

# **Djibouti: 2025 Article IV Consultation-Press Release; and Staff Report**



# DJIBOUTI

## 2025 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

September 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Djibouti, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on June 25, 2025, with the officials of Djibouti on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 22, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes 2025 Article IV Consultation with Djibouti

FOR IMMEDIATE RELEASE

**Washington, DC – September 11, 2025:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Djibouti and considered and endorsed the staff appraisal without a meeting on a lapse-of-time basis.

Djibouti's recent and foreseeable growth remains steady with moderate inflation, supported by Ethiopia's expansive market and strong transshipment amid Red Sea tensions. The fiscal and reserves positions improved in 2024 after a brief period of fiscal overruns. In a challenging global climate, the authorities' focus on macroeconomic stability, debt sustainability, and economic diversification to support job creation is commendable.

Djibouti's priorities are to reduce debt and continue rebuilding reserves, through ongoing debt negotiations and prudent fiscal management. While government revenues are limited compared to spending needs for development and debt service, segments of the state-owned enterprises (SOE) exhibit robust profitability. Mobilizing their dividends for debt service and reserve accumulation, implementing efficiency-enhancing SOE reforms, standardizing tax regimes to broaden the tax base, limiting non-essential expenditures, and applying a medium-term debt strategy remain key priorities.

Private sector development is key to boosting formal jobs. Enhancing investment in health and education to strengthen human capital, substantially narrowing tax exemptions, and implementing energy sector reforms, are essential elements in building a more inclusive growth model.

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

## Executive Board Assessment

Djibouti is positioned to leverage its economic resilience to tackle fiscal and development challenges. Djibouti has handled recent shocks well, maintaining solid growth despite Red Sea tensions, with moderate inflation and rising reserves. Logistics investments over the past decade have boosted growth and economic transformation but increased external debt, leaving limited fiscal space considering development needs. In a challenging global climate, the authorities' focus on macroeconomic stability, debt sustainability, and economic diversification to support job creation is commendable.

Growth stays robust amid regional conflicts. Economic growth is expected to have surpassed 6½ percent of GDP in 2024, driven by higher transshipment activity alongside robust expansion in the construction, commerce, telecommunications and tourism sectors. Moderation in international food and energy prices has contributed to keeping inflation contained. In 2024, substantial fiscal consolidation was realized, which aided in rebuilding reserves and partially offset the decline seen since late 2023; however, reserve levels remain below the monetary base. The authorities' plan to maintain strong fiscal consolidation, aiming for a government surplus this year and a balanced budget in the medium term, is welcome.

The outlook is positive but faces risks amid global uncertainty. Growth is projected to remain strong at about 6 percent in 2025, then to stabilize near 5½ percent in the medium term, largely driven by Ethiopia's strong demand for port services. Inflation is projected to remain subdued in line with global energy and food prices. External risks include heightened instability in the Horn of Africa with increased migration potentially straining social conditions amid constrained fiscal space, reduced development aid, new competition from nearby ports, and global policy shifts possibly weakening the dollar and Djibouti franc, spurring service exports but raising inflation.

Djibouti needs to restore debt sustainability and rebuild reserves through a mix of fiscal consolidation, SOE reform, and debt negotiations. Clearing all arrears and finalizing debt negotiations is key to restore debt sustainability, alongside the containment of public and publicly guaranteed debt through quantified and enforced ceilings on both SOE and central government debt. This should be complemented by durable fiscal consolidation. To sustain progress, it is imperative to ensure the effective implementation of the revenue and expenditure measures outlined in the authorities' 2024–27 Action Plan for fiscal reforms as well as rationalize tax expenditures associated with the derogatory regimes.

Staff welcomes the authorities' commitment to accelerate SOE governance reform. Swiftly implementing the Code of Good SOE Governance, including by collecting financial statements from all SOEs to allow performance monitoring, together with enforcing a transparent dividend policy,

and gradually deleveraging those highly indebted, will contribute to achieving debt sustainability. In addition, staff encourages the authorities to review the SOE portfolio to determine whether to retain, restructure, or divest each entity to improve the efficiency of the sector. The authorities should also apply a market-based approach to financial settlement practices between SOEs and the state.

Building on the recent recovery in reserves, the authorities should pursue a comprehensive strategy to strengthen the currency board. Alongside amending the CBD law to enhance its autonomy and implementing reserve requirements incrementally, the CBD should consider retaining future CBD profits to further bolster reserves. Furthermore, sustaining fiscal consolidation and leveraging dividends from profitable SOEs, including ex-SWF entities, remain essential measures to minimize the recurrence of overdrafts.

