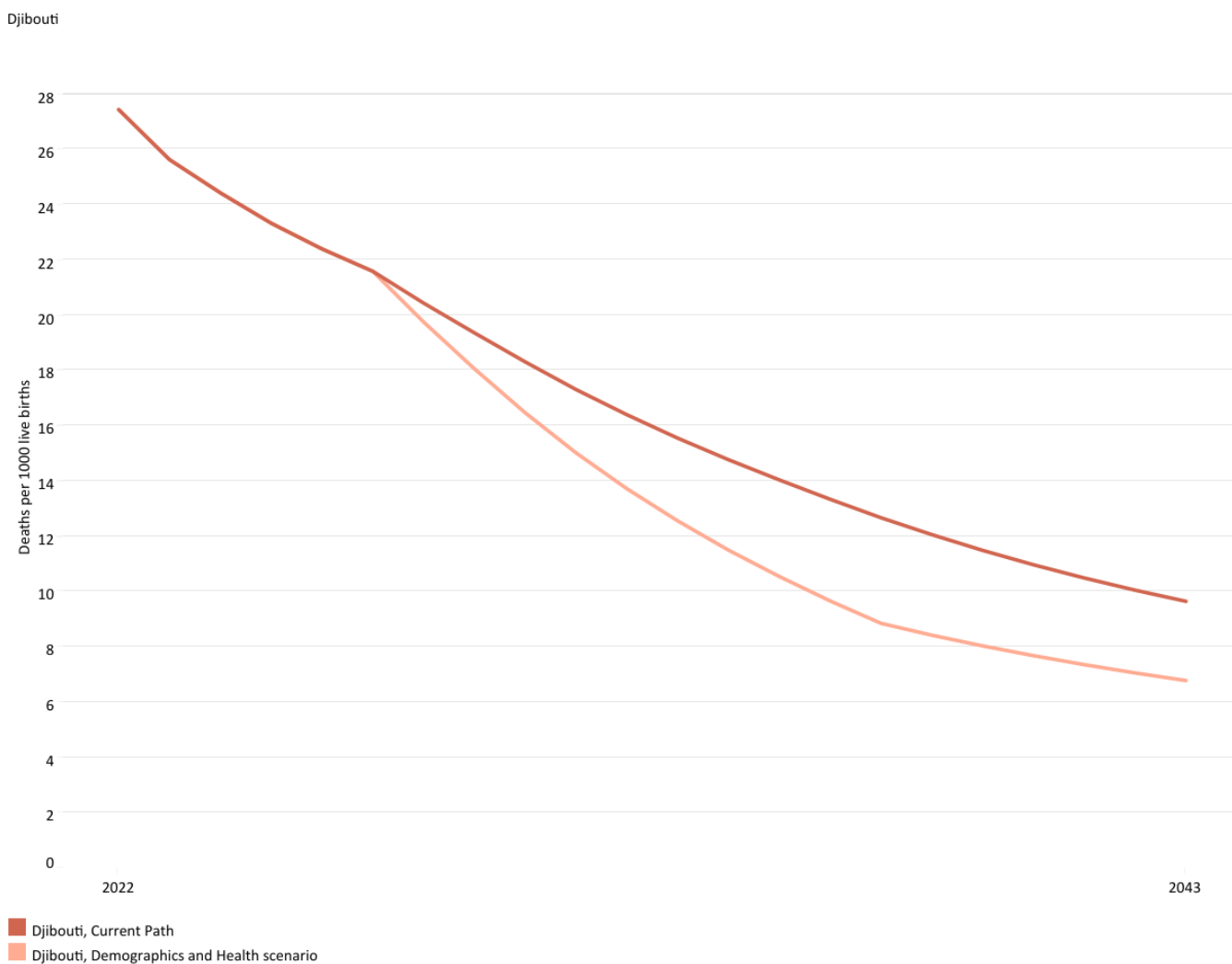
Regarding mortality distribution, in 2024, the largest single cause was cardiovascular disease (approximately 1 700 deaths), followed by other communicable diseases (approximately 1 260), malignant neoplasms (approximately 950), AIDS (approximately 750) and respiratory infections (approximately 550). By 2043, the ranking will change further toward NCD dominance: cardiovascular deaths will rise to approximately 3 110 and malignant neoplasms will rise to roughly 1 610. At the same time, other communicable diseases will decline but remain material at about 622 deaths, indicating a persisting infectious burden even as the country transitions. AIDS and respiratory infections will become less threatening from the 2030s, while digestive diseases, diabetes and traffic accidents increase into the top-five causes.

The [World Bank](#) emphasises that NCDs pose a growing threat to health and development in LMICs, driven by ageing populations, urbanisation and lifestyle change, and that many countries face a double burden with unfinished communicable disease challenges alongside rising NCDs. For Djibouti, the growth in cardiovascular disease, cancers and diabetes implies greater demand for long-term, continuous care (hypertension screening, chronic medication, oncology pathways and dialysis and complication management) rather than episodic acute care. That raises recurrent operating costs for the health system and increases the risk of catastrophic household spending if service coverage is incomplete, particularly among poorer urban households and vulnerable groups. Policy guidance from the [World Bank](#) highlights that effective NCD response often requires a greater focus on publicly financed, primary-health-care-based services, underscoring the need to strengthen primary health care (PHC) platforms rather than relying only on hospitals.

At the same time, the decline in AIDS and respiratory infections in the Current Path implies continued gains from prevention, treatment and public health programs. Djibouti's development partners nonetheless flag institutional constraints. A [UNFPA/UNDP country program draft](#) notes that the Ministry of Health has a National Health Development Plan (NHDP) 2020–2024 and a strategy to accelerate maternal and newborn mortality reduction, but that decentralisation, coordination and accountability remain key challenges, alongside limited high-functioning facilities and large urban–rural disparities in service coverage. These governance and capacity constraints matter because NCD care requires reliable follow-up systems, supply chains for essential medicines and consistent quality across districts.

Finally, the emergence of traffic accidents as a rising top-five threat by the 2030s will economically be important because road injuries disproportionately affect working-age adults, directly reducing labour productivity and raising health costs. Globally, the [UN system](#) frames road safety as a development priority, with commitments to reduce road traffic deaths by at least 50% by 2030 under the Decade of Action for Road Safety 2021–2030. If injuries will rise while NCDs accelerate, Djibouti risks a triple pressure on the health system: chronic disease management, still-meaningful infectious disease control and injury care, each with distinct infrastructure and workforce needs.

Chart 12: Infant mortality rate in Current Path and Demographics and Health scenario, 2022-2043



Source: IFs 8.5.8 initialising from IHME data

Chart 12 presents the infant mortality rate in the Current Path and the Demographics and Health scenario, from 2022 to 2043.

Infant mortality, defined as deaths between birth and 365 days per 1 000 live births, is a crucial indicator of maternal health, newborn care quality, nutrition, immunisation and water and sanitation conditions. Chart 12 should therefore be read as both a health-system performance signal and an inclusion signal. Historically, Djibouti has reduced infant mortality substantially since 1990, but entered the 2020s with a level still consistent with major preventable causes of newborn and early-childhood deaths. UN IGME’s Levels & Trends in Child Mortality statistical table reports that Djibouti’s infant mortality rate fell from 91 per 1 000 in 1990 to 44 per 1 000 in 2022. This long decline reflects progress in child survival. Still, the remaining burden points to persistent constraints in neonatal care, limited access to quality care outside the capital and vulnerability to shocks (drought, floods) that affect nutrition and service delivery, issues also flagged in recent UN program diagnostics that highlight institutional and service coverage gaps, particularly across the urban-rural divide.

The Current Path and the Demographics and Health scenario forecasts imply that Djibouti would achieve exceptionally rapid gains in child survival over the next two decades, well beyond the pace of other African LMICs. Under the Current Path, the infant mortality rate (IMR) will decline from 24.4 in 2024 to 9.6 per 1 000 live births by 2043. Under the

Demographics and Health scenario, IMR will fall further to 6.8 per 1 000 by 2043, which is about 2.8 fewer infant deaths per 1 000 live births than the Current Path in 2043.

Globally, [SDG 3.2](#) commits countries to ending preventable deaths of newborns and children under five, with benchmarks of neonatal mortality 12 and under-5 mortality 25 per 1 000 live births by 2030. Achieving such targets typically requires stronger antenatal care, skilled birth attendance, emergency obstetric and newborn care, postnatal follow-up and effective community health systems. In Djibouti, how these inputs are organised is shaped by constraints on health system capacity and equity. As indicated in the previous section, the Ministry of Health has an NHDP (2020–2024) and a strategy to accelerate reductions in maternal and newborn mortality, but UNFPA highlights persistent institutional constraints, including coordination and accountability as well as notable urban–rural disparities in service coverage. The Demographics and Health scenario assumes effective interventions to address these constraints, thereby achieving the SDG3.2 targets in the early 2030s, rather than in the later 2030s under the Current Path.

The economic and fiscal implications of achieving and sustaining reductions under the Demographics and Health scenario are substantial. Lower infant mortality improves human capital accumulation and long-run productivity (by enabling more surviving children to reach school age and adulthood). Still, it also requires reliable recurrent spending, especially for frontline services, supply chains for essential medicines and WaSH investments. [UNICEF's](#) operations in Djibouti illustrate the continued importance of combined health–nutrition–WASH responses (under the Demographic and Health scenario) during shocks; for example, UNICEF programming priorities include access to safe water and nutrition assistance for children in affected areas, reflecting how drought and vulnerability intersect with child health outcomes.

Chart 13: Demographic dividend in the Current Path and the Demographics and Health scenario, 2022-2043



Source: IFs 8.58 initialising from UNPD Population Prospects data

Chart 13 presents the demographic dividend in the Current Path and in the Demographics and Health scenario, from 2020 to 2043.

UNFPA defines the demographic dividend as economic growth potential arising mainly when the share of the working-age population exceeds the non-working-age or dependants' share (under 15 and 65+). This window emerges when the ratio of working-age individuals to dependants rises to about 1.7 to 1 or higher. The World Bank's demographic dividend operational guidance emphasises that it is typically a 20–30 year period driven by fertility decline and age-structure change and that capturing it requires timely policies and investments, especially in health, education, governance and the economy, to ensure the bulge cohort finds well-paying jobs rather than unemployment or low-productivity work. Djibouti's age structure, as depicted in Chart 2, is consistent with the conditions for a demographic dividend, but the economic payoff hinges on the country's ability to translate that labour supply into productivity and earnings.

Djibouti crossed the demographic dividend threshold in 2018, and the ratio has since increased to roughly 1.9 in 2024. Under the Current Path, it will rise further to about 2 by 2043. In the Demographics and Health scenario, the ratio will increase more rapidly, reaching nearly 2.2 over the same period, suggesting a stronger potential boost to economic growth if supported by appropriate employment, education and health policies.

The most immediate implication is the scale of labour-market absorption required. If the working-age population rises from about 791 000 in 2024 to about 1 004 000 by 2043, Djibouti must create productive opportunities for a net increase on the order of approximately 213 000 additional working-age residents over two decades, through formal wage jobs, viable self-employment and productivity gains that raise incomes per worker. Today's labour-market conditions sharpen this challenge: The World Bank modelled ILO estimates place total unemployment at 26% in 2025 and youth unemployment (ages 15–24) at 76.8% in the same year. If these conditions persist under the Current Path, the demographic window will not translate fully into faster per-capita growth; instead, it can manifest as higher pressure on public employment, household coping strategies and low-productivity informal work, exactly the risk highlighted by the [World Bank's demographic dividend guidance](#) if job creation lags.

Human capital is a second binding condition for realising the dividend. The [World Bank's Djibouti Human Capital Review](#) states that, based on a Human Capital Index (HCI) simulation, a child born in Djibouti in 2022 would achieve only 41% (HCI of 0.41) of full human capital potential by age 18, leaving 59% of potential untapped, an explicit productivity constraint. In a population structure where two-thirds of citizens are of working age, low learning outcomes, health burdens and limited skills formation directly reduce the return from favourable demography. Accordingly, human capital improvements are not just social goals, but fundamental economic requirements for converting a large working-age cohort into higher output and wages.

Female labour force participation is a third decisive lever. The World Bank's demographic dividend note links stalled demographic transition to “[lower levels of women entering the labour market](#)” and weaker women's empowerment, alongside higher youth unemployment and instability risks. In Djibouti's context, raising women's participation is not merely an equity agenda; it is a mechanism to expand the effective labour supply, increase household incomes and raise savings and investment, but only if labour demand expands and constraints (safety, childcare, skills, norms) are addressed. The demographic structure can therefore amplify the payoff from gender-inclusive growth strategies, especially those that increase women's access to higher-productivity sectors (services, ICT, logistics administration and formal SMEs).

The [World Bank demographic dividend framework](#) emphasises a potential second dividend later in the transition, driven by the savings and investment behaviour of the bulge cohort as it ages. Capturing that second dividend typically requires financial deepening and credible long-term policy (pensions, savings vehicles, stable macro-fiscal conditions). Without such preparation, ageing can instead raise fiscal stress.

Djibouti's national development plans directly frame the demographic transition as an opportunity that must be matched by economic transformation. [Vision 2035's](#) overarching aim is to position the country as a hub for the regional and continental economy, and it emphasises a “diversified and competitive economy, driven by the private sector,” with growth anchored in port-linked services, transport, industry and ICT. It also includes a pillar on “Consolidation of Human Capital,” explicitly linking well-being and development to needs in health, education and training, jobs and the promotion of women and young people. The [SCAPE](#) reflects this same logic: it sets explicit objectives to accelerate growth, modernise the economy, assert the role of the private sector, promote employment and reduce social and territorial disparities. In other words, Djibouti's planning architecture is aligned with the conditions the demographic dividend literature identifies as essential: jobs, human capital and institutional capability.

