**REGIONAL BUREAU FOR ARAB STATES**

**PROGRAMME INCUBATION FUND**

**Proposal for: Djibouti Country Office**

**Date of Submission: Apr 11, 2022**

**Review sheet for review panel**

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| **Criteria** | **Score** |
| **Innovation (maximum score 30):**   * Innovative, bold and new interventions. * Clear, feasible, and catalytic. * Demonstrates, if the proposal includes a digital component, can serve in enhancing efficiencies of development interventions or enhancing impact in terms of development outcomes. * Data and evidence-based approach * If feasible, draw on the exchange of experience, knowledge and expertise from other countries in the RBAS region and beyond |  |
| **Relevance (maximum score 30):**   * Linked and responds to national challenges and priorities of the benefitting country and aligned with the respective CPDs. * Advances RBAS’ contribution to the implementation of the Strategic Plan 2022-2025 (3X6X3), its direction of changes, enablers and signature solutions. * Positions UNDP strategically within high-potential or emerging policy areas (for contributing to high impact, scaling up, or resource mobilization potential). * Enable UNDP to advance an integrated approach to development solutions, in line with national ownership and nationally led initiatives. |  |
| **Potential for scaling up (maximum score 40):**   * Leads to forging new partnerships or leverages and expands existing partnerships, including with other UN agencies/ IFIs. * If the proposal is UNDP-focused, has potential to contribute to high impact, future resource mobilization or upstream impact including incorporation into national policy. * Strong partnership with national institutions and clear sustainability strategy. If relevant, sub-regional collaborations could also be developed. |  |
| **Total (maximum score 100):** |  |

**Technical Recommendation – Summary (100 words maximum)**

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| **Summary:**  **Recommendation to RD:** |

**Proposal (maximum 6 pages)**

**Substantive areas of Focus**

The proposal contributes to the SP 2022-2025 and the following signature solutions, enables and direction of change

|  |  |
| --- | --- |
| Signature Solution | Poverty and inequality, Governance, Resilience |
| Enabler | Strategic Innovation, Digitalization, Development financing |
| Direction of Change | Structural transformation, Leaving no-one behind, Building resilience |

**Proposal details (maximum two pages)**

|  |  |
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| Country office | UNDP Djibouti |
| Requester | Emma Ngouan Anoh |
| Project Title (Max 7 words) | SDG Localization for Inclusive and Resilient Governance (SLIRG) |
| Requested Amount | 200 000 USD |
| Gender Marker | GEN2 |
| Date of Submission | Apr 12, 2022 |
| Proposed implementation period | June 1, 2022 - December 2023 |

**Background – Strategic Objectives – Theory of Change statement**

**Background:**

Post COVID-19, both the government of Djibouti and the development partners made emergency investments for the quick socio-economic recovery of the national economy as well as that of the vulnerable populations. For Djibouti, pandemic does not just affect the domestic economy, rather limits the national income sources and tends to paralyze a significant portion of resource mobilization potential. The cost of living in Djibouti is already one of the highest in the region and the continent, which has been further aggravated by the pandemic. The quick-fix solutions with an intent to build back better have been able to stabilize the situation to a certain degree. However, Djibouti needs to leap forward to not just recuperate from the losses incurred during the pandemic but also to regain the double-digit economic growth that Vision 2035 has envisioned.

National Development Plan, Djibouti ICI 2020-2024 has provided more clarity and guidance on the national economic growth priorities and approaches. In the lead up to the National Development Plan development, Djibouti had undertaken several important assessments and diagnostic studies with support from the development partners, mainly the World Bank Group and the UNDP. The key assessments and guidance documents in this regard are – SDG Investor Map, Integrated National Financing Framework, Private Sector Engagement Diagnostic Assessment and Islamic Financing Mechanisms Assessment.

While these assessments provide analysis and propose a mechanism, there is a need to transpire the national development aspirations to the regional levels and foster a whole-of-government approach to ensure that governance and development are inclusive and impactful. The government of France is supporting Regional Governments to develop Regional Development Plan and support the decentralization process. Djibouti is lagging behind many other lower-middle-income countries in the Human Development Indices as well as on multidimensional poverty indices. The SDG targets are not customized to the country context; however, the National Development Plan has been built on the foundations of SDGs and SDG targets as a partial compensation. While there is still a strong need for integration and alignment between the NDP and SDGs, there is an opportunity to use the National Development Plan (NDP) and the Monitoring Framework of the NDP to identify the priority SDGs for each region and collaborate with the government and development partners to localize the SDGs and contribute towards resilient local development and accountable governance mechanisms.

