

## **Djibouti**

### **Fiscal Year 2025**

#### **Capacity Development Activities**

##### **Central Bank Operations**

###### *Improving Foreign Reserve Management*

At the request of the Banque Centrale of Djibouti (BCD), METAC provided a technical assistance mission during 6-16 May aimed at improving BCD's foreign reserve management. The BCD currently operates in a challenging environment with declining foreign reserves, resulting in currency board coverage ratio below 100 percent. The mission proposed that the BCD immediately adopt a comprehensive framework for the management of foreign exchange reserves, as it is currently subject to a high concentration of credit risk. The mission provided detailed documentation for an Investment Policy, Investment Strategy, and Investment Guidelines, calibrated to the BCD context. This includes limited investment in Shariah-compliant products to enable the remuneration of the required reserves of Islamic banks.

###### *Introducing Reserve Requirements*

METAC provided remote follow-up technical assistance for the implementation of the reserve requirement (RR). The BCD is committed to introducing an RR soon. This mission addressed the outstanding recommendations and assisted the BCD with practical implementation. This includes finalizing the draft regulation, preparing technical documents to support decisions on the parameters and properties of the RR, as well as providing guidance for outreach and communication with the banking sector.

##### **Government Finance Statistics and Public Sector Debt Statistics**

###### *Compiling government finance statistics*

METAC conducted a technical assistance mission on government finance statistics (GFS) and public sector debt statistics (PSDS) for Djibouti's Ministry of Budget during 15-29 August. The mission had a two-fold purpose: (1) to assess the current conditions for GFS compilation in the Ministry of Budget and (2) to raise the authorities' awareness of the main GFSM 2014 concepts and compilation practices. The Ministry of Budget organized the workshop "Atelier de réflexion sur les statistiques de finances publiques" with a large number of participants from the Ministry of Budget and other institutions. The mission provided an overview of the GFSM 2014 and set a plan for aligning the statistical reporting with international standards and discussed current conditions for a re-start of the GFS compilation. The mission was followed by virtual meetings during September and October.

##### **Public Financial Management**

###### *Analysis of Fiscal Risks related to State-owned Enterprises*

During 12-16 May, a mission team worked with the Public Accounting Department at the Ministry of Budget (MoB) and held meetings with other stakeholders to analyze the current fiscal risk management systems linked to State-owned Enterprises (SOEs). The mission trained the DCP teams on the use of the SOE-"Health Check Tool", developed by the IMF Fiscal Affairs Department. Fiscal risks were analyzed for two public enterprises, and recommendations were proposed for improving fiscal risk monitoring and

management. Finally, MoB staff applied the "Health Check Tool" to a third SOE and analyzed the results with the mission team.

#### *Addressing Fiscal Risks from Public Private Partnerships (PPP)*

A mission during 13-17 April supported Djibouti's authorities in strengthening their capacity to improve monitoring and managing fiscal risks associated with Public-Private Partnerships (PPPs). The mission reviewed the existing legal and regulatory framework for PPPs as well as their treatment in the budget process and assessed existing mechanism for monitoring and managing respective fiscal risks. The mission also presented the PPP Fiscal Risk Assessment Model (PFRAM) tool and conducted a three-day training for 42 staff from the PPP Unit in the Ministry of Economy and Finance, the Ministry of Budget, and contracting authorities.

### **Revenue Administration**

#### *Strategic Plan and Generate Projects for the Djibouti Customs*

METAC conducted a remote mission during 1-16 May to support Djibouti Customs in developing a strategic plan and generate projects which will implement the priorities of the plan, specifically focusing on the development of terms of reference for tiers of the selected governance framework and review of project initiative documents.

#### *Supporting the reform management capacity of the tax administration*

A workshop (22-26 September) on reform and project management provided skills to a team of 14 tax administration professionals who successfully completed the VITARA module on reform management. The mission recommended establishing a dedicated reform management team as an important governance element. The mission also highlighted establishing a fully-fledged Large Taxpayers Office (LTO) as a key priority to improve revenue mobilization and advised on the immediate steps to be taken in this regard.

#### *Customs Strategic Plan*

Ongoing support was provided to Djibouti Customs in preparing for the presentation of their inaugural Strategic Plan and priority projects to invited donors. This initiative aims to engage donors in projects that align with their priorities. The support included remote assistance for finalizing the Strategic Plan design, ensuring that the content, now approved by the Minister, is presented in an engaging manner. Continuous guidance was offered on invitation lists and drafting the event agenda. The presentation is scheduled for February 20th, 2025, at the Kempinski Hotel in Djibouti.

#### *Support to the Djibouti Customs Strategic Plan Launch and Donor Roundtable*

A mission in February supported Djibouti's Customs Administration (DCA) in the preparation, planning, and delivery of the customs-development partners' [roundtable](#). This event officially launched the inaugural DCA strategic plan (2025-2029), which was presented to the development partner community and the private sector. The strategic plan will be used as a platform to garner development partner support to facilitate the execution of priority modernization initiatives. The roundtable, which was opened by the Minister of Budget, supported by the Secretary General of Budget and Director General of Customs, attracted over 100 participants both on-site and online, including representatives from over 20 development partners.

## **Tax Policy**

### *Establishing a new tax policy unit*

A joint METAC – HQ remote mission assisted the Djiboutian Ministry of Budget during 17-30 September in establishing a new tax policy unit (TPU). The mission discussed the responsibilities of the planned TPU, international best practices, and the appropriate institutional framework to enable the TPU to conduct a reliable and independent tax policy analysis and formulate reform proposals. The mission tailored its recommendations to Djibouti's institutional arrangements and called for formalizing the creation of the TPU through legislation to ensure transparency, accountability, and a meaningful mandate of the TPU.

### *Tax Expenditures Reporting*

An in-person mission from February 17 to March 7 followed up on previous CD work on preparing tax expenditures reports and delivered a targeted training seminar. The mission provided recommendations to improve the process of updating necessary information for preparing tax expenditures reports and how to increase the accuracy of the estimates.