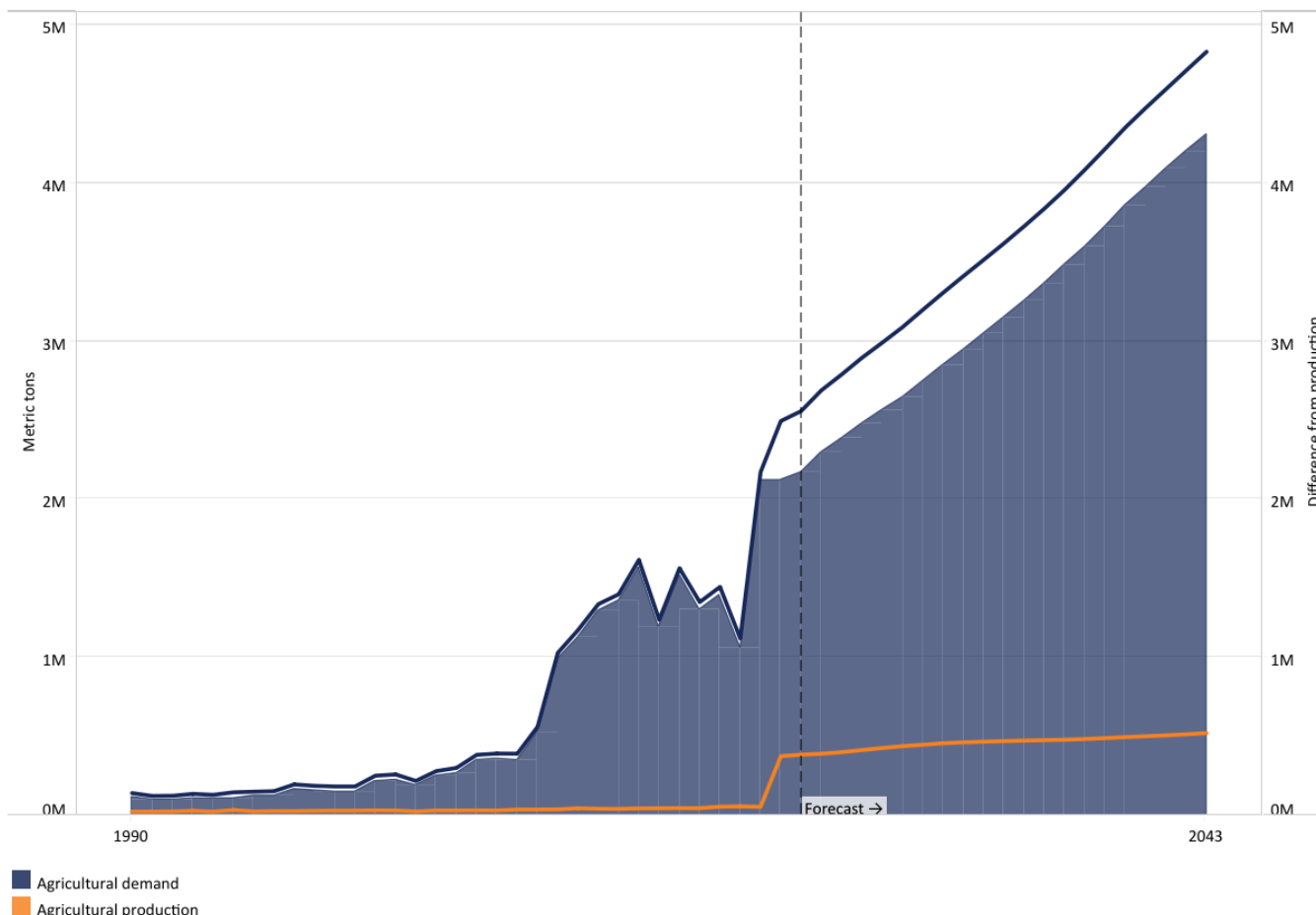
Agriculture scenario

Chart 14: Crop production and demand in the Current Path, 1990-2043

Area chart show demand less production



Djibouti



Source: IFs 8.58 initialising from FAO food balance sheets data

Chart 14 presents crop production and demand in the Current Path from 1990 to 2043.

The Agriculture scenario envisions an agricultural revolution that ensures food security through ambitious yet feasible increases in yields per hectare, driven by improved management, seed and fertiliser technologies, and expanded irrigation. Efforts to reduce food loss and waste are emphasised, with increased calorie consumption as an indicator of self-sufficiency and prioritising it over food exports. Additionally, enhanced forest protection demonstrates a commitment to sustainable land-use practices.

Visit the theme on [Agriculture](#) for our conceptualisation and details on the scenario structure and interventions.

Djibouti’s agricultural sector remains structurally constrained, reflecting the country’s arid climate, limited arable land and acute water scarcity. Of the roughly 1 010 hectares equipped for irrigation, only about 38.6% (approximately 390 hectares) were actually irrigated in 2024, pointing to significant underutilisation of existing infrastructure. Under the Current Path,

the area effectively irrigated is forecasted to decline slightly to around 360 hectares by 2043, suggesting persistent constraints in water access, maintenance and agricultural investment.

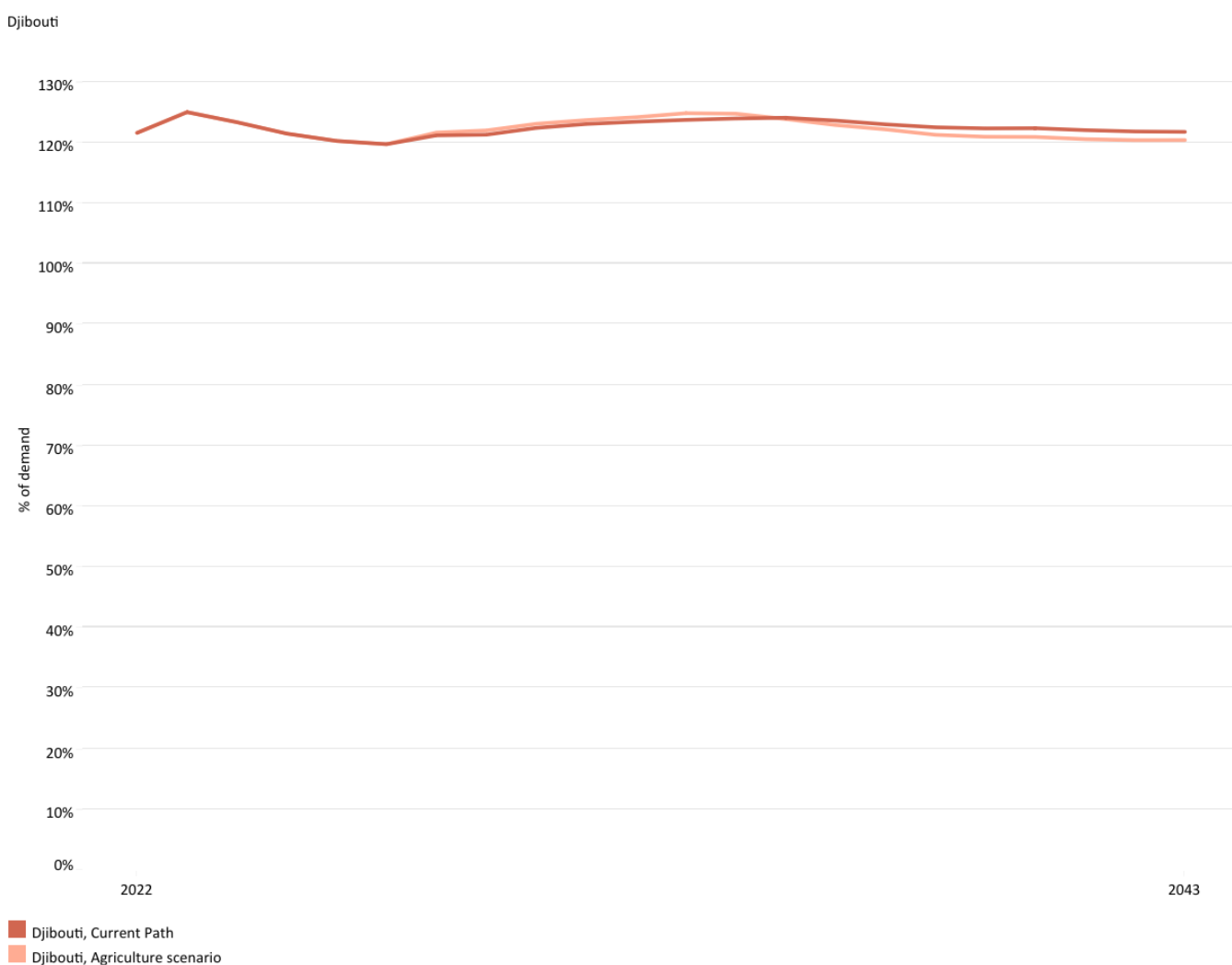
Productivity challenges further underscore the sector's limitations. Average crop yields have remained relatively stagnant at around 17 metric tons per hectare from the early 1990s to 2024, well below the country's historical potential. Between 1980 and 1990, Djibouti achieved a notable 47.1% increase in yields, from 18.7 to 27.5 metric tons per hectare, indicating that improvements are possible under favourable conditions. The subsequent stagnation reflects structural bottlenecks, including limited irrigation, low input use and weak extension services.

Water scarcity remains the binding constraint. Djibouti's desert environment and highly variable rainfall severely limit agricultural expansion and productivity. In response, the government and its partners have prioritised water infrastructure and climate-resilient agriculture. Key initiatives include the **Saday dam**, which enhances water storage capacity for irrigation and livestock, and the **Ethiopia-Djibouti water pipeline**, designed to improve water supply to urban and peri-urban areas while easing pressure on scarce groundwater resources. At the regional level, the Intergovernmental Authority on Development (IGAD) strategy on drought resilience and sustainable water management promotes more efficient water use and climate-smart irrigation practices. Recently, the **World Bank** approved a US\$35 million grant to the Government of Djibouti to expand access to safe, reliable water resources for rural communities.

Additional climate adaptation efforts enshrined in the **IGAD climate adaptation strategy (2023-2030)**, such as investments in desalination, groundwater development and agricultural mechanisation, are aimed at improving water availability and raising productivity. These interventions are expected to support moderate gains in agricultural output. Under the Current Path, crop production will increase from about 390 860 metric tons in 2024 to approximately 520 000 metric tons by 2043. Despite this progress, Djibouti will continue to face a substantial and widening food production deficit. Agricultural demand will rise sharply from 2.69 million metric tons in 2024 to 4.83 million metric tons by 2043, far outpacing domestic production.

These trends highlight the structural limits of domestic agriculture in ensuring food security. While investments in irrigation, water infrastructure and climate-smart agriculture are essential to maximise local production, Djibouti will remain heavily reliant on food imports. Strengthening trade logistics, regional food supply chains and strategic food reserves, alongside targeted support for niche, high-value or water-efficient crops, will therefore be critical to ensuring food security in a context of growing demand and environmental constraints.

Chart 15: Import dependence in the Current Path and Agriculture scenario, 2022-2043



Source: IFs 8.58 initialising from FAO Food Balance Sheets data

Chart 15 presents the import dependence in the Current Path and the Agriculture scenario, from 2022 to 2043.

In the Agriculture scenario, Djibouti’s agricultural performance will improve significantly relative to the Current Path, although structural constraints remain. Crop production will increase to approximately 750 000 metric tons by 2043, about 230 000 metric tons higher than the Current Path forecast. At the same time, total demand will rise slowly relative to the Current Path, reaching 4.7 million metric tons, around 130 000 metric tons below the baseline forecast. As a result, the agricultural trade deficit will narrow from 11.8% of GDP in 2024 to 7.1% by 2043, compared to 7.2% under the Current Path.

These gains are underpinned by improved water management, increased investment in irrigation and the adoption of climate-smart agricultural practices. Ongoing and planned initiatives, such as expanding water infrastructure through projects like the Saday dam and the Ethiopia-Djibouti water pipeline, are expected to play a central role in enhancing water availability for agriculture. In parallel, regional frameworks such as the IGAD Drought Disaster Resilience and Sustainability Initiative (IDDRSI) promote efficient water use, rangeland management and climate-resilient farming systems across the Horn of Africa, directly supporting Djibouti’s agricultural adaptation efforts.

Further improvements are likely to come from policies aimed at strengthening agricultural productivity and value chains. Government strategies emphasise irrigation expansion, greenhouse farming, hydroponics and the use of drought-resistant crops, which are better suited to Djibouti's arid conditions. Investments in agricultural mechanisation, extension services and access to inputs are also critical for raising yields, reversing historical stagnation and improving the utilisation of existing irrigable land. In addition, donor-supported programs, particularly the [World Bank's Agri-Food Value Chain Development Project](#), [IFAD's water and climate resilience initiatives](#) and [FAO-led agrifood system interventions](#), have focused on strengthening value chains, expanding rural infrastructure and building institutional capacity. These programs reflect a shift from subsistence support to market-oriented, climate-resilient agriculture, with a strong emphasis on water management, private-sector participation, and livelihood diversification.

On the demand side, the modest reduction relative to the Current Path reflects efficiency improvements, reduced post-harvest losses and gradual dietary shifts supported by better market functioning and food systems management. This is in line with the [Malabo Declaration](#) commitment to halve post-harvest losses by farming practices, storage and rural roads to reduce wastage.