In the context that UNDP is co-chairing the Secretary General’s SDG Localization Initiative and under the guidance of the Local 2030 Coalition, UNDP is best placed to translate the SDG localization approach into the recently initiated decentralization process and support the government of Djibouti to build a better functioning and balanced multilevel governance system.

**Strategic objectives:**

The CO is engaging with the government and partners in designing a comprehensive project on transformative governance and SDG impact investment to enable an inclusive and resilient economic growth trajectory. The main strategy is to utilize the Incubation Fund as the seed fund to design tools and identify enablers and approaches of attaining the 2030 Agenda through a whole-of-government approach for integrated local development of Djibouti and support an ongoing resource mobilization process.

**Theory of change statement:**

Regaining pre-pandemic GDP Growth Trajectory and attaining SDGs targets prioritized within the new National Development Plan ‘Djibouti ICI’ will be possible if:

* Regional and Local Development Plans follow similar inclusive and SDG-centric approach as the National Development Plan.
* SDG financing, innovation, and digitalization support development priorities at the national and regional level, particularly those concerning the empowerment of women and youth.
* Monitoring and Tracking mechanisms form integral components of the national and development financing.
* National authorities and civil society have the capacities and resources for common planning, budgeting, and implementing development interventions focused on priority SDG.
* Djibouti can develop human resources through high-quality skill-based training aligned with the Investment Areas.
* Djibouti can diversify its economy for further investment and enhance regional coordination with a particular focus on the women-led and women-owned enterprises in the green and the blue economy sectors.
* The organizations and government institutions break the silos and forge collaboration to scale and accelerate the development aspirations.

**Proposal overview and expected outputs and results**

The Incubation Funding will help develop a strategy on prioritization for effective and efficient delivery of:

* Integrator role for a multilateral cooperation, especially among the UN Agencies
* SDG Prioritization and Localization
* SDG Impact Investment for Local Development
* Digital transition for transformative governance

through a systems approach to deliver an integrated service delivery mechanism for the regional administrations.

The strategy will include a costed action plan, analysis and implementation strategies for the priority development financing projects identified by the National Development Plan at the regional level, thereby, providing opportunities for partnerships and resource mobilization for projects that address complex and dynamic development challenges in Djibouti.

The Proposed project will have three key deliverables– a) Tools to create an Enabling Environment, b) Proposed Governance Structure and Service Delivery Mechanism, and c) Capacity Reinforcement Strategy to contribute towards systems change and transformative governance envisaged in the comprehensive project (estimated at USD 10 million) which is being developed. These three project deliverables are organized into two Outputs.

**Output 1**: **Enabling Transformative Governance Mechanism Created**

* Develop **a Regional digital database platform** to address the current challenges of data gaps by reinforcing existing data collection, analysis, sharing and utilization mechanisms among the government and development partners to support SDG localization process
* Develop a **Costed Action Plan** for integration of the **Development Financing Tracking and Performance Management System** (developed by the INFF) into Regional Development Plans aligned with Regional Development Plan Targets aligned with the Monitoring and Evaluation Framework of the NDP
* **Pilot a governance mechanism** utilizing the data derived from the digital database and the priorities identified in the costed action plan of the Development Financing Tracking tools. This pilot governance mechanism implemented in one region will be a demonstration of a mechanism of an integrated and meaningful engagement with civil society organizations to ensure integrated and decentralized governance

**Output 2:** **Localizing SDGs to Promote Integrated and Structural Transformation**

* Map the duties and responsibilities of the local and regional governments in the context of decentralization and pioneering SDG localization.
* Support the Regional governments to identify the **priority SDGs and** **develop SDG Targets** for each priority SDG, with particular emphasis on SDG 1, 5 and 8
* **Develop an SDG acceleration plan** for two regions (one in the North and one in the South) aligned with the Regional Development Plan
* Establish **physical and online SDG Investment Platform** – an interface between public, private and development partners – to facilitate SDG localization and SDG prioritization process at the national and regional level. The investment areas will be based on the findings of the SDG Investor Map

**Results Framework**

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| --- | --- | --- |
| **Indicator** | **Baseline** | **Target** |
| Digital database platform to address the current challenges of data gaps | None | 1 |
| Costed Action Plan for integration of the Development Financing Tracking and Performance Management System into Regional Development Plans | None | 1 |
| Pilot a governance mechanism for integrated and decentralized governance | None | 1 |
| SDG Acceleration Plan for Priority SDGs for two regions | None | 2 |
| Physical and online SDG investment platform operational | None | 1 |

**Management arrangements**

The Project will be implemented as an Engagement Facility directly by the UNDP for operational purposes. The proposed project will be integrated into the current Rising Djibouti portfolio[[1]](#footnote-1) and will be managed by the existing project management structure. Ministry of Economy and Finance and In-charge of Industries (MEFI) will be the key Implementing Partner. Ministry of Decentralization, Ministry of Digital Economy and Innovation and the Regional Council of each region will be the key stakeholders of the project.

