

Djibouti

Technical Assistance in Fiscal Year 2017

Djibouti has been pursuing a strategy of developing infrastructure to foster growth and reduce poverty. Nevertheless, poverty and unemployment remain high, and humanitarian needs have increased with the influx of refugees, mainly from Yemen. High public investment spending has been exerting considerable pressure on public finances; and commercial banks' loan portfolio deteriorated over the past few years, driven mainly by the bankruptcy of two private oil companies and a stricter loan classification required by the Central Bank of Djibouti (CBD). As Djibouti is a new member country, METAC undertook three missions, of which two aimed at assessing Djibouti's TA needs and identifying areas for METAC support.

Banking Regulation and Supervision (October 16-27, February 5-16)

METAC's first mission to Djibouti assessed the CDs needs of "Banque Centrale de Djibouti" (BCD). Following the 2008 FSAP, the BCD enhanced the banking regulatory and supervisory frameworks with IMF assistance. Nevertheless, banking regulation needs further strengthening, the capital adequacy, assets classification and provisioning, exposures of related parties, internal control, corporate governance, risk management, and anti- money laundering and fighting terrorism. Banking supervision also needs to be strengthened, by focusing on risks and internal control, developing enforcement framework, conducting penalty procedures, and enhancing the existing resolution framework. METAC identified areas where it can provide assistance in the regulatory and supervisory frameworks, and agreed with the authorities on a medium-term CD agenda.

A subsequent mission assisted the BCD in improving their prudential regulations on the equity components of the capital adequacy ratio, loan classification and provisioning, and related parties. Accordingly, the mission proposed three instructions, which should help to strengthen banks' financial soundness and prompt the BCD to adopt an effective regulatory framework. The mission also trained the banking supervision staff on the implementation of these regulations.

Statistics (November 13-17)

With the assistance from AFRISTAT, and after almost 15 years the Department of Statistics and Demographic Studies (DISED) resumed producing national accounts data. By end-2017, DISED expects to publish annual GDP series by production and final expenditure components at current and constant prices for the period 2008 – 2016. In this context, METAC's first mission to Djibouti reviewed and assessed the sources and procedures for compiling GDP by production and final expenditure components, at current and constant prices. In consultation with the AFRISTAT resident advisor and the authorities, the mission developed METAC's TA agenda on national accounts and price statistics in Djibouti, which includes: (i) developing capacity in national accounts after 2017, including a system for preliminary GDP estimates; (ii) producing import price index, to measure prices and volumes in national accounts; and (iii) organizing administrative and statistical sources for establishing statistical business register.