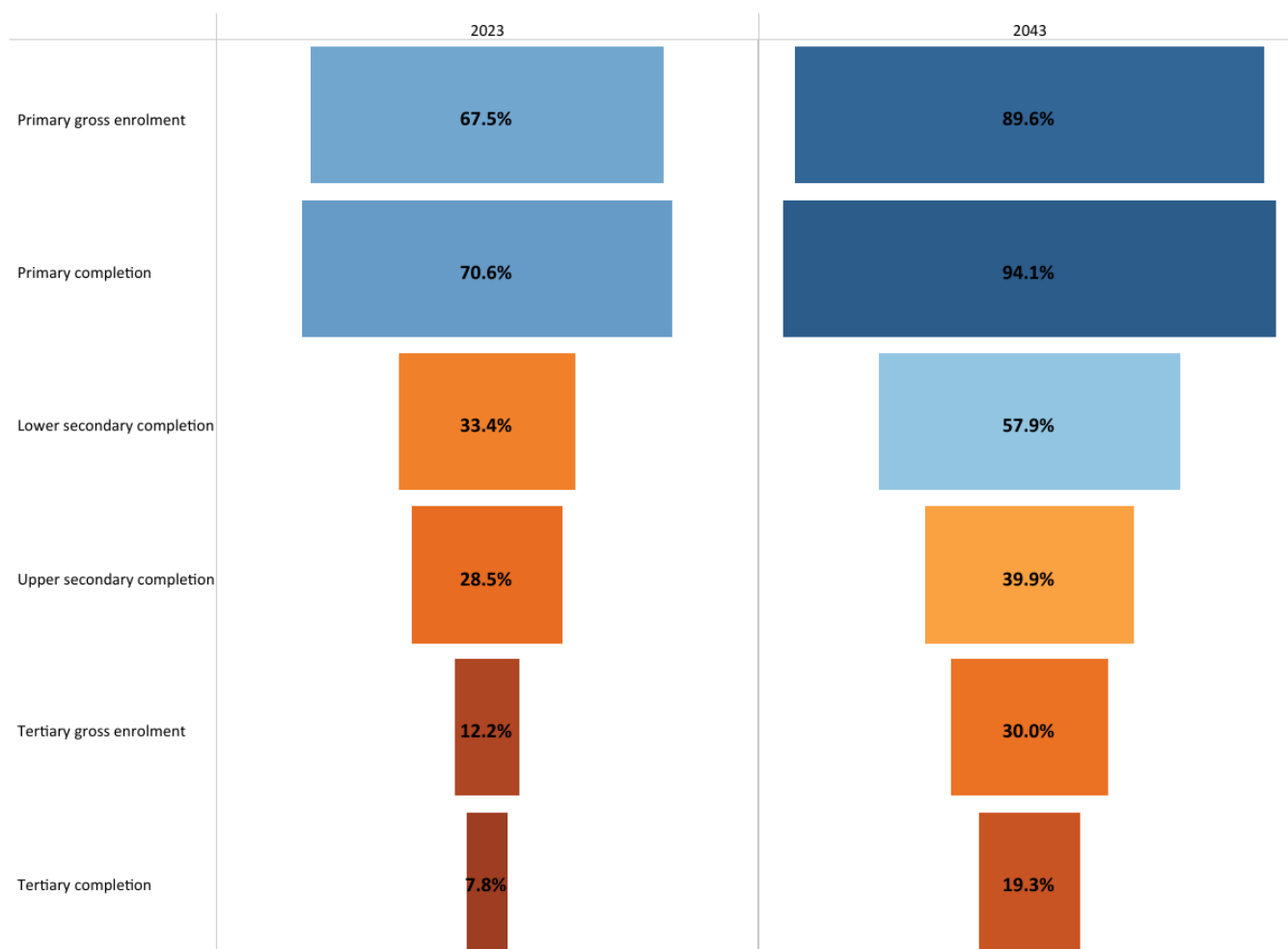
The Agriculture scenario demonstrates that while Djibouti cannot eliminate its dependence on food imports, it can meaningfully reduce its vulnerability. Achieving these gains will require scaling up investment in water-efficient technologies, strengthening the link between infrastructure and on-farm productivity and prioritising high-value, low-water-intensity crops. At the same time, integrating domestic production with efficient import systems and regional trade will remain essential to ensuring long-term food security in a resource-constrained environment.

Education scenario

Chart 16: Progress through education funnel in the Current Path, 2023-2043



Djibouti



Source: IFs 8.58 initialising from Barro-Lee data

Chart 16 depicts the progress through the educational system in the Current Path, for 2024 and 2043.

The Education scenario represents reasonable but ambitious improvements in intake, transition and graduation rates from primary to tertiary levels, and in the quality of education at primary and secondary levels. It also models substantive progress towards gender parity at all levels, additional vocational training at the secondary school level, and increases in the share of science and engineering graduates.

Visit the theme on [Education](#) for our conceptualisation and details on the scenario structure and interventions.

In the Current Path, Djibouti will make significant gains in primary enrolment and completion. Still, the system will remain constrained by (i) incomplete universal access at primary, (ii) transition bottlenecks at lower and upper-secondary education that do not return to historical peaks, (iii) stagnant vocational enrolment in lower secondary and persistent gender gaps in TVET at upper secondary, and (iv) a declining science-and-engineering share among tertiary graduates,

even as tertiary enrolment expands. This matters economically because Djibouti's long-term strategy is to become a regional services and logistics hub, which will require a larger and more skilled workforce than the current education pipeline can deliver. Vision 2035 explicitly frames national transformation around a diversified, competitive, private-sector-driven economy and consolidation of human capital, linking education and skills formation directly to the development model.

At the continental level, the [Agenda 2063 Second Ten-Year Implementation Plan \(2024–2033\)](#) sets an explicit target to raise net enrolment rates to 100% in primary and 80% in secondary, while also setting targets for minimum proficiency and teacher ratios; it also includes a tertiary enrolment target (at least 50%) as part of the skills revolution agenda. Globally, [SDG 4.1](#) calls for all girls and boys to complete free, equitable and quality primary and secondary education by 2030, emphasising that access gains must be matched with learning and completion. These frameworks provide the benchmark for interpreting Djibouti's Current Path progress: great improvement, but not yet full alignment with universal enrolment ambitions.

The Current Path shows that primary net enrolment will rise from 61.2% of the primary-age cohort in 2024 to 87.7% by 2043. By sex, males will remain ahead, but the gap will narrow. The male net enrolment rate (NER) will increase from 63.9% to 88.0%, while the female NER will rise from 58.4% to 87.5%. The male–female gap will fall from 5.5 percentage points to 0.5 percentage points in the same period, implying near parity by the early-to-mid 2040s. This convergence aligns with the partners' and the government's emphasis on reducing gender disparities. Still, it also underscores a key policy challenge: even by 2043, net primary enrolment in the Current Path will remain below the 100% objective embedded in continental targets, meaning that out-of-school children remain a central issue rather than grade progression alone.

Completion dynamics improve faster than access. The Current Path indicates that the primary survival rate will reach 100% by 2034, suggesting that once children enter primary school, they persist through the cycle. That is a powerful quality-of-flow result for the pipeline's quality of flow. It shifts the binding constraint from drop-out during primary toward (i) getting all children into school (especially the hardest-to-reach) and (ii) strengthening transitions and learning outcomes, both priorities echoed by [SDG 4](#) framing.

At the transition points, the Current Path will improve, but does not fully recover earlier performance. The transition and progression into lower secondary will rise from approximately 89% in 2024 to roughly 93% by 2043. This is commendable, but it will remain below the historical peak of [99.4%](#) recorded in 2013. The persistence of a gap versus historical peaks matters because lower secondary is where many systems lose learners, particularly disadvantaged groups. The [May 2025 World Bank](#) press release on Djibouti emphasises persistent gender inequality along the pipeline, noting gaps in completion and transition to lower secondary (with boys outperforming girls in transition metrics cited in that release), reinforcing the interpretation that equity and progression remain live constraints despite improvement. The transition into upper secondary will rise from approximately 88% in 2024 to approximately 90% by 2043, but will remain below the 99% historical peak recorded in 2006. Males will lead females slightly in the lower-secondary transition (with convergence toward the 2040s), while females will lead males in the upper-secondary transition with a widening margin toward the 2040s. The key policy implication is that Djibouti's pipeline gradually equalises gender gaps, but the system never returns to near-perfect transitions consistent with universal basic education ambitions.

The most binding structural weakness in the Current Path is the lack of participation in technical and vocational education and training (TVET). In the Current Path, the share of lower-secondary vocational enrolment will remain stagnant at 0.6% for males and 0.36% for females from 2024 to 2043. At upper secondary, vocational shares will also remain static at 22% (males) and 17.1% (females). This stagnation is important because both [Agenda 2063's](#) skills revolution and [SDG 4](#) targets emphasise the development of relevant skills and vocational pathways for employment and entrepreneurship. Djibouti's own education strategy reinforces this: the official [SDEF 2021–2035](#) includes a strategic emphasis on expanding access to professional formation and widening participation, including for vulnerable groups and girls. A flat TVET share in the Current Path suggests that the economy may struggle to supply mid-level technicians required for logistics, construction,

energy systems, ICT infrastructure and port-linked maintenance, roles that are essential if growth is to translate into jobs and productivity.

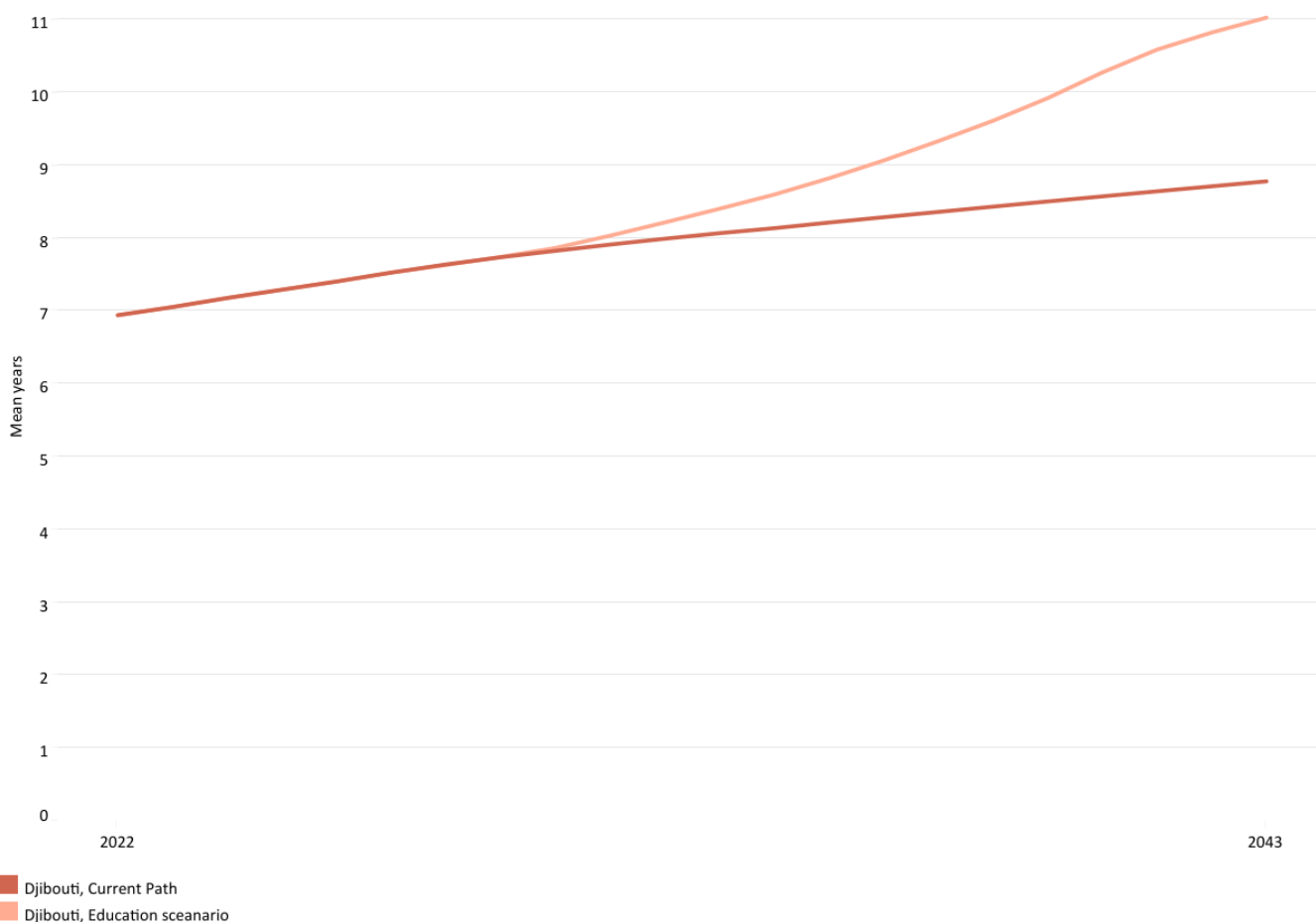
At the tertiary level, the pipeline will expand in volume but tilt away from Science, Technology, Engineering, and Mathematics (STEM). On the Current Path, the science and engineering share of tertiary graduates will decline from 46.4% in 2024 to 41.6% by 2043, while tertiary gross enrolment will rise sharply from 13.4% to 30% of the age cohort. This combination implies a system that produces more graduates overall but proportionally fewer in science and engineering. For a country seeking to build competitiveness in ICT-enabled services and renewable energy, both of which are repeatedly highlighted in [partner diagnostics](#), this could become a strategic constraint unless policy actively protects STEM quality and relevance.

In summary, stronger lower-level progression, laying the groundwork for tertiary growth, is consistent with a typical education transition. Still, without an intentional skills strategy, the output mix may not align with the country's hub development model (logistics, digital infrastructure, energy transition) that requires technicians and applied STEM graduates.

Chart 17: Mean years of education in the Current Path and Education scenario, 2022-2043
15 to 24 year age group



Djibouti



Source: IFs 8.58 initialising from Barro-Lee data

Chart 17 presents the mean years of education in the Current Path and in the Education scenario, from 2022 to 2043, for the 15 to 24-year-old age group.

The mean years of education for the 15–24-year-old cohort is a useful early indicator of human capital stock. It summarises how much schooling the next generation of workers has accumulated and therefore signals how quickly national human capital is improving. UNESCO's metadata for mean years of schooling (in its standard adult indicator) emphasises that the measure reflects the stock of schooling and human capital accumulated by a population and can be used to gauge development needs and the accumulated impact of the education system on human capital formation. Focusing on ages 15–24 makes the indicator even more forward-looking. It approximates the schooling attainment of entrants into the labour market and the near-term pipeline for technical skills, productivity growth and employability.

In the Current Path, mean years of education among 15–24-year-olds will rise from 7.2 years in 2024 to 8.8 years by 2043. In the Education scenario, the same cohort will reach about 11 years old by 2043, roughly 2.2 additional years beyond the Current Path. This is a large structural shift. Conceptually, a rise to approximately 11 years indicates that the average young adult is approaching completion of upper secondary, with a growing share entering tertiary; roughly 9 years indicates progress beyond primary and lower secondary but leaves a larger fraction short of full senior secondary completion, consistent with the pipeline constraints highlighted in Chart 16.

The economic value of a 2.2-year attainment gain is substantial, even before accounting for broader social benefits. A World Bank review of the global returns-to-education literature estimates an overall private return near 9–10% per additional year of schooling (world average about 8.8%; sub-Saharan Africa even higher), and finds that returns to female education exceed male returns by about two percentage points. Interpreted mechanically, 2.2 extra years of schooling could be associated with roughly 22–25% higher earnings potential for the average worker (compounded), other things equal. However, realised gains depend on the quality of education, skills relevance and labour demand. This aligns with Djibouti's long-term development logic: Vision Djibouti 2035 is anchored in building a diversified, competitive economy and includes human capital development as a core pillar. The Government frames Vision 2035 as a long-term strategy to position Djibouti as a regional and continental economic hub, a goal that requires a steadily rising stock of educated youth.