Speeding up reforms to boost private investment, diversify the economy, and create jobs would further support the authorities' commitment to inclusive growth. Leveling the playing field between companies operating under the general and special regimes, and lowering electricity costs by curbing government agencies' overuse and improving bill collection, will buttress Djibouti's investment momentum. Enhancing SME financing and strengthening education and job training under the 2021–35 education master plan is essential for private sector growth and the effective implementation of the 'Vision 2035' national development strategy.

High quality data coverage will support policy making and strengthen surveillance. The authorities have taken important steps to improve the dissemination and quality of macroeconomic statistics and are determined to further improve the coverage and consistency of national, fiscal, and external accounts data in line with DAA requirements. Advancements in data compilation methods and the timely publication of statistics will further enhance economic analysis and policy making.

## Djibouti: Selected Economic and Financial Indicators, 2021–30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Est.				Proj.					
<b>National accounts</b>	(Annual percentage change)									
Real GDP	4.4	5.2	7.4	6.5	6.0	6.0	6.0	5.5	5.5	5.5
Consumer prices (annual average)	1.2	5.2	1.4	2.1	1.6	1.5	1.4	1.4	1.4	1.4
Consumer prices (end of period)	2.5	3.6	3.7	-0.6	1.8	1.6	1.5	1.4	1.7	1.6
<b>Saving and investment</b>	(In percent of GDP)									
Fixed capital investment	29.7	29.0	24.5	26.1	26.1	26.0	26.0	26.1	26.5	26.7
Non-government	22.3	23.8	17.9	20.8	21.1	20.5	20.5	20.6	21.1	21.3
Central government	7.3	5.2	6.6	5.3	5.0	5.5	5.5	5.5	5.4	5.4
Gross national savings	23.1	47.9	42.6	40.2	34.2	33.6	33.9	34.2	34.8	35.0
Savings/investment balance	-6.6	19.0	18.1	14.1	8.1	7.6	7.9	8.1	8.3	8.3
<b>Central government</b>	(In percent of GDP)									
Revenues and grants	20.1	19.5	18.1	18.0	19.0	18.8	18.6	18.5	18.4	18.2
Tax revenues	11.6	11.7	11.1	11.0	11.2	11.3	11.4	11.4	11.5	11.6
Nontax revenue	6.7	6.8	5.2	5.9	6.7	6.4	6.1	5.9	5.7	5.5
Grants	1.8	1.1	1.7	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Expenditure	23.1	21.0	21.5	20.6	20.1	19.6	19.2	18.8	18.5	18.1
Current expenditure	15.8	15.7	14.9	15.3	15.0	14.1	13.7	13.3	13.0	12.7
Capital expenditure	7.3	5.2	6.6	5.3	5.0	5.5	5.5	5.5	5.4	5.4
Domestically financed	4.7	3.2	3.9	3.6	3.1	3.8	4.6	4.9	5.4	5.4
Foreign-financed	2.9	2.0	2.6	1.7	2.0	1.7	0.8	0.6	0.1	0.0
Covid-19/emergency expenditures	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-3.1	-1.5	-3.5	-2.6	-1.0	-0.8	-0.6	-0.3	-0.1	0.1
Change in arrears	0.4	1.2	-0.2	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-2.7	-0.3	-3.7	-3.1	-1.0	-0.8	-0.6	-0.3	-0.1	0.1
Overall Central Government and Publicly Guaranteed Debt	71.5	69.0	69.9	68.9	67.2	62.3	56.9	50.1	44.0	38.5
<b>Monetary sector</b>	(Annual change in percent of broad money)									
Broad money	5.3	-1.7	7.8	3.4	4.7	5.0	5.1	5.7	5.5	5.9
Net foreign assets	-2.4	-7.7	-0.4	-6.5	2.9	2.7	2.0	2.4	-3.2	1.1
Net domestic assets	7.7	6.0	8.3	9.9	1.9	2.3	3.1	3.4	8.7	4.8
Of which: Claims on government (net)	2.3	-0.6	3.6	4.3	-0.2	-0.3	-0.3	-0.2	-0.2	-0.1
Of which: Claims on non-government sector	2.8	5.8	5.4	5.7	4.1	4.3	4.5	4.7	4.9	5.1
Credit to non-government (in percent of GDP)	26.8	29.9	30.9	32.0	32.4	32.5	32.8	33.5	34.5	35.2
<b>External sector</b>	(In millions of US dollars)									
Current account balance	-224	675	708	604	373	381	427	469	509	545
(In percent of GDP)	-6.6	19.0	18.1	14.1	8.1	7.6	7.9	8.1	8.3	8.3
Underlying current account balance 1/	-224	192	298	-15	73	69	110	152	194	238
(In percent of GDP)	-6.6	5.4	7.6	-0.4	1.6	1.4	2.0	2.6	3.2	3.6
External public and publicly guaranteed debt	2,423	2,455	2,738	2,985	2,951	2,823	2,691	2,549	2,394	2,260
(In percent of GDP)	71.4	68.9	69.9	69.6	64.0	56.4	49.8	44.1	39.0	34.5
Foreign direct investment	167	187	137	68	102	120	128	133	135	136
(In percent of GDP)	4.9	5.2	3.5	1.6	2.2	2.4	2.4	2.3	2.2	2.1
Exports of goods and services (percent change)	39.7	10.0	3.6	-10.7	26.7	6.8	7.8	8.3	8.3	8.3
Imports of goods and services (percent change)	60.1	-7.1	3.4	-9.5	33.8	7.1	7.6	8.1	8.2	8.3
Gross official reserves	578	581	494	338	393	444	483	527	569	609
(In months of next year's imports of goods and services, exc. re-exports)	5.5	5.6	3.7	2.4	2.6	2.9	3.0	3.1	3.2	3.3
Gross foreign assets of commercial banks	2,026	1,751	1,761	1,758	1,809	1,826	1,855	1,690	1,688	1,675
(In months of next year's imports of goods and services, exc. re-exports)	19.3	16.8	13.1	12.6	12.1	11.8	11.5	10.0	9.5	9.1
Exchange rate (DF/US\$, end of period)	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7
Real effective exchange rate (yearly average, 2010=100)	96.1	...	...	...	...	...	...	...	...	...
(Change in percent; depreciation -)	-4.4	...	...	...	...	...	...	...	...	...
<b>Memorandum items</b>										
Nominal GDP (in millions of Djibouti francs)	602,971	633,187	696,160	762,621	819,904	889,110	960,745	1,027,130	1,089,802	1,165,581
Nominal GDP (in millions of US dollars)	3,393	3,563	3,917	4,291	4,613	5,003	5,406	5,779	6,132	6,558
Nominal GDP per capita (US dollars)	3,385	3,506	3,804	4,114	4,369	4,681	5,000	5,286	5,546	5,873
Population (million)	1.002	1.016	1.030	1.043	1.056	1.069	1.081	1.093	1.106	1.117

