

# Djibouti

## Technical Assistance in Fiscal Year 2018

### **Financial Supervision** (October 22 – November 2, March 4-15)

METAC continued its TA program to the Central Bank of Djibouti (CBD) aimed at improving the regulatory and supervisory framework for conventional and Islamic banks, considering Djibouti's specifics. In this context, it organized two missions in FY18:

The first mission, undertaken jointly with MCM, helped the CBD integrate sections on Shari'ah compliance in the draft instructions, developed during METAC's February 2017 mission, on loan classification and provisioning, and on transactions with related parties. It also assisted the CBD in upgrading the regulations on capital adequacy ratio by aligning the components of the equity part of this ratio to Basel II and III, and by proposing a standardized approach for calculating credit and market risk's capital charge. Last, the mission carried out a quantitative impact analysis to assess the impact of the implementation of these proposed draft regulations on banks.

The second mission focused on addressing the gaps identified in the CBD's medium-term action plan to strengthen banking supervision in Djibouti. It worked with the authorities on developing new prudential guidelines on: (i) credit risk management; (ii) inter-bank risk management; (iii) FX risk management; and (iv) corporate governance, which also address the particularities of Shari'ah compliant activities. The mission adapted its working agenda by giving priority to assessing and fostering the implementation of past recommendations, and following up on the progress made by the CBD in enforcing the draft guidelines proposed in previous missions.

### **Public Financial Management** (May 17-30)

Djibouti is expanding its infrastructure to leverage its strategic location and foster growth. Consequently, public debt has risen from 50 to 85 percent of GDP between 2014 and 2016. In this context, a joint IMF-METAC mission assessed the ability of the PFM system to finance the budget in an efficient and transparent way, the framework to manage fiscal risks arising from public enterprises, and key institutions of the public investment management framework. The mission included 4 mini-seminars on public enterprises, public investment management, cash management, and TSA. They aimed at sharing international experience and IMF analytical work with representatives of institutions involved in PFM. It recommended developing mechanisms, such as a debt rule and an MTBF, to ensure predictability, sustainability, and efficiency of public investment. It also reviewed the draft law on debt management and discussed approaches to improve cash forecast. Regarding public enterprises, it proposed to set-up a matrix and indicators to monitor the risks and profitability of public enterprises.

### **Statistics** (January 14-25, March 18-29)

In cooperation with AFRISTAT, METAC assisted the Directorate of Statistics and Demographic Studies (DISED) in restoring and developing the national accounts compilation system, based to the extent possible on the methodological framework of the 2008 SNA. To this end, it conducted two missions:

- The first mission provided hands-on training to DISED staff and assisted them in compiling the 2014 GDP based on the newly established system. It also agreed with the authorities on mid-term objectives to fully operationalize the national accounts team at DISED so that they can autonomously produce the national accounts statistics. These objectives will be jointly supported by METAC and AFRISTAT. In addition, METAC agreed to organize a mission in March 2018, to help the national accounts team in producing and disseminating preliminary GDP estimates in accordance to the IMF General Data Dissemination System dissemination requirements.
- The second mission focused on the available sources and short-term indicators for establishing a compilation system for preliminary GDP estimates by activity and by final expenditure components. The mission provided hands-on training on designing and testing the compilation framework based on available source data. Preliminary GDP estimates for 2015 and 2016 were produced, the framework for the 2017 GDP estimates was updated, and recommendations were provided to finalize the estimates by July 2018.