Gender dynamics are central to the story. The Education scenario will narrow the male–female attainment gap from 0.4 years (2024) to 0.1 years by 2043, while under the Current Path, the gap will remain 0.4 years in favour of males in 2043. This is not merely a distributional improvement; it is an efficiency gain. The World Bank returns review finds that returns to female education tend to be higher than returns to male education, implying that closing the gender attainment gap can yield outsized household and macroeconomic payoffs. Djibouti's own education planning architecture explicitly targets girls' schooling constraints through practical measures, female hygiene and separate school latrines, prevention of gender-based violence, teacher training and curricular adaptation, and financial measures to reduce the indirect costs of girls' schooling, illustrating that parity is expected to be policy-driven, not automatic. The SDEF 2021–2035 (adopted by law and implemented through three five-year action plans) explicitly frames universal primary and lower-secondary education as sequential goals aligned to SDG 4.1, reinforcing the policy credibility of the Education scenario's faster attainment gains.

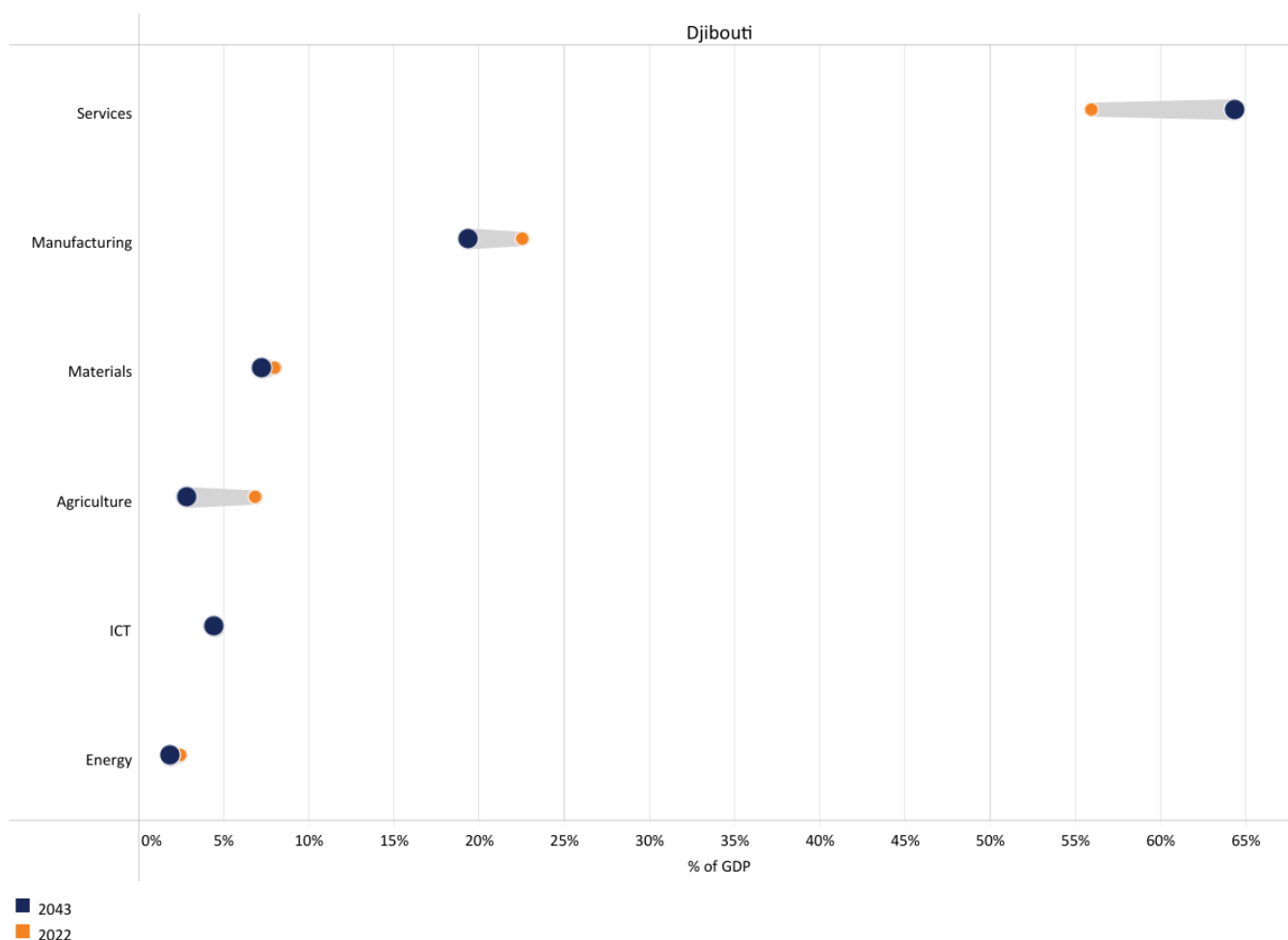
The main risk to realising the Education scenario's attainment gains is that higher schooling does not automatically translate into higher productivity and incomes if labour markets cannot absorb the growing pool of educated youth. This is why the report treats mean years of education as a necessary but not sufficient condition for inclusive growth. It must be matched by reforms that create skilled jobs in logistics-linked services, ICT, energy, and higher-productivity SMEs, consistent with Vision 2035's private-sector-driven diversification pillar and later scenarios on governance, infrastructure and trade.

Manufacturing scenario

Chart 18: Value-add by sector as % of GDP in the Current Path, 2022-2043



Djibouti



Source: IFs 8.58 initialising from IMF World Economic Outlook data

Chart 18 presents the value-added by sector as a share of GDP in the Current Path, for 2024 and 2043.

In the Manufacturing scenario, reasonable but ambitious growth in manufacturing is envisaged through increased investment in the sector, research and development (R&D), and improved government regulation of businesses. This aims to enhance total factor productivity and labour absorption.

Visit the theme on [Manufacturing](#) for our conceptualisation and details on the scenario structure and interventions.

Djibouti's Current Path sector composition confirms a services-led economy that will become even more services-intensive over time. In 2024, services accounted for 56.8% of GDP and will rise to 64.3% by 2043. This aligns with Djibouti's core development narrative. The government's long-term Vision 2035 positions Djibouti as a hub for the regional and

continental economy, a model that tends to expand transport, trade, logistics, and related services faster than the primary sectors. It is also consistent with the recent [IMF](#) analysis, which reports that 2024 growth was strong (about 6.5%) and was driven by “robust transshipment” amid Red Sea disruptions, an explicitly services-linked growth channel.

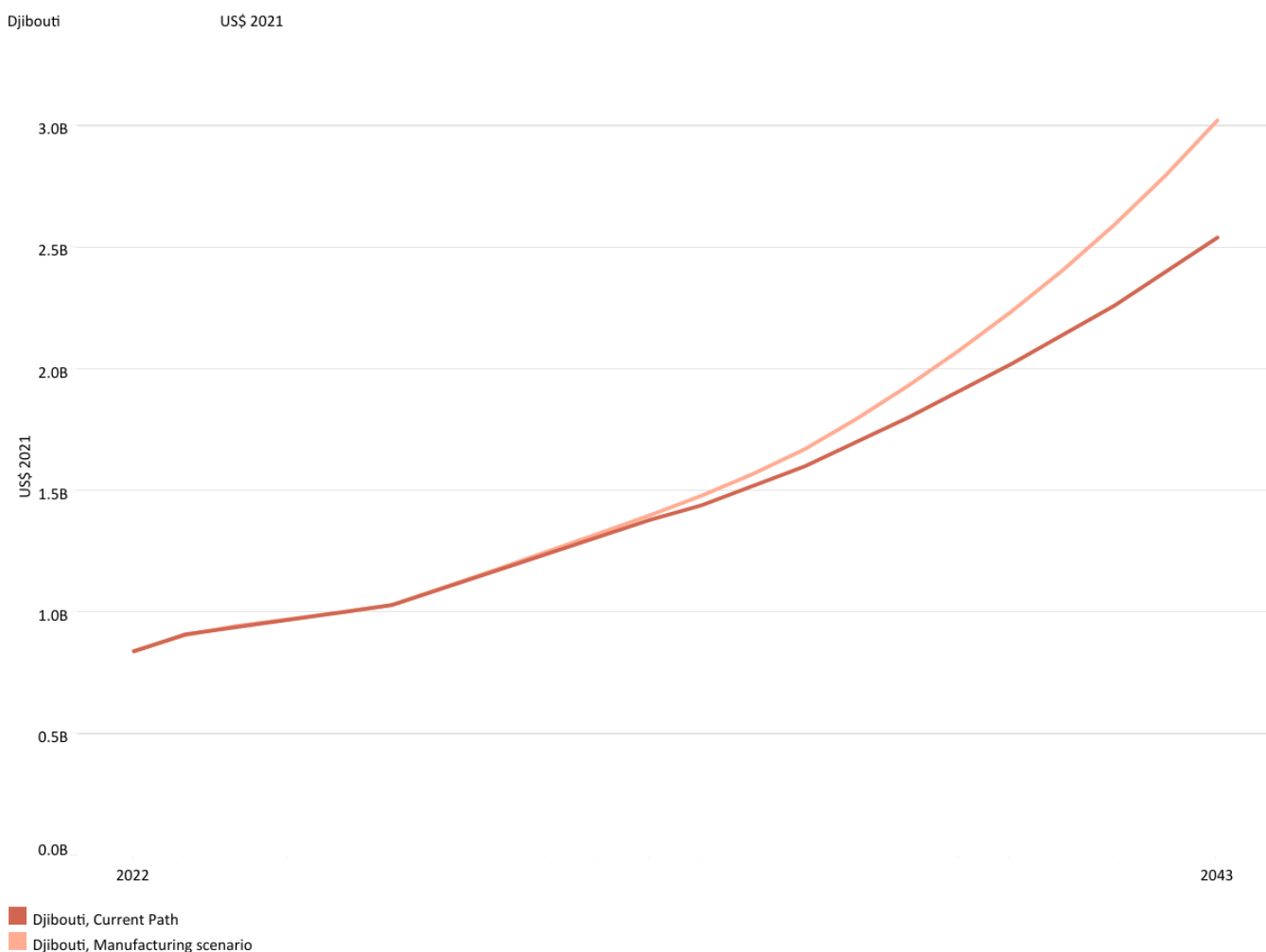
Manufacturing is the second-largest sector in the Current Path, but its share will decline over the forecast period. In 2024, the share of manufacturing value added in GDP stood at 22.2%, which is double the African average of roughly 10.4%, but will fall to 19% by 2043. This is a classic relative decline story where the economy becomes more services-weighted, even though manufacturing output can still rise in absolute terms. The World Bank’s [Djibouti SCD](#) emphasises that recent growth has been driven by major infrastructure investments (ports, transport corridors, free zones) and that the resulting growth pattern has been capital-intensive and not fully inclusive, strengthening the case that sectoral shares alone must be interpreted alongside jobs, informality and productivity. A declining manufacturing share under the Current Path can therefore signal at least three dynamics: (i) continued fast growth of services around the corridor economy, (ii) a tapering of construction and capital-formation intensity if large project cycles mature, and/or (iii) limited competitiveness gains in tradable manufacturing relative to services growth. The [IMF’s](#) warnings about constrained fiscal space from rising debt service amplify this: if public investment and concessional financing become tighter, sustaining an investment-driven industrial expansion becomes harder, increasing the risk that structural change remains slow and services-heavy.

The materials sector (third) will remain essentially flat at 7% throughout the forecast horizon, implying limited diversification into mining and commodities or construction-materials upgrading under the Current Path. Agriculture, while it was still meaningful in 2024 (6.5%), will decline to 2.8% by 2043, a shift consistent with Djibouti’s binding climate, land and water constraints. The [World Bank’s climate risk profile](#) notes that Djibouti receives little precipitation, is largely unsuitable for agriculture and consequently imports nearly all its food, structural conditions that tend to reduce agriculture’s GDP share over time unless high-productivity irrigated niches expand.

ICT will edge upward only slightly, from 4.2% in 2024 to 4.4% by 2043, suggesting modest baseline digital deepening rather than a rapid leap. Energy will remain the smallest sector and decline from 2.4% to 1.8%, which may reflect faster growth of other sectors relative to energy value-added (or efficiency and pricing effects) rather than a fall in energy output.

Despite a decrease in the relative contribution of some sectors to the country’s GDP, all sectors will grow in absolute size by 2043. In this regard, the Current Path implies greater service dominance and slow structural transformation without necessarily implying deindustrialisation in absolute terms.

Chart 19: Value-add by the manufacturing sector in the Current Path and Manufacturing scenario, 2022-2043



Source: IFs 8.58 initialising from IMF World Economic Outlook data

Chart 19 presents the contribution of the manufacturing sector to GDP in the Current Path and in the Manufacturing scenario, from 2020 to 2043. The data is in US\$ and % of GDP.

Under the Manufacturing scenario, the economy’s structure will slightly shift toward industry at the expense of services. By 2043, only the manufacturing and materials sectors will have higher GDP shares than in the Current Path. Manufacturing’s share will be up by 2.2 percentage points relative to the baseline, and materials by 0.1 percentage points. In contrast, services will fall by 2 percentage points, ICT by 0.15, agriculture by 0.13 and energy by 0.1. In absolute terms, every sector will be larger under the Manufacturing scenario by 2043 relative to the Current Path, but manufacturing will grow the most. Manufacturing value added will be about US\$480 million larger in 2043 than the baseline. In contrast, the service sector will be larger by approximately US\$280million, followed by materials (+US\$80million), ICT (+US\$20million), agriculture (+US\$10million) and energy (+US\$3million).

This outcome reflects the intent of the Manufacturing scenario. Targeted policies, for example, trade liberalisation for industry and industrial parks, export promotion, skills for manufacturing, boost industrial output faster than in the baseline. The service sector will still grow in absolute terms but less rapidly than before, as some resources shift to industry. The AfDB and IMF note that Djibouti’s baseline growth is driven by capital-intensive services and infrastructure,

so a scenario that reallocates some investment toward manufacturing can meaningfully change the structure. The small boost in materials (e.g. local inputs, logistics supplies) also signals the scenario's emphasis on domestic value-added. Meanwhile, the slight decline in agriculture's share is consistent with Djibouti's harsh environment (agriculture is virtually absent from national accounts) and with Vision 2035's limited emphasis on expanding farming, given climate constraints.