**Partnerships**

MEFI, Ministry of Decentralization, Ministry of Digital Economy and Innovation and Secretariat of State for Investment and Private Sector Development will be the key national-level government partners. At the sub-national level, Regional Council and the Prefecture will be the key interlocutors to facilitate coordination among the partners supporting decentralized governance in Djibouti.

UNDP was the lead technical agency supporting the government in developing NDP and also the post-COVID-19 Socio-economic recovery efforts. UNDP has successfully fulfilled its function as an integrator in these key strategic government interventions. In the context of decentralization, UNDP is well positioned based on the ongoing and past work on governance, livelihood and resilience-building to integrate UN efforts at the regional level. UNDP will also leverage its lead role in the UNCT under the United Nations Sustainable Development Cooperation Framework for the governance and inclusive livelihood pillars.

Expertise France, Agence Française de Développement, USAID and the World Bank will be the key development partners considering their existing engagement and contribution in decentralization and private sector engagement.

In addition, UNDP CO will lean upon country offices in the region, particularly Malawi – role of CSOs in governance aspects and Botswana – policy coherence for effective implementation of the NDP and foster South-South cooperation.

**Communication and Outreach Plan**

The proposed project will be embedded within the existing Rising Djibouti Portfolio, which has been successful in creating a “brand” in Djibouti. The portfolio has a logo that has been well received by the partners, the government at the national and regional levels and the Djiboutian people. Each key event that marks the launching of a knowledge product, a process, or achievement follows three phases of communication approach – a) pre-event information dissemination through the social media outlets of the UNDP, partners, popular social media networks and the digital influencers; b) update feeds during the event; c) wrap-up information feed in the social media.

In addition, UNDP Communications Specialist provides regular updates to the UNCT Communications Team as well as the national media outlets. This rigorous communication, outreach and advocacy approach has been successful in meeting and sometimes exceeding the anticipated visibility requirements. The proposed Incubation Fund project has several key tools and processes that the portfolio and CO communications team will exercise digital, audio-visual as well as print media for information dissemination and wider advocacy.

**Complementarity with other funds/projects available**

The proposed project builds upon the results and learnings of the recently closed projects, assessments and complements ongoing projects under the Rising Djibouti portfolio. Five projects under the Rising Djibouti portfolio are directly aligned with the strategic objectives of this proposed project -**a)** Integrating Financing for SDGs, **b)** Anti-Corruption and Civic Engagement, **c)** Community Resilience Initiative for Sustainable Peace, d**)** Enhancing Economic Resilience of Vulnerable SMEs in Djibouti and **e)**Djibouti’s Response to COVID-19 Induced Livelihoods and Jobs.

Through the five projects, the Incubation Fund project will have **co-financing** on the **key thematic areas** – **a)** SDG financing, **b)** Decentralization, **c)** Institutionalization, **d)** Digitalization, **e)** Financial Inclusion and **f)** Integrated National Financing Framework

**Alignment with RBAS Program Incubation Fund Criteria**

**Innovation:** Localization of SDGs through the integration of SDG targets customized by regional development priorities is an innovative approach to bring transformative governance changes. Djibouti is undergoing transition and UNDP’s tools like digitalization of data, evidence-based planning and monitoring mechanisms, and platforms for integrated and decentralized development present an innovative business model aligned with RBAS Incubation Fund criteria.

**Relevance:** The crux of the project is built on the premises of the National Development Plan (NDP) and the last mile that needs to be filled to align the NDP targets to the SDGs. The activities draw on new national strategic priorities and aspirations of fostering decentralization elaborated in the NDP. The NDP was launched in March 2022 and has a tight schedule to meet the envisaged targets by end of 2024. Hence, the tools and mechanisms proposed in the project are not only relevant but can also be catalytic towards the attainment of the NDP targets.

**Potential for scaling up:** The proposed activities are designed specifically to build the much-needed foundation for transformative governance and introduce the concept of SDG localization and SDG-centric financing approaches. These tools and mechanisms will help leverage funds for phase 2 of Rising Djibouti. Aligned with the request from the government (MEFI) to design Rising Djibouti Phase 2 coherent with the government’s advocacy for funding support with the donors, UNDP has started co-creating a USD 10 million project with the government. Considering that the proposed activities support the acceleration of SDG attainment and invariably contribute towards the attainment of NDP targets, these respond to the recommendations made by the IFC in the recently launched – “Diagnosis of the Private Sector in Djibouti” and Agence Française de Développement (AFD)’s Diagnosis of Financial Sector in Djibouti and priority projects. Based on the current developments, the project has the potential to forge partnerships with the World Bank, other IFIs, USAID and the governments of Canada and Norway and mobilize resources.