Sources: Djibouti authorities and IMF staff estimates and projections.

1/ Current account balance excluding imports and exports associated with re-export activities.



# DJIBOUTI

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

August 22, 2025

### KEY ISSUES

**Context.** Djibouti's investment-focused strategy has propelled average growth rates to about 6 percent over the past decade, leading to a doubling of GDP per capita. However, substantial public investment coupled with declining revenues and rising debt service have constrained fiscal space and put pressure on debt sustainability. In 2024, growth remained strong at about 6½ percent, driven by robust transshipment amid Red Sea maritime disruptions. Inflation was moderate, and fiscal and reserve positions improved following temporary overruns. The authorities are pursuing fiscal consolidation and debt negotiations to restore debt sustainability and strengthen reserves.

**Outlook and risks.** Growth is expected to hold at about 6 percent in 2025 and stay robust over the medium term, fueled by rising Ethiopian demand for Djibouti's port services. Inflation is expected to ease as global food and energy prices moderate. Risks to the outlook include heightened instability in the Horn of Africa and increased migration potentially straining social conditions, reduced development aid, and new competition from nearby ports. On the upside, a potential weakening of the dollar may help boost port activity, and private sector investment may exceed expectations, supported by Djibouti's stable economy, currency board, modern ports, and connectivity to Ethiopia's expansive market.