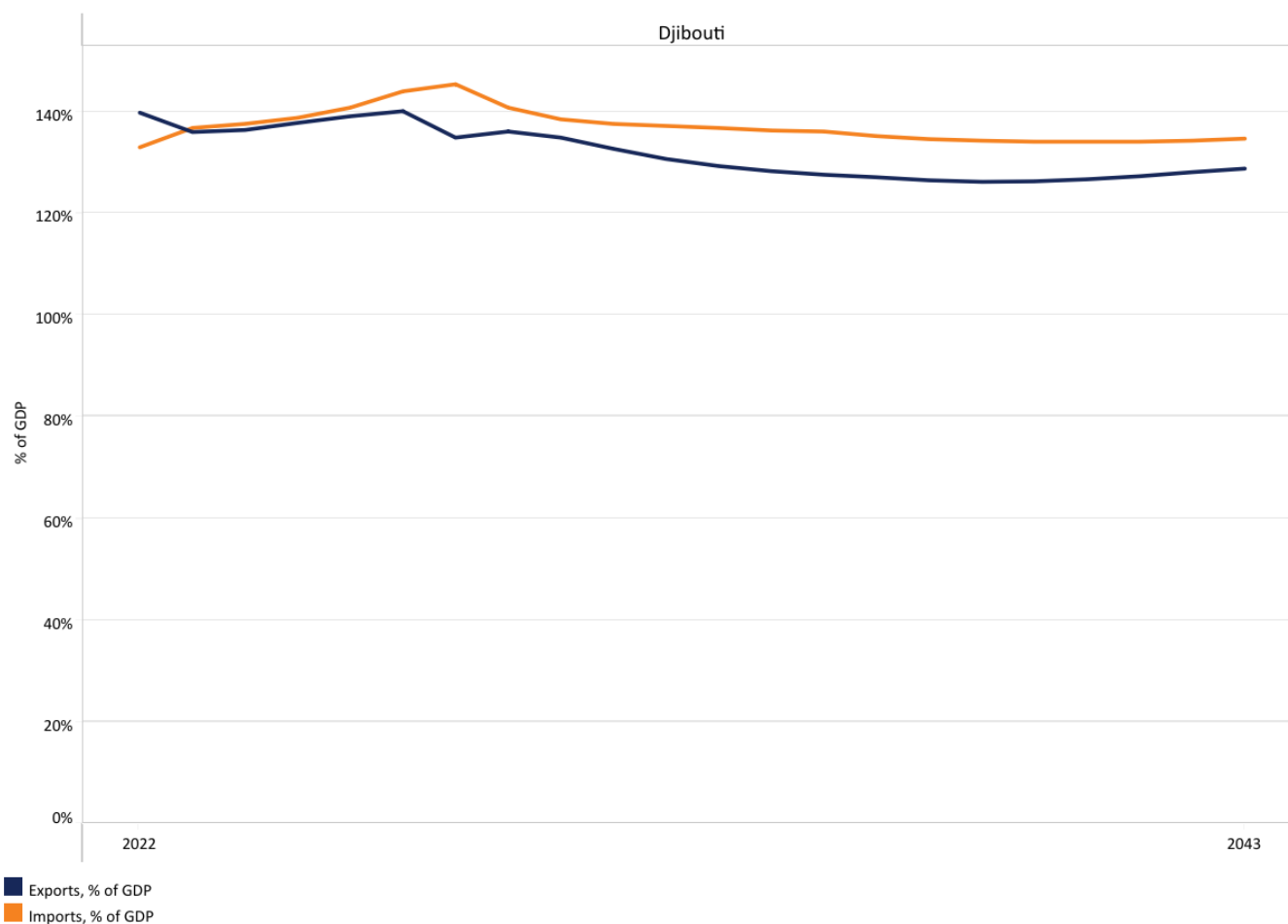
In sum, Chart 19 shows that the Manufacturing scenario will achieve its goal of shifting Djibouti's production toward industry. Manufacturing captures a larger gain by 2043 relative to the Current Path forecasts. However, this implies slower relative growth in services and ICT compared to the baseline. Economic theory suggests trade-offs: expanding industry can raise wages and export revenue, but may crowd out some high-margin service sectors. The policy implication is that such structural reallocation must be supported by ensuring services that serve industry (finance, transport) also remain competitive, and careful management of employment, since manufacturing is more capital-intensive per worker in Djibouti's context.

AfCFTA scenario

Chart 20: Export and imports as % of GDP in the Current Path, 2022-2043



Djibouti



Source: IFs 8.58 initialising from WDI data

Chart 20 depicts exports and imports as a percentage of GDP, from 2000 to 2043, in the Current Path and in the AfCFTA scenario.

The AfCFTA scenario represents the impact of fully implementing the African Continental Free Trade Agreement by 2034. The scenario increases exports in manufacturing, agriculture, services, ICT, materials and energy exports. It also includes improved multifactor productivity growth from trade and reduced tariffs for all sectors.

Visit the theme on [AfCFTA](#) for our conceptualisation and details on the scenario structure and interventions.

Djibouti ratified the AfCFTA in [February 2019](#) and launched its National Implementation Strategy in [May 2022](#), with support from the UN Economic Commission for Africa. The strategy outlines tariff schedules and prioritises capacity building to facilitate integration into continental markets. However, Djibouti's [trade patterns](#) remain largely oriented towards non-African partners, reflecting its role as a logistics and re-export hub rather than a diversified production economy. Its

main export destinations include Saudi Arabia, China, Egypt, Israel and Slovakia, while imports are sourced primarily from China, India, Morocco, Turkey and Indonesia. The country's export basket remains narrow and dominated by low-value primary goods such as livestock, chlorides, coffee and oilseeds. At the same time, imports are concentrated in higher-value products including fertilisers, refined petroleum, palm oil and sugar.

This structure highlights a key policy challenge for AfCFTA implementation: Djibouti's limited productive base constrains its ability to fully leverage preferential access to African markets. At the same time, its strategic location and advanced port infrastructure position it as a critical gateway for regional trade, particularly for landlocked neighbours such as Ethiopia.

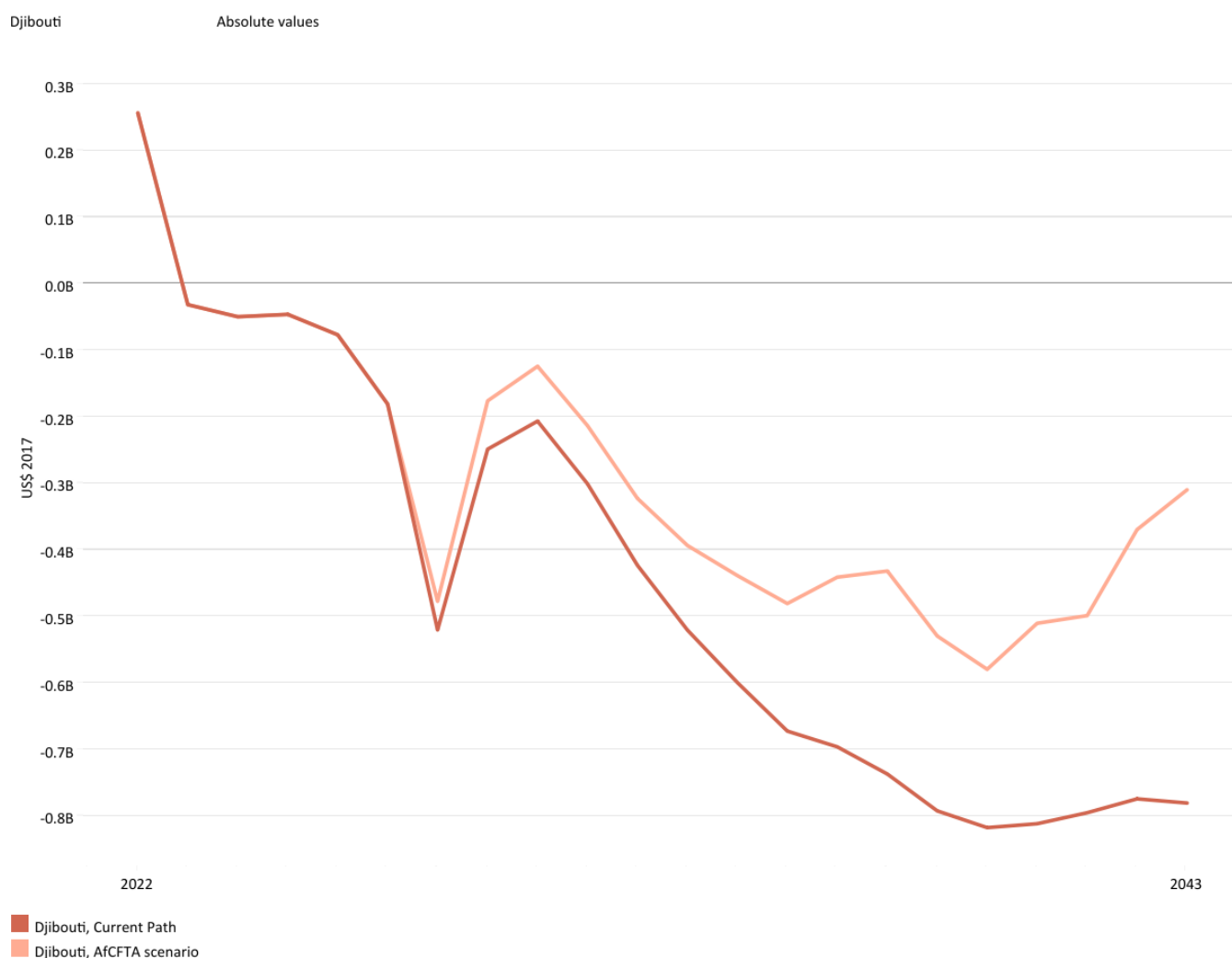
Djibouti's trade profile underscores the highly open and trade-intensive nature of its economy, with import growth consistently outpacing exports. In 2024, exports were valued at approximately US\$5.80 billion, while imports reached US\$5.85 billion, resulting in a trade-to-GDP ratio of about 274%. In the same year, Djibouti ranked **94th** globally and **8th** in Africa in terms of economic globalisation, reflecting its strong integration into global trade and logistics networks.

This high degree of openness is closely linked to Djibouti's role as a regional logistics and transshipment hub, particularly for Ethiopia, as well as its reliance on imported goods to meet domestic demand. However, it also highlights structural vulnerabilities, including limited export diversification and a persistent trade imbalance.

Looking ahead, under the Current Path, both exports and imports will grow significantly, reaching US\$16.91 billion and US\$17.69 billion, respectively, by 2043. Despite this expansion, trade openness will decline slightly to around 264%, as import growth continues to outpace exports.

Sustaining the benefits of openness while reducing vulnerabilities will require strengthening export diversification, enhancing domestic productive capacity and leveraging regional integration frameworks such as the AfCFTA. This includes moving beyond a re-export model towards greater value addition and deeper participation in regional value chains, particularly in sectors linked to logistics, trade facilitation and light manufacturing.

Chart 21: Trade balance in the Current Path and AfCFTA scenario, 2022-2043



Source: IFs 8.58 initialising from WDI data

Chart 21 presents the trade balance in the Current Path and in the AfCFTA scenario, from 2022 to 2043, as a percentage of GDP.

Djibouti’s trade deficit stood at about US\$50 million in 2024 (around 1.2% of GDP). On the Current Path, this deficit will widen significantly to approximately US\$781 million (about 5.9% of GDP) by 2043. Under the AfCFTA scenario, however, the deficit in 2043 will increase to roughly US\$310 million (around 2.2% of GDP), representing an improvement of about US\$470 million relative to the baseline forecast.

This improvement is driven by stronger export growth under AfCFTA. By lowering tariffs and reducing non-tariff barriers, the agreement will expand intra-African market access and facilitate trade, increasing exports to approximately US\$24.12 billion by 2043. While imports will also grow, reaching about US\$24.43 billion, this reflects Djibouti’s structural dependence on imported consumption and capital goods. Crucially, exports will grow at a faster pace than imports under the AfCFTA scenario, narrowing the trade gap from 5.9% of GDP under the Current Path to around 2.2%.

From a macroeconomic perspective, a smaller trade deficit reduces pressure on foreign exchange reserves and lowers the external financing requirement. However, a deficit of 2.2% of GDP remains non-negligible for a small, highly open economy

such as Djibouti. Financing this gap will still require a combination of external borrowing and reserve drawdowns, reinforcing existing vulnerabilities highlighted in [IMF assessments](#), particularly high external debt service and limited fiscal buffers.