**Risks and mitigation measures**

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| **Risks** | **Probability level** | **Mitigation measures** |
| Policy Reforms are not easy and fast enough | Medium | 1. Liaise with the technical team of the MEFI to clarify the key bottlenecks and make the prompt amendments 2. Present incremental progress and project these developments vis-à-vis the overall context to maintain the focus of the policy reforms |
| Mobility constraints due to subsequent outbreak of COVID-19 pandemic | Medium | 1. Provide technical support to the Regional Administrations to enable them to conduct and organize some of the activities virtually |
| Institutional capacity does not match the ambitions of the NDP | Medium | 1. Identify the key and the big institutional capacity gaps 2. Coordinate with the existing projects providing technical assistance to the MEFI and Regional Administrations to enhance the institutional capacity (focused on the project targets) 3. Work closely with the focal points of the key institutions and promote “on-the-job” capacity reinforcement support |
| Local communities are not receptive enough | Low | 1. Conduct community engagement sessions with the community members including the community leaders |

**Expected funds to be leveraged**

Upon the request from the government, UNDP is developing a **comprehensive pipeline of USD 10 million** which aims to scale up SDG Financing with a meaningful and integrated development approach by engaging the private sector in key SDG investment areas in Djibouti. This project aims to support the implementation of the priorities highlighted in the NDP and contribute towards lasting transformative governance mechanisms and institutions for resilient economic growth and accelerated livelihood options. The Incubation Fund will be instrumental in developing enablers – tools for digitalization, monitoring and performance tracking and localizing SDGs. These enablers will have a catalytic impact on the four years-long project that is being co-created with the government and potential donors (governments of the US, Canada and Norway).

**BUDGET / WORKPLAN**

| **Expected Outputs** | **Planned Activities** | **2022** | | | **2023** | | **Resp. Party** | **Planned Budget** | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Source of funds** | **Budget Description** | **Amount** |
| **Output 1: Enabling Transformative Governance Mechanism Created** | Activity 1.1. Develop **a Regional digital database platform** to address the current challenges of data gaps at the regional level by reinforcing existing data collection, analysis, sharing and utilization mechanisms among the government and development partners |  |  |  |  |  | UNDP | Incubation Fund | Consultant Services  Meeting | $ 25, 000 |
| Activity 1.2 Develop a **Costed Action Plan** for integration of the **Financing Tracking and Performance Management System** developed by INFF process into Regional Development Plans aligned with Regional Development Plan Targets |  |  |  |  |  | UNDP | Incubation Fund | Consultant Services  Meeting | $ 40,000 |
| Activity 1.3 **Pilot a governance mechanism** utilizing the database (result of Activity 1.1) and the Financing Tracking System (result of Activity 1.2) for an integrated and meaningful engagement with civil society organizations to ensure integrated and decentralized governance |  |  |  |  |  | UNDP | Incubation Fund | Technical Assistance  Meeting | $ 20, 000 |
|  | **Total Output 1** |  | | | | | | | | **$ 85, 000** |
| **Output 2 : Consolidating SDG impact investment** | Activity 2.1 Develop Targets for Regional Priority SDGs |  |  |  |  |  |  |  |  | $ 10 000 |
| Activity 2.2 Develop SDG Acceleration Plan for 2 regions (One North and one South) |  |  |  |  |  |  |  |  | $50,000 |
| Activity 2.3 Establish physical and online SDG Investment Platform – an interface between public, private and development partners – to facilitate SDG investments at national and regional level identified by the SDG Investor Map |  |  |  |  |  |  |  |  | $30,000 |
| Activity 2.4 Monitoring and Evaluation |  |  |  |  |  |  |  |  | 5,000 |
|  | **Total Output 2** |  | | | | | | | | **$ 95 000** |
|  | **Total Programme Budget** |  | | | | | | | | **$180,000** |
|  | **Project Management Costs** |  | | | | | | | | **$20,000** |
|  | **Grand Total** |  | | | | | | | | **$ 200 000** |

1. Rising Djibouti is the first portfolio of the UNDP Djibouti designed to implement post-COVID socio-economic recovery projects, transformative governance and resilience building. Rising Djibouti is a visionary project which mirrors the development aspirations of the country, more so to bounce forward and recover from the development impediments caused by the COVID-19 pandemic. [↑](#footnote-ref-1)