**Policy recommendations.** Priorities include restoring debt sustainability through effective fiscal consolidation, State-Owned Enterprise (SOE) reform, and debt negotiations, as well as strengthening the currency board and promoting inclusive growth. Key policy recommendations:

- Advance fiscal consolidation by broadening tax revenues, rationalizing non-priority spending, and enforcing SOE dividend payments to the budget; set comprehensive debt ceilings that include all public and publicly guaranteed debt. Complete debt renegotiations and arrears clearance with creditors.
- Further SOE reform by ensuring timely disclosure of all financial statements and strengthening their oversight, enabling the commercial operation of SOEs through a framework governing their financial relations with the government, and finalizing the SOE portfolio review to determine which entities to retain, restructure, or divest to improve the efficiency of the sector.
- Continue to rebuild reserves by maintaining fiscal discipline, mobilizing SOE dividends, and reinforcing the central bank's autonomy under the currency board.
- Promote economic diversification and job growth by prioritizing investments in human capital, standardizing taxation across different regimes while substantially narrowing tax exemptions, and continue reforming the energy sector.

Approved By  
**Taline Koranchelian**  
**(MCD) and Bergljot**  
**Barkbu (SPR)**

Discussions were conducted in Djibouti during June 15–25, 2025. The team met with Central Bank Governor Osman, Minister of Economy and Finance Dawaleh, Minister of Budget Robleh, as well as other senior officials and private sector representatives. The staff team comprised Esther Perez Ruiz (head), Thomas Augsten, Olanrewaju Kassim, Naima Smaini (all MCD) and Theodore Bikoi (STA). Abdulrahman Olhaye (OED) participated in the discussions. Takako Iwaki, Oksana Ament, and Maria de Mesa provided research and editorial assistance.

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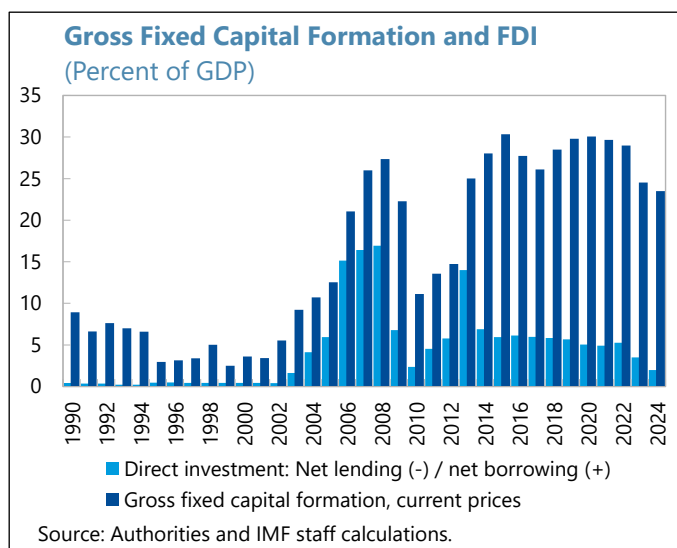


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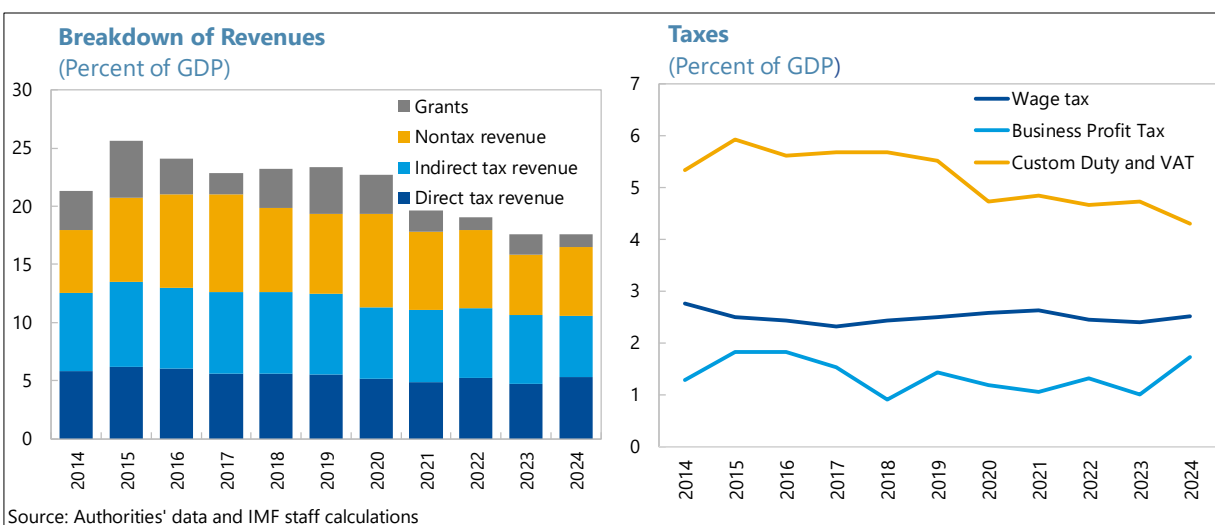
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## CONTEXT