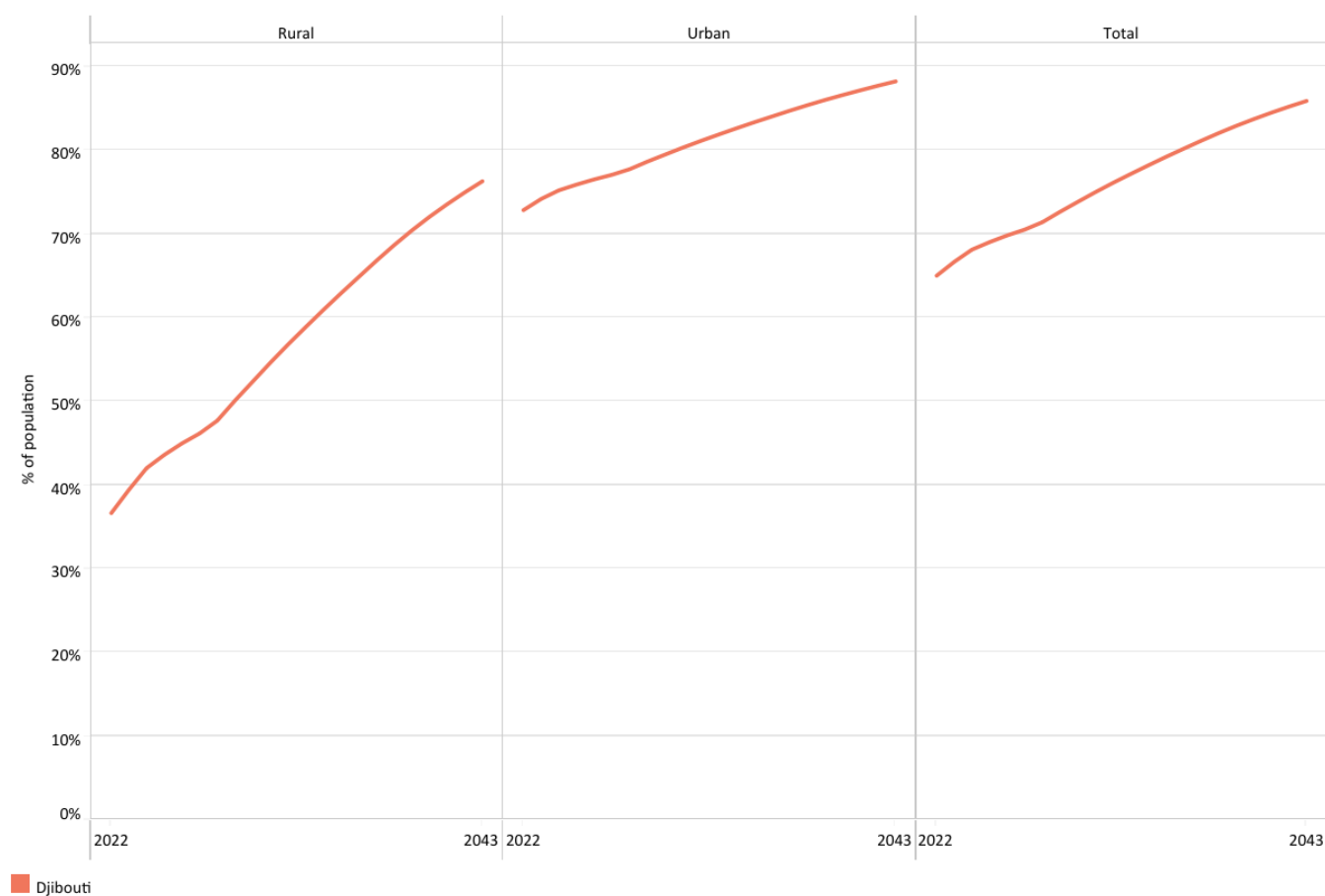
Overall, the AfCFTA scenario will deliver a meaningful, though moderate, improvement in Djibouti's trade balance and aligns with the objectives of Vision 2035 and SCAPE, which emphasise export diversification and deeper regional integration. However, the scale of gains remains contingent on complementary domestic reforms. In particular, realising the full benefits of AfCFTA will require three initiatives. First, accelerating tariff liberalisation and regulatory alignment with regional partners. Second, diversifying exports beyond re-exports towards higher value-added products, including agro-processing and light manufacturing. Last but not least, strengthening trade facilitation systems, such as digital customs platforms and single-window mechanisms, to efficiently handle increased trade volumes. Together, these measures would help translate improved market access into sustained export growth and greater structural transformation.

Large Infrastructure and Leapfrogging scenario

Chart 22: Electricity access: urban, rural and total in the Current Path, 2022-2043



Djibouti



Source: IFs 8.58 initialising from WDI data

Chart 22 presents the Current Path of access to electricity for urban, rural and the total population from 2000 to 2043.

The Large Infrastructure and Leapfrogging scenario involves ambitious investments in road and renewable energy infrastructure, improved electricity access and accelerated broadband connectivity. It emphasises adopting modern technologies to enhance government efficiency. It incorporates significant investments in major infrastructure projects like rail, ports, and airports (other infra) while highlighting the positive impacts of renewables and ICT.

Visit the themes on [Large Infrastructure](#) and [Leapfrogging](#) for our conceptualisation and details on the scenario structure and interventions.

Djibouti's total electricity access rate increased from 56% in 2000 to 68.1% in 2024, reflecting gradual but uneven progress in expanding energy infrastructure. This improvement has been driven primarily by urban electrification, which rose from 56.5% to 75.2% over the same period, consistent with the country's highly urbanised settlement pattern and infrastructure

concentration around Djibouti City. In contrast, rural electrification declined sharply from 54% in 2000 to 29.1% in 2015 before recovering to 50% by 2024, underscoring persistent spatial inequalities in access.

Past improvements in electricity access have been closely linked to large-scale infrastructure investments and regional energy integration. A key milestone was the 2011 Ethiopia–Djibouti electricity interconnection, which enabled the import of relatively low-cost hydropower (estimated at 180–300 GWh annually), significantly expanding supply and stabilising the grid. This was complemented by subsequent grid-strengthening projects, including the second Ethiopia–Djibouti interconnection (230 kV line), supported by the World Bank and African Development Bank, aimed at increasing supply reliability and reducing dependence on expensive fossil fuel generation. These regional projects have been instrumental in lowering generation costs and enabling wider electrification.

Djibouti is accelerating efforts to diversify its energy mix and expand access through renewable energy investments. Flagship projects include the 60 MW Ghoubet Wind Power Plant (commissioned in September 2023), the country's first utility-scale renewable energy facility, and planned solar developments such as the 25 MW Grand Bara solar plant, which will further expand domestic generation capacity. Donor-financed solar mini-grids projects in rural areas have also expanded access. These initiatives form part of a broader strategy to transition towards renewable energy and reduce reliance on imported electricity and fossil fuels.

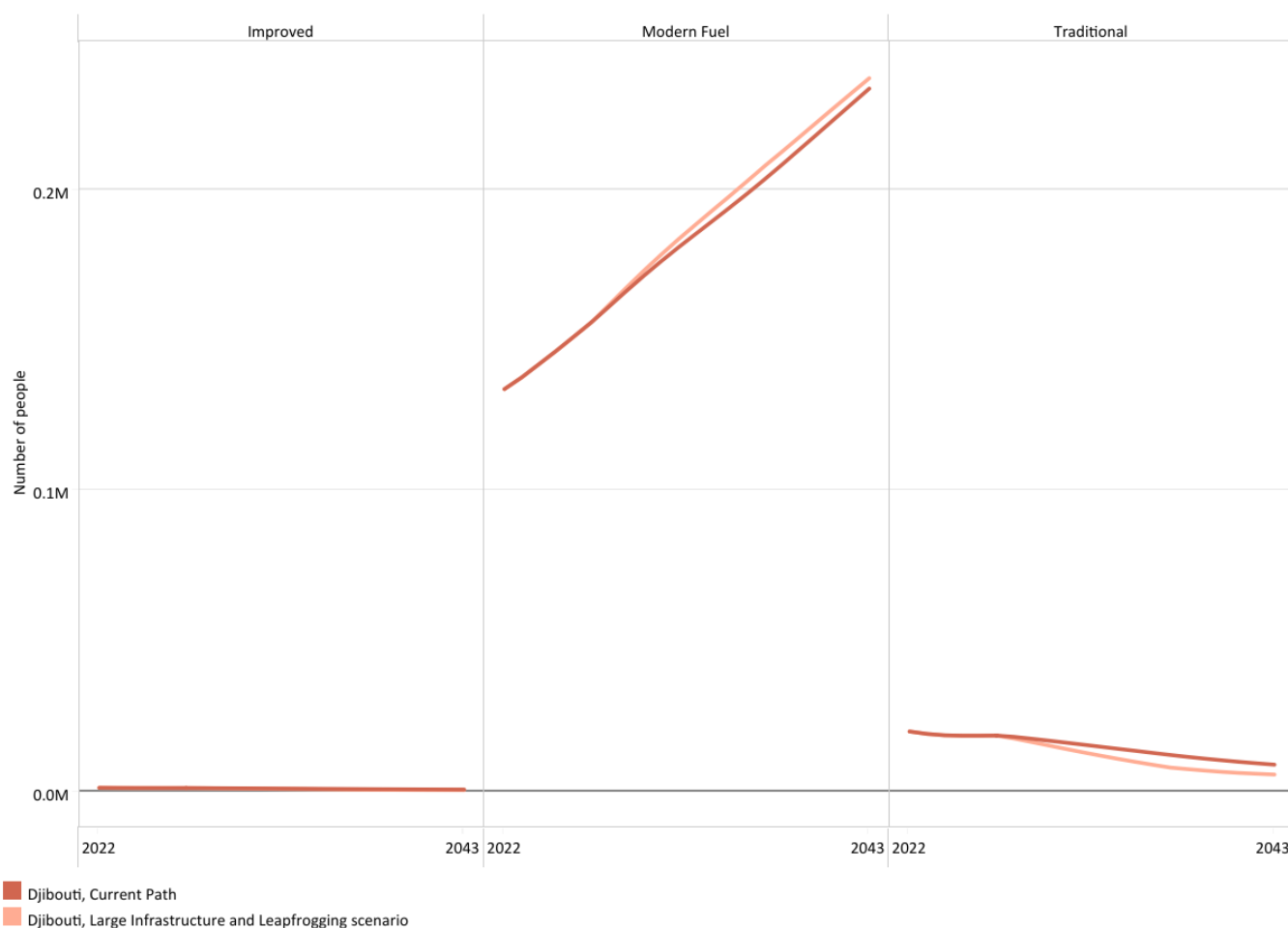
At the policy level, Vision 2035 explicitly targets universal energy access, and the World Bank SCD note that the lack of rural power has long constrained development. Supporting programs such as the 2017 World Bank-backed Sustainable Electrification Program and earlier power access and diversification projects have focused explicitly on expanding access, particularly in underserved and rural areas, while strengthening institutional capacity and grid infrastructure.

Looking ahead, under the Current Path, total access will rise to 85.9% by 2043, with urban nearly universal (88.2%) and rural catching up to 76.3%. Achieving universal access will depend on sustaining investments in grid expansion, scaling up off-grid and mini-grid solutions and fully leveraging Djibouti's renewable energy potential (solar, wind and geothermal). These efforts align with Vision 2035's pillar of green infrastructure and SDG 7 on affordable clean energy. In addition, continued regional power integration, particularly with Ethiopia, will remain critical for ensuring affordability and reliability. Bridging the urban-rural access gap is therefore central to supporting inclusive growth and enabling broader participation in Djibouti's services-led economy.

Chart 23: Cookstoves usage in the Current Path and Large Infra/Leapfrogging scenario, 2022-2043



Djibouti



Source: IFs 8.58 initialising from WDI data

Chart 23 presents the number of people using cookstoves in the Current Path and in the Large Infrastructure and Leapfrogging scenario, from 2022 to 2043.

Djibouti already stands out as one of the African countries with the highest adoption of modern fuel cookstoves, reflecting its urbanised population, small geographic size and relatively advanced energy distribution systems. In 2024, about 88% of households (approximately 141 850 people) were using modern fuel cookstoves, while 11.5% (18 500 people) relied on traditional biomass-based methods and only 0.6% (around 970 people) used improved cookstoves.

This high level of adoption is closely linked to Djibouti’s structural and policy context. The country’s heavy reliance on imported liquefied petroleum gas (LPG), combined with urban energy access and government efforts to promote cleaner fuels, has significantly reduced dependence on biomass. Policies under Vision 2035 and energy sector reforms have prioritised access to modern energy services, while donor-supported programs have facilitated LPG distribution and affordability, particularly in urban areas. In addition, Djibouti’s limited forest resources and high cost of biomass have further incentivised a transition towards cleaner cooking solutions.

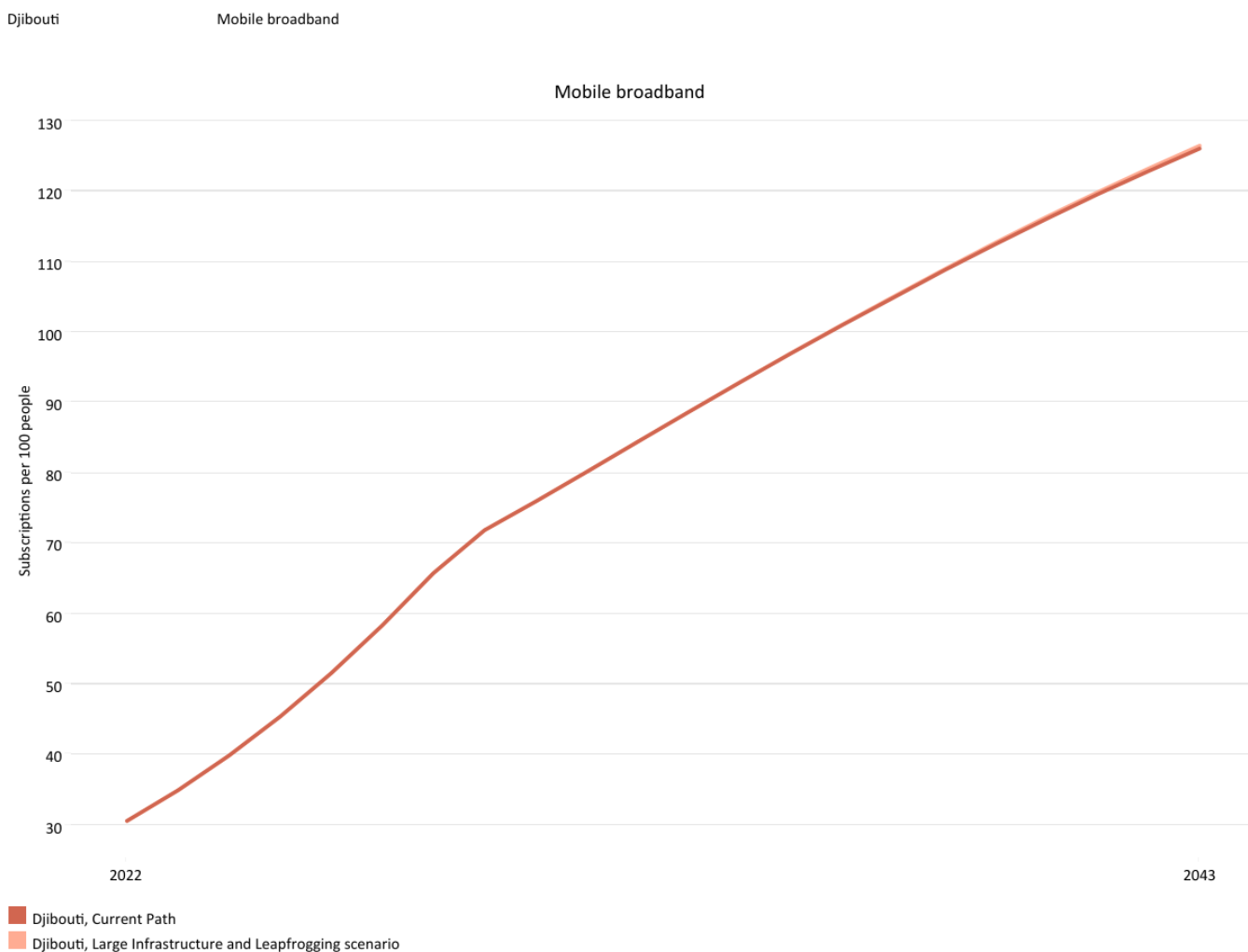
Looking ahead, adoption is expected to increase further under both scenarios, but more rapidly under the Large

Infrastructure and Leapfrogging pathway. By 2043, the share of households using modern cookstoves will reach 97.6% (236 290 people), slightly above the Current Path forecast of 96.2% (233 370 people). This acceleration reflects the combined effects of expanded energy infrastructure, improved fuel distribution systems and continued urbanisation.

