

**EXECUTIVE
BOARD
MEETING**

SM/22/30
Supplement 1

February 9, 2022

To: Members of the Executive Board

From: The Secretary

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

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Wednesday, February 23, 2022
Publication:	Not yet decided*
Questions:	Mr. Rayner, MCD (ext. 38524) Mr. Norton, MCD (ext. 37769) Ms. Rehman, MCD (ext. 34536)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Arab Monetary Fund, African Development Bank, Common Market for Eastern and Southern Africa, European Investment Bank, Food and Agriculture Organization, Islamic Development Bank, United Nations Development Programme, World Trade Organization

***At the time of circulation of this paper to the Board, the authorities have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.**



DJIBOUTI

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

February 8, 2022

Prepared By

The Middle East and Central Asia Department
(In consultation with other departments and the World Bank)

CONTENTS

RELATIONS WITH THE FUND	2
RELATIONS WITH THE WORLD BANK	4
STATISTICAL ISSUES	5

RELATIONS WITH THE FUND

(As of December 2021)

Membership Status: Joined: December 29, 1978; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	31.80	100.00
Fund holdings of currency	26.66	83.83
Reserve tranche position	5.15	16.21

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	45.64	100.00
Holdings	2.78	6.10

Outstanding Purchases and Loans:

	SDR Million	Percent Quota
RCF Loans	31.80	100.00
ECF Arrangements	0.62	1.96

Latest Financial Arrangements:

Type	Date of arrangement	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
ECF ^{1/}	Sep. 17, 2008	May 31, 2012	22.26	22.26
ECF ^{1/}	Oct. 18, 1999	Jan. 17, 2003	19.08	13.63
Stand-By	Apr. 15, 1996	Mar. 31, 1999	8.25	7.27

^{1/}Formerly PRGF.

Projected Payments to the Fund¹

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2022	2023	2024	2025	2026
Principal	0.62			3.18	6.36
Charges/interest	0.03	0.03	0.03	0.03	0.03
Total	0.66	0.03	0.03	3.21	6.39

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	May 08, 2020	1.69	1.69
N/A	Oct 02, 2020	1.69	1.69
N/A	Apr 01, 2021	1.40	1.40
N/A	Oct 06, 2021	0.62	0.62
N/A	Dec 15, 2021	0.62	0.62

Safeguards Assessment

In response to the 2012 safeguards assessment, the authorities report that the Audit Committee has initiated its operations, and that implementation is ongoing for the last two outstanding recommendations to improve the internal audit function and for timely publication of the central bank's financial statements, which are approved with a significant delay. In line with safeguards policy, an update of the 2012 safeguards assessment of the Central Bank of Djibouti (CBD) will be conducted in connection with the disbursement under the RCF in May 2020.

Exchange arrangements

Djibouti's exchange rate arrangement is a currency board. The Djibouti franc is pegged to the U.S. dollar at the rate of DJF 177.721 = US\$1. Djibouti has accepted the obligations under Article VIII, Sections 2(a), 3 and 4, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Article IV Consultation

On September 30, 2019, the Executive Board of the IMF concluded the 2019 Article IV consultation with Djibouti (IMF Country Report No. 19/314).

FSAP Participation

A Financial Sector Stability Review (FSSR) was completed in January 2020. The FSSR identified the following shortcomings: (i) banks' large foreign exposures with uncertain liquidity profiles exacerbate banks' risk profiles; (ii) few banks have locally designed liquidity risk management frameworks (including formalized liquidity risk appetite, tolerance, limits and contingency plans to address liquidity and funding shortfalls under stress); (iii) the absence of a CBD system wide liquidity monitoring; (iv) CBD 2013 instruction on liquidity has been suspended; and (iv) there is no Liquidity Coverage Framework in place. The CBD is in the process of addressing these shortcomings and has requested the support of a long-term IMF expert.

RELATIONS WITH THE WORLD BANK

(As of January 2021)

The activities of the World Bank Group in Djibouti can be found at:

<https://www.worldbank.org/en/country/djibouti>

STATISTICAL ISSUES

General: Data provided to the Fund are broadly adequate for surveillance, but shortcomings remain. While progress has been made on national accounts, weaknesses in data sources continue to hamper their quality. Shortcomings remain on the balance of payments and, to a lesser extent, on external debt statistics. Fiscal data are reported with delays. Djibouti began participating in the General Data Dissemination System (GDDS) in February 2012.

