

**EXECUTIVE
BOARD
MEETING**

SM/22/30
Correction 1

February 25, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Djibouti—Staff Report for the 2021 Article IV Consultation**

Board Action: The attached corrections to SM/22/30 (2/9/22) have been provided by the staff:

Evident Ambiguity **Pages 41 and 42**

Questions: Mr. Rayner, MCD (ext. 38524)
Mr. Norton, MCD (ext. 37769)
Ms. Rehman, MCD (ext. 34536)

Annex V. Capacity Development Strategy

Capacity development priorities include public financial management, revenue mobilization, financial sector surveillance and financial inclusion, and improved data reporting. Integrated and sequenced Fund engagement across surveillance, TA, and training should help strengthen policy making to support macroeconomic stability and durable and inclusive growth.

1. Close engagement with Djibouti is critical to strengthen institutional capacity. Djibouti has large CD needs, but delivery has slowed significantly since the pandemic as the authorities prefer in-person missions. With hybrid CD delivery now likely a permanent part of the toolkit, it will be crucial to implement innovative solutions to capacity-building to maintain reform and improve CD absorption and policy traction.

2. In the near term, engagement will support policies to maximize fiscal space and increase the transparency and effectiveness of public sector operations. Specifically, fairer tax policies, including reduced tax expenditures, will help level the playing field for inclusive growth and create space for social spending. In addition, governance reforms to improve the business environment and strengthen institutions will be necessary to improve debt management and increase the efficiency of public resources. In the financial sector, with household credit under 4 percent of GDP and most deposits channeled abroad, the Fund will also support financial inclusion and supervision reforms.

3. CD in the medium term should focus on strengthening institutions. Steps to improve public investment management, including capital budgeting, SOE governance, and development of a medium-term fiscal framework, will help to share the benefits of public investments more broadly. Strengthened debt management, including through training on the IMF-WB DSA framework and TA on a medium-term debt strategy, will help limit fiscal risks. CD on statistics, including standards, national accounts, and government finance statistics will promote transparency and good governance. In the financial sector, risk-based financial supervision, financial inclusion, and AML/CFT will promote macro stability and inclusive growth.

Summary of Technical Assistance Needs		
	FY22-23	FY24-26
Fiscal – Priority 1	Public Financial Management-Budget Execution and Control Public Financial Management-Budget Execution and Control Public Financial Management-Budget Execution and Control	Public Financial Management-Budget Execution and Control Public Financial Management-Budget Execution and Control Public Financial Management-Budget Execution and Control
Fiscal – Priority 2	Public Financial Management-Budget Preparation Public Financial Management-Budget Preparation Public Financial Management-Budget Preparation	Public Financial Management-Fiscal Reporting Public Financial Management-Fiscal Reporting Public Financial Management-Fiscal Reporting
Fiscal – Priority 3	Tax Policy-Revenue Quantity Tax Policy-Revenue Quantity Tax Policy-Revenue Quantity	Tax Policy-Revenue Quantity Tax Policy-Revenue Quantity Tax Policy-Revenue Quantity
Monetary/ Financial – Priority 1	Financial Supervision and Regulation-Risk Based Supervision Financial Supervision and Regulation-Risk Based Supervision Financial Supervision and Regulation-Risk Based Supervision	Financial Supervision and Regulation-Risk Based Supervision Financial Supervision and Regulation-Risk Based Supervision Financial Supervision and Regulation-Risk Based Supervision
Monetary/ Financial – Priority 2	Debt Management-Medium Term Debt Strategy Debt Management-Medium Term Debt Strategy Debt Management-Medium Term Debt Strategy	Debt Management-Medium Term Debt Strategy Debt Management-Medium Term Debt Strategy Debt Management-Medium Term Debt Strategy

Summary of Technical Assistance Needs (concluded)		
	FY22–23	FY24–26
Monetary/ Financial – Priority 3	Financial Supervision and Regulation-Regulatory & Prudential Framework Financial Supervision and Regulation-Regulatory & Prudential Framework Financial Supervision and Regulation-Regulatory & Prudential Framework	Financial Supervision and Regulation-Regulatory & Prudential Framework Financial Supervision and Regulation-Regulatory & Prudential Framework Financial Supervision and Regulation-Regulatory & Prudential Framework
Legal – Priority 1	Financial Integrity-AML/CFT Structures & Tools (FIU) Financial Integrity-AML/CFT Structures & Tools (FIU) Financial Integrity-AML/CFT Structures & Tools (FIU)	Financial Integrity-AML/CFT Structures & Tools (FIU) Financial Integrity-AML/CFT Structures & Tools (FIU) Financial Integrity-AML/CFT Structures & Tools (FIU)
Legal – Priority 2	Financial Integrity-AML/CFT Anti-Corruption Measures: Financial Intel. Financial Integrity-AML/CFT Anti-Corruption Measures: Financial Intel. Financial Integrity-AML/CFT Anti-Corruption Measures: Financial Intel.	Financial Integrity-AML/CFT Anti-Corruption Measures: Financial Intel. Financial Integrity-AML/CFT Anti-Corruption Measures: Financial Intel. Financial Integrity-AML/CFT Anti-Corruption Measures: Financial Intel.
Statistics – Priority 1	Compilation and dissemination-Balance of Payments Compilation and dissemination-Balance of Payments Compilation and dissemination-Balance of Payments	Compilation and dissemination-Balance of Payments Compilation and dissemination-Balance of Payments Compilation and dissemination-Balance of Payments
Statistics – Priority 2	Compilation and dissemination-Real Sector - National Accounts Compilation and dissemination-Real Sector - National Accounts Compilation and dissemination-Real Sector - National Accounts	Compilation and dissemination-Real Sector - National Accounts Compilation and dissemination-Real Sector - National Accounts Compilation and dissemination-Real Sector - National Accounts