At the same time, reliance on traditional cookstoves is expected to decline sharply. Under the Large Infrastructure and Leapfrogging scenario, the share of households using traditional methods will fall to 2.4% (5 890 people), compared to 3.2% (8 720 people) under the Current Path. The use of improved cookstoves will also decline marginally to 0.1% (310 people), relative to 0.2% (460 people) in the baseline, as households transition directly to modern fuels rather than intermediate technologies.

Achieving near-universal adoption of clean cooking will depend on sustaining investments in energy infrastructure, particularly LPG supply chains and electricity access, while ensuring affordability for low-income households. Recent and ongoing initiatives will be critical in consolidating these gains, including efforts to scale up renewable energy generation, strengthen electricity access and promote clean cooking solutions (under regional and global frameworks such as Sustainable Energy for All (SEforALL)). Ensuring that the remaining pockets of traditional fuel use, primarily in rural and peri-urban areas, are addressed through targeted subsidies, distribution networks and behavioural interventions will be essential for achieving universal access to clean cooking and maximising associated health and environmental benefits.

Chart 24: Access to mobile and fixed broadband in the Current Path and Large Infra/Leapfrogging scenario, 2022-2043



Source: IFs 8.58 initialising from ITU data

Chart 24 presents the percentage of the population and number of people with access to mobile and fixed broadband in the Current Path and in the Large Infrastructure and Leapfrogging scenario, from 2022 to 2043. The user can toggle between mobile and fixed broadband.

Under the Large Infrastructure and Leapfrogging scenario, access to fixed broadband will increase from 3.3 subscriptions per 100 people in 2024 to 34.7 by 2043, compared to 30.3 under the Current Path. This suggests that targeted infrastructure investments and digital leapfrogging can accelerate the expansion of high-speed internet access, particularly in a context where baseline penetration remains relatively low.

In contrast, mobile broadband subscriptions will show no significant deviation from the Current Path in either the short or long term. Subscription rates are already near saturation, reaching approximately 126 subscriptions per 100 people by 2043, closely aligned with the estimated demand of 126 per 100 people. This indicates a mature mobile market where further growth is constrained and where policy focus may need to shift from expanding access to improving quality, affordability and service reliability.

These trends highlight the importance of prioritising fixed broadband infrastructure, such as fibre-optic networks and

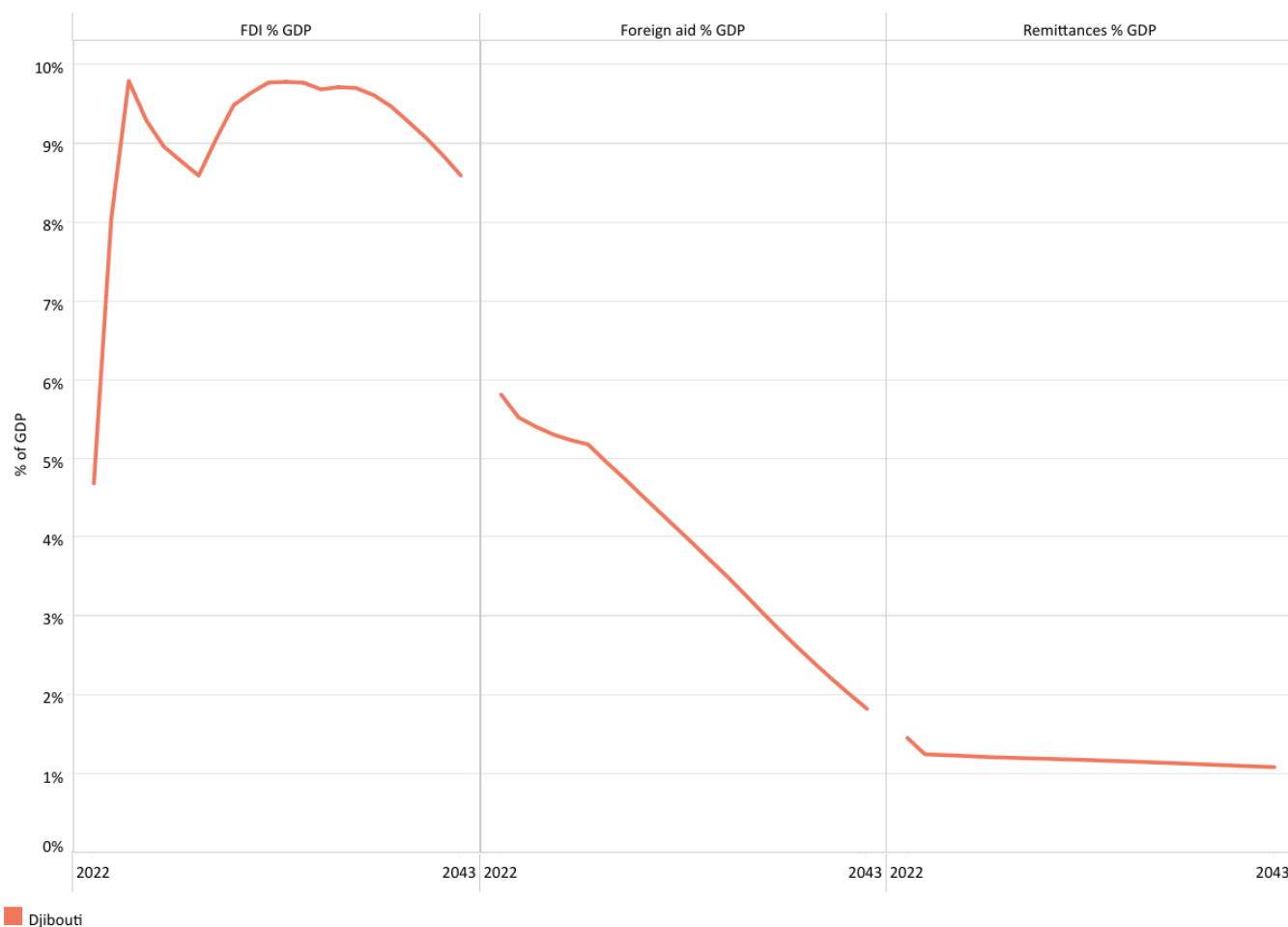
international connectivity, to complement an already saturated mobile market. In Djibouti's case, ongoing investments in submarine cable systems and its positioning as a regional digital connectivity hub provide a strong foundation for expanding fixed broadband access. Leveraging these assets, alongside regulatory reforms to encourage competition and reduce costs, will be critical to unlocking the full benefits of digitalisation for economic diversification and service sector growth.

Financial Flows scenario

Chart 25: FDI, foreign aid and remittances as % of GDP in the Current Path, 2022-2043



Djibouti



Source: IFs 8.58 initialising from IMF data

Chart 25 presents the trends in FDI, aid and remittances in the Current Path and in the Financial Flows scenario as a percentage of GDP, from 1990 to 2043.

The Financial Flows scenario represents a reasonable but ambitious increase in inward flows of worker remittances, aid to poor countries and an increase in the stock of foreign direct investment (FDI) and additional portfolio investment inflows. We reduce outward financial flows to emulate a reduction in illicit financial outflows.

Visit the theme on [Financial Flows](#) for our conceptualisation and details on the scenario structure and interventions.

Djibouti's financial landscape is shaped by its strategic ambition to position itself as a regional logistics, trade and services hub, as articulated in Vision 2035 and operationalised through the SCAPE. Both frameworks emphasise a shift towards a

diversified, private sector-led economy anchored in port-linked services, transport, industry and ICT. This model has relied heavily on external financial inflows, particularly foreign direct investment (FDI) and **external debt**, while domestic resource mobilisation remains comparatively constrained.

FDI has been the dominant driver of capital formation in Djibouti, reflecting large-scale infrastructure investments in ports, free economic zones, rail and energy. Much of this investment has been concentrated in capital-intensive, enclave-type sectors linked to logistics and connectivity, often financed through bilateral partnerships, **most notably with China**, and public-private partnerships. As a result, Djibouti exhibits exceptionally high FDI stocks relative to the size of its economy. In the Financial Flows scenario, this trend will intensify significantly, with FDI stock increasing from US\$4.49 billion (105.5% of GDP) in 2024 to US\$23.43 billion (153.2% of GDP) by 2043, compared to US\$12.79 billion (97.4%) under the Current Path. This suggests a deepening of Djibouti's capital-intensive growth model, with continued reliance on external investment to finance infrastructure and economic transformation.

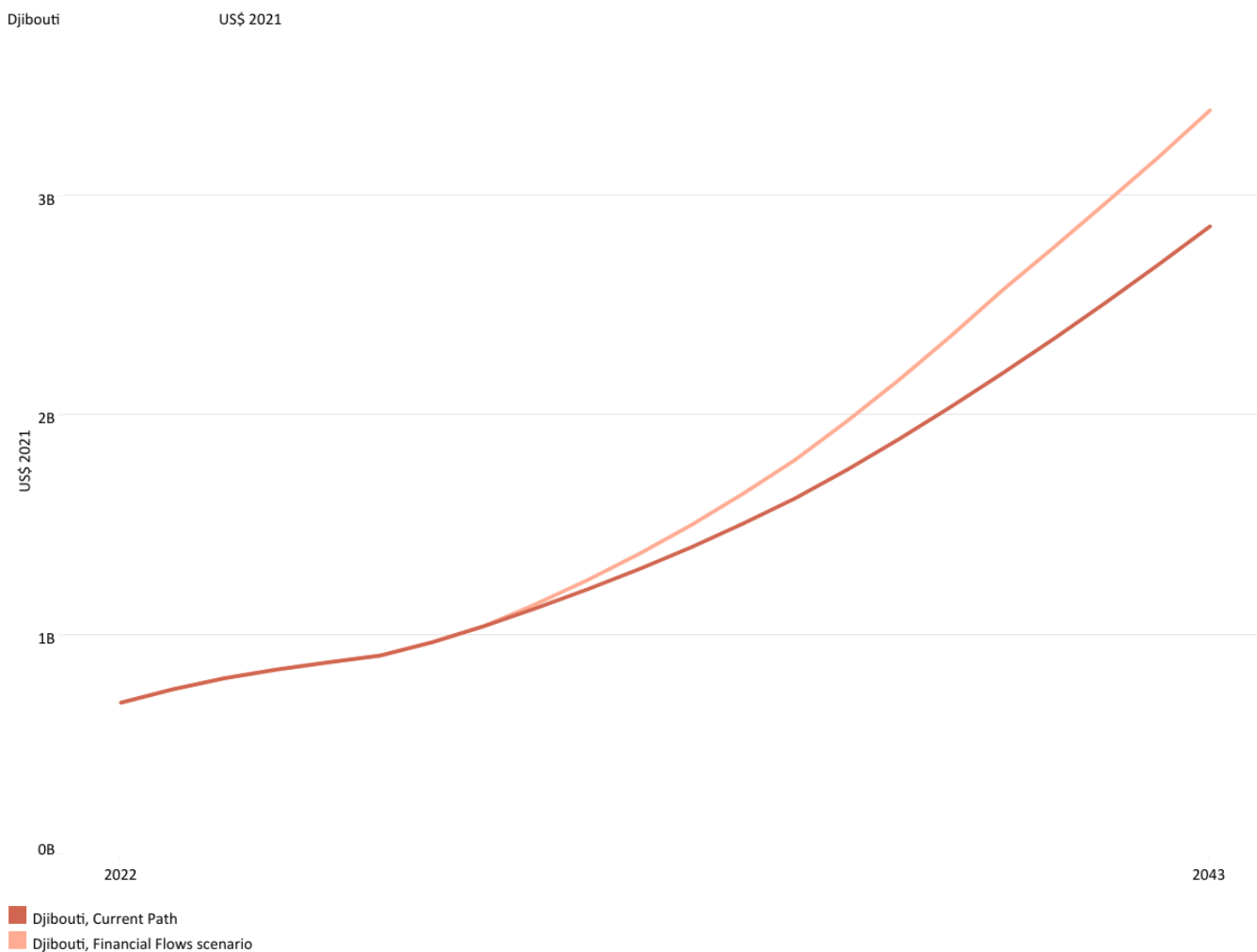
Official development assistance (ODA) also plays an important, albeit secondary, role, particularly in financing social sectors, capacity building and infrastructure gaps not covered by private investment. Under the Financial Flows scenario, net aid receipts will increase modestly from US\$0.23 billion in 2024 to US\$0.25 billion by 2043, broadly in line with the Current Path, while aid dependency will drop significantly from 5.4% of GDP to almost 1.7% (versus 1.8% under the Current Path) in the same period. However, the scenario assumes a temporary scaling up of concessional financing in the medium term, with net aid receipts rising to approximately US\$0.37 billion (around 4% of GDP) by 2037, compared to US\$0.28 billion (3%) under the baseline. This reflects the continued importance of development partners in supporting Djibouti's structural transformation, particularly in areas such as energy, water, sanitation and human development.

Remittance inflows, while relatively small compared to FDI and aid, represent a stable supplementary source of external finance. Under the Financial Flows scenario, remittances will increase from US\$0.05 billion in 2024 to US\$0.18 billion by 2043, exceeding the Current Path forecast of US\$0.14 billion. Although modest in scale, remittances can play an **important role** in supporting household consumption, reducing vulnerability and, if effectively leveraged, contributing to local investment and infrastructure development.

On the domestic side, resource mobilisation remains a structural constraint. Djibouti's narrow production base, limited industrial sector and high reliance on trade-related revenues constrain tax collection. In contrast, the dominance of capital-intensive sectors limits broad-based job creation and the potential for income tax revenue. Strengthening domestic revenue mobilisation, through tax administration reforms, broadening the tax base and improving the efficiency of public expenditure, remains critical to reducing dependence on external financing and enhancing fiscal sustainability.

The Financial Flows scenario underscores both opportunities and risks. Increased FDI can accelerate infrastructure development, manufacturing and reinforce Djibouti's role as a regional hub. Still, it also raises concerns around debt sustainability, enclave development and limited spillovers to the wider economy. Maximising the developmental impact of these flows will require stronger linkages between foreign investment and domestic firms, targeted industrial policies and continued reforms to improve the business environment. At the same time, effectively leveraging aid and remittances, while strengthening domestic resource mobilisation, will be essential to ensuring that financial inflows translate into inclusive and sustainable growth.