National accounts: National account statistics have been finalized for 2013–2017, but the estimate for 2018 will be subject to substantial revisions. No estimates have yet been published for 2019 and 2020. The delays in the publication of the national accounts reflects challenges in incorporating data from the ports and free trade zones (FTZs), the contribution of the construction sector, and statistical capacity constraints. A population census is planned for 2022, which will also update the country's social and development indicators. In 2016, the index and weight reference periods for the CPI were updated to 2013. Djibouti provides CPI data on a timely basis, however, it only covers the capital city. There has been no household survey or data on unemployment since 2017.

External sector: The Central Bank of Djibouti has been improving its quality and coverage of balance of payments (BOP) statistics supported by IMF TA. Consistent with IMF advice, the authorities adopted the general trade system for the compilation of trade in goods statistics beginning in the year 2013. This change incorporates the large trade flows that are channeled through Djibouti's FTZs—mainly re-exports to neighboring countries, especially Ethiopia—into the external sector and national accounts statistics. While this measure better reflects the volume of activity at Djibouti's trade hub, it also means that most reported imports and exports reflect goods that are not used or financed domestically. The authorities are working with the ports authority to improve data coverage of the FTZs in order to address significant gaps between recorded imports and reexports of the FTZs, which can produce large swings in the headline current account. Staff capacity needs to be enhanced to continue improving the quality and timeliness of BOP statistics. Large errors and omissions illustrate the persistent challenges in the BOP.

Government finance: Fiscal data are available monthly, albeit with an often-significant delay. Foreign-financed capital expenditure is reported regularly. Additional efforts are needed to improve the compilation methods and coverage of fiscal data, and resume disseminating fiscal data publicly. A chart of accounts broadly aligned to the *GFSM 2001* has been implemented since 2012 and has been used to produce the annual budget law. However, the TOFE (statement of operations)—used for fiscal planning, forecasting and reporting—remains aligned to the *GFSM 1986*. Coverage of fiscal data is limited to the institutional units of the budgetary central government and does not include extrabudgetary entities such as the country's SOEs, ports authority, sovereign wealth fund, or social security fund. However, the authorities have recently begun to provide detailed information on the accounts of key state-owned enterprises. Coverage of debt liabilities is timely and covers central government direct borrowing as well and central government guaranteed debt. The authorities report that non-guaranteed external borrowing is minimal, and domestic SOE borrowing is limited.

No data is currently submitted for the IMF's annual GFS database and dissemination of fiscal statistics on the Ministry's website has lapsed.

Monetary accounts: Djibouti reports monetary and financial statistics (MFS) for the central bank and other depository corporations based on the standardized report forms (SRFs), in accordance with the Fund's *Monetary and Financial Statistics Manual and Compilation Guide* (MFSMCG). Djibouti reports some data and indicators to the Financial Access Survey (FAS), including the two indicators adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Financial sector surveillance: Following a March 2018 TA mission, regular submission of Financial Soundness Indicators (FSIs) to the Fund started in May 2018. Djibouti reports all 12 core and 7 encouraged FSIs for deposit takers on a regular and timely basis.

Table of Common Indicators Required for Surveillance
(As of November 2021)

	Date of Latest Observation	Date Received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷
Exchange Rates	Not applicable	Not applicable	n.a.	n.a.	n.a.
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	July, 2021	October, 2021	M	M	M
Reserve/Base Money	July, 2021	October, 2021	M	M	M
Broad Money	July, 2021	October, 2021	M	M	M
Central Bank Balance Sheet	July, 2021	October, 2021	M	M	A
Consolidated Balance Sheet of the Banking System	July, 2021	October, 2021	M	M	A
Interest Rates ²	August 2020	September 2020	M	M	A
Consumer Price Index	October 2021	November, 2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	Not applicable	Not applicable	n.a.	n.a.	n.a.
Revenue, Expenditure, Balance and Composition of Financing ³ – Budgetary Central Government	June 2021	October 2021	M	M	n.a.
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	June 2021	October 2021	M	M	n.a.
External Current Account Balance	June 2021	October 2021	Q	Q	Q
Exports and Imports of Goods and Services	June 2021	October 2021	Q	Q	Q
GDP/GNP	December 2018	November 2021	A	A	A
Gross External Debt	June 2021	October 2021	A	A	I
International Investment Position ⁶	December 2020	September 2021	A	A	A

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

²Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³Foreign, domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (including budgetary entities, extra budgetary funds and social security funds), and state and local governments.

⁵Including currency and maturity composition.

⁶Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷Daily (D); Weekly (W); Monthly (M); Bi-monthly (B); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).