Chart 26: Government revenue in the Current Path and Financial Flows scenario, 2022-2043



Source: IFs 8.58 initialising from IMF data

Chart 26 presents government revenue in the Current Path and in the Financial Flows scenario, from 2020 to 2043. The data is in US\$ 2017 and % of GDP.

Wagner's law, or the law of increasing state activity, states that public expenditure increases as national income rises. In the Financial Flows scenario, it is reasonable to expect government revenues to increase as a percentage of GDP relative to the Current Path.

In line with **Wagner's Law**, the principle that public expenditure tends to expand as economies grow, Djibouti's fiscal trajectory reflects the increasing role of the state in supporting economic transformation. As national income rises, demand for infrastructure, public services and regulatory capacity intensifies, placing upward pressure on both government spending and revenue mobilisation.

In Djibouti's case, this dynamic is closely tied to its **development model**. The country's growth has been driven by large-scale, capital-intensive investments in ports, logistics and related services, which have expanded the tax base

primarily through trade-related revenues, fees and service charges. At the same time, fiscal reforms aimed at strengthening revenue administration and improving public financial management have supported gradual gains in domestic resource mobilisation.

In the Financial Flows scenario, government revenue will increase significantly from approximately US\$802 million (18.9% of GDP) in 2024 to US\$3.39 billion (22.1% of GDP) by 2043, approximately US\$530 million higher than the Current Path forecast of US\$2.86 billion (21.8%). This reflects the combined effects of stronger economic growth, increased foreign investment and enhanced fiscal capacity. Notably, the rise in revenue as a share of GDP suggests modest but meaningful improvements in tax effort and efficiency, rather than growth alone.

While rising revenues signal improved fiscal space, Djibouti's revenue base remains relatively narrow and heavily dependent on external trade and logistics-related activities. Strengthening domestic resource mobilisation will therefore require broadening the tax base beyond enclave sectors, enhancing compliance and deepening reforms in tax administration. In addition, improving the link between revenue generation and inclusive service delivery, particularly in underserved and peripheral regions, will be critical to ensuring that fiscal expansion translates into equitable and sustainable development outcomes.

Governance scenario

Chart 27: Government Effectiveness score in the Current Path, 2002-2043

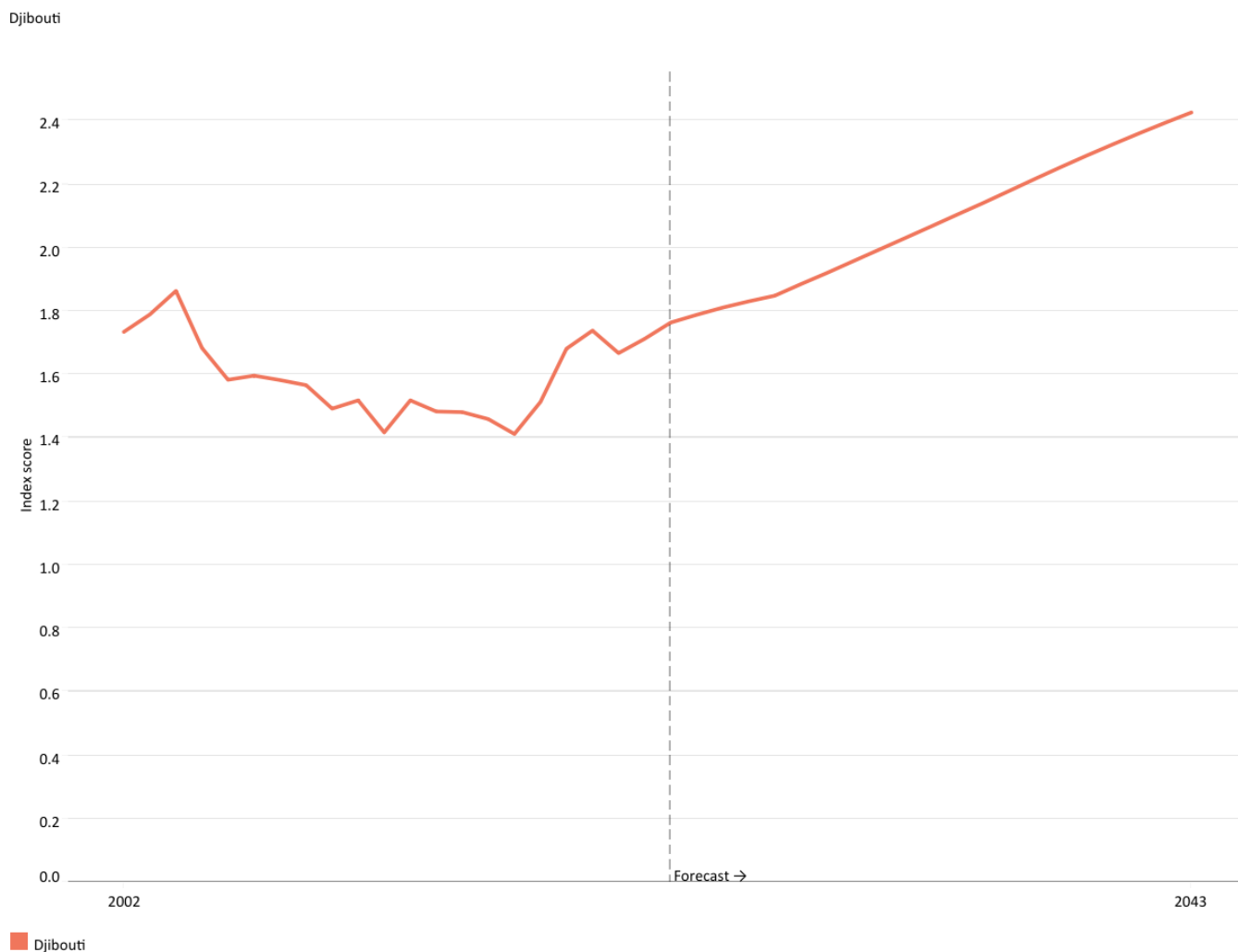


Chart 27 presents the Current Path of government effectiveness, comparing the country to the average for the African income group, from 2002 to 2043.

The [World Bank's Government Effectiveness Index](#) captures perceptions of the quality of public services, the competence and independence of the civil service, the quality of policy formulation and implementation, and the credibility of government commitments. The index ranges from 2.5 (weak effectiveness) to +2.5 (strong effectiveness), providing a useful benchmark for assessing state capacity and institutional performance.

Djibouti's governance ambitions are clearly articulated in Vision 2035, which seeks to build "an effective, efficient and competitive public administration, with strong capacities for anticipation, coordination and management." Reforms under the governance pillar, including civil service training, digitalisation through e-government platforms and the

decentralisation of service delivery, are intended to strengthen bureaucratic capacity and improve public-sector performance. These efforts are complemented by broader public financial management and administrative reforms supported by development partners.

Historically, however, progress has been gradual. Djibouti's average government effectiveness score between 1996 and 2024 stood at 0.8, with a minimum of 1.32 in 1998 and an improvement to 0.49 in 2024. In 2024, the country ranked 131st globally and 19th in Africa, indicating persistent institutional constraints despite recent gains.

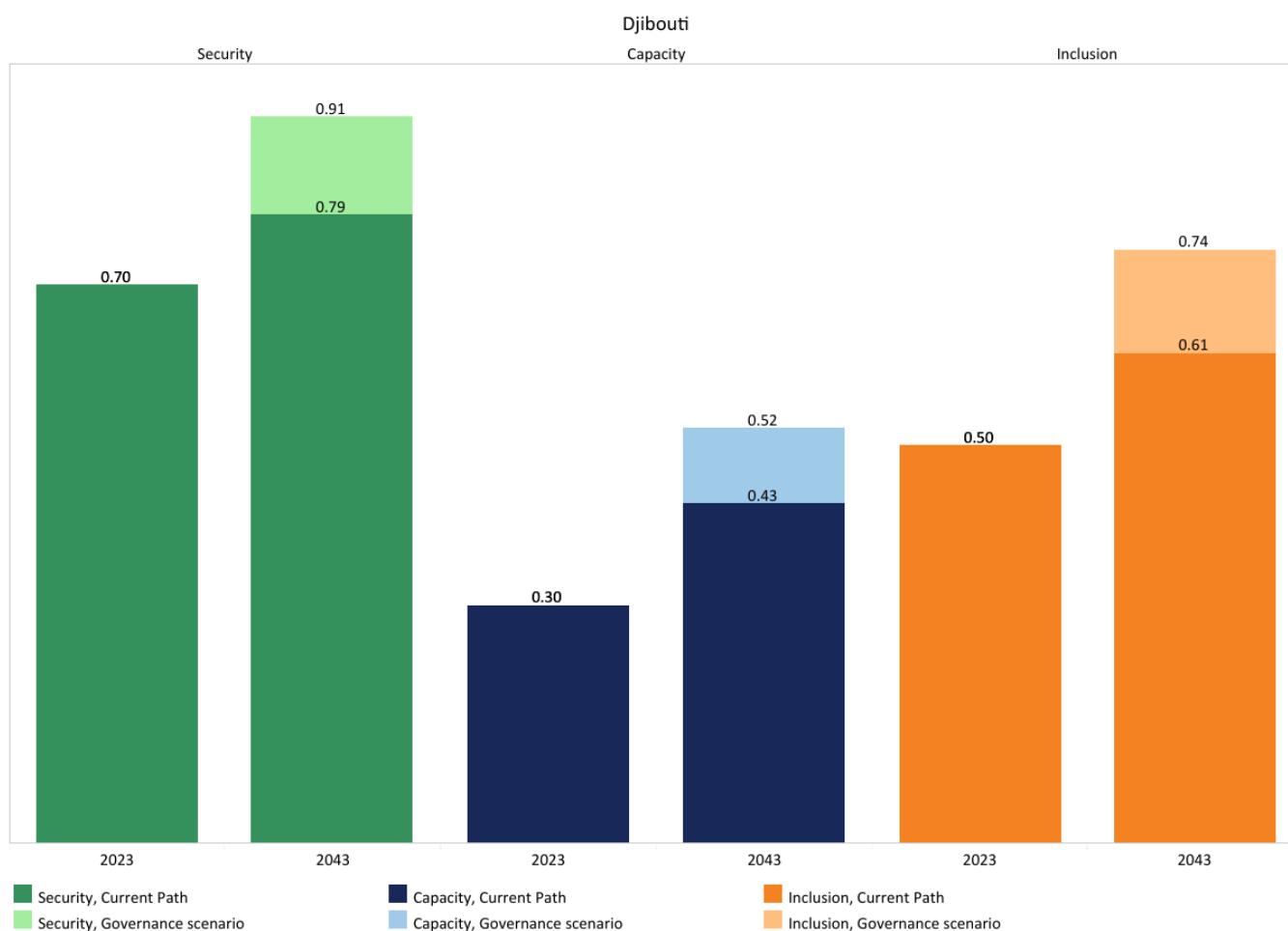
Looking ahead, the Current Path suggests a continued improvement in government effectiveness to 0.07 (equivalent to a score of 2.43) by 2043. While this represents meaningful progress, Djibouti would still lag behind stronger reformers on the continent. For example, Rwanda, currently ranked among the top five African countries on government effectiveness, improved its score by more than 50% between 2005 and 2015 through sustained governance reforms focused on public sector performance, accountability and service delivery.

This comparison underscores the importance of implementation capacity and the depth of reform. For Djibouti, accelerating improvements in government effectiveness will require not only continued investment in administrative capacity and digital governance but also stronger accountability mechanisms, enhanced coordination across institutions and a clearer alignment between policy commitments and execution. Strengthening these areas will be critical to ensuring that broader development strategies, particularly those linked to infrastructure, private-sector development and service delivery, translate into tangible and inclusive outcomes.

Chart 28: Composite governance index in the Current Path and Governance scenario, 2023-2043



Djibouti



Source: IFs 8.58 initialising from WGI and TI data

Chart 28 presents the security, capacity and inclusion index for the Current Path versus the Governance scenario, for 2024 and 2043.

This scenario assumes better governance: stability, capacity and inclusion. It measures a state’s progress by averaging these three indices. To this end, it includes an index (0 to 1) for each dimension, with higher scores indicating improved outcome participation rates, particularly among females, where appropriate.

Furthermore, the scenario includes increased welfare transfers to unskilled workers, funded by taxes on skilled workers. These two amounts should roughly balance each other out in US dollar terms. In the context of high poverty levels and inequality, social transfers have proven to be the most effective short- to medium-term measures for alleviating both issues.

Visit the theme on [Governance](#) for a full conceptualisation and details on the scenario structure and interventions.

According to the Ibrahim Index of African Governance (IIAG), Djibouti scored 43.1 out of 100 in overall governance in 2023,

reflecting an improvement of 3.9 points since 2014 and ranking 38th out of 54 countries in Africa. This progress has been driven primarily by gains in economic opportunity, human development and participation, rights and inclusion. However, these improvements have been partially offset by a deterioration in security and the rule of law. Despite recent gains, Djibouti's governance performance remains below both the African average (49.3) and the Eastern Africa regional average (46.8), indicating continued structural governance challenges and the need for sustained reform.

Under the Governance scenario, Djibouti's overall governance index will improve from 0.50 in 2024 to 0.73 by 2043, compared to 0.61 under the Current Path. This accelerated progress would bring Djibouti closer to the governance levels of stronger performers such as Botswana, which will reach 0.77 by 2043 (from 0.71 in 2024).

The forecasted gains are driven primarily by improvements in the security cluster, which will increase from 0.70 in 2024 to 0.91 under the Governance scenario, compared to 0.79 under the Current Path, suggesting a significant strengthening of stability, rule of law and institutional security. This is followed by progress in inclusion, which will rise from 0.50 to 0.74, compared to 0.61 under the baseline, reflecting improvements in participation, rights and social equity.

Capacity will remain the weakest performing governance dimension, although it will also improve, from 0.30 in 2024 to 0.52 under the Governance scenario, compared to 0.43 under the Current Path. This highlights persistent constraints in state capability, including public sector effectiveness, administrative capacity and service delivery.

These trends underscore that while improvements in security and inclusion can be accelerated through targeted reforms, strengthening state capacity remains the most binding constraint to governance transformation in Djibouti. Addressing this will require sustained investment in public administration, institutional coordination and accountability mechanisms to ensure that gains in governance translate into effective policy implementation and improved development outcomes.

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