**1. Leveraging its strategic location, Djibouti doubled GDP per capita over the past decade.** The country's location on the Red Sea and its five foreign military bases have been supporting regional stability. Leveraging its proximity to Ethiopia's large and growing market, Djibouti has made substantial investments and advanced the modernization of its economy. The development of new ports and high-quality infrastructure—including a railway and a water pipeline to Ethiopia—has propelled average growth rates to about 6 percent, doubling GDP per capita between 2013 and 2023.

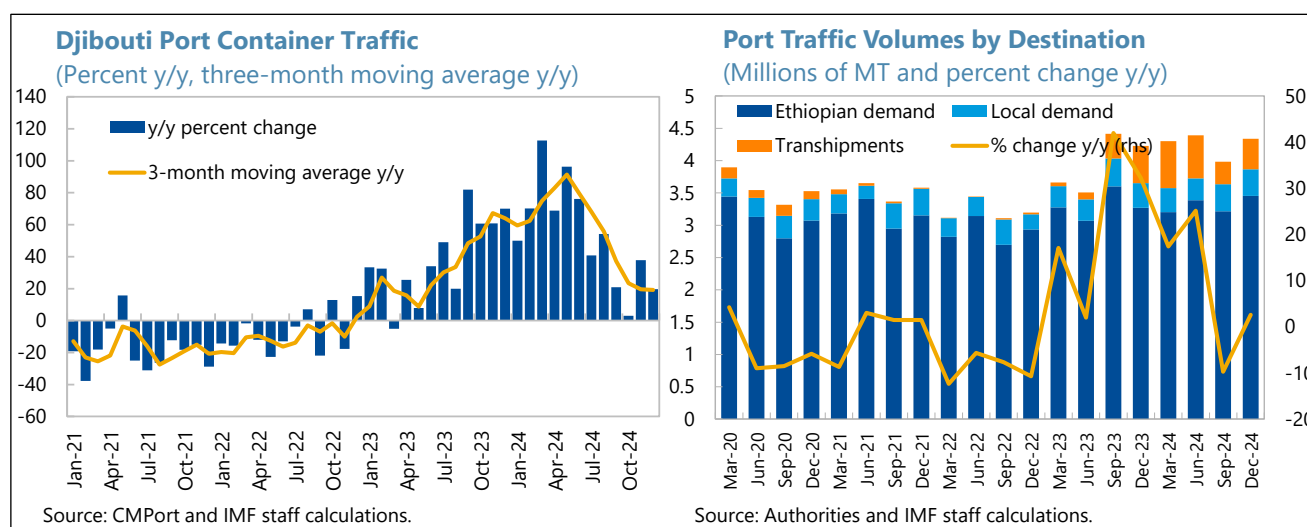


**2. However, growth has not generated sufficient jobs, government revenues have declined, and debt service has risen, constraining fiscal space.** Despite high growth, fewer than one third of the working-age population are formally employed. Moreover, government revenues have fallen as a share of GDP due to widespread tax exemptions benefiting port activities, free economic zones, and military bases, as well as tax evasion. Grant support has also decreased amid a global decline in development aid. These, along with investment financing, have resulted in escalating external public debt from nearly 40 percent a decade ago to an unsustainable 70 percent of GDP currently. As of March 2025, the country remains in arrears to eleven creditors, with outstanding obligations totaling about 2.7 percent of GDP. A debt service moratorium with Exim Bank China is currently in place, effectively deferring the repayment of significant principal and interest payments until 2028.



## RECENT DEVELOPMENTS

**3. Economic growth in 2024 was strong despite regional conflicts.** It is estimated to have surpassed 6½ percent, supported by a 7.4 percent increase in overall port activity and rebounds in the construction, commerce, telecommunications and tourism sectors. The increase in port activity was dominated by a 98 percent surge in transshipments,<sup>1</sup> as shipping operators rerouted to circumvent Red Sea tensions and comply with UN regulations for vessels bound for Yemen.<sup>2</sup> In contrast, port traffic for Ethiopia experienced a slowdown, accompanied by a decline in both railway and road traffic to the neighboring country. Port activity for Djibouti registered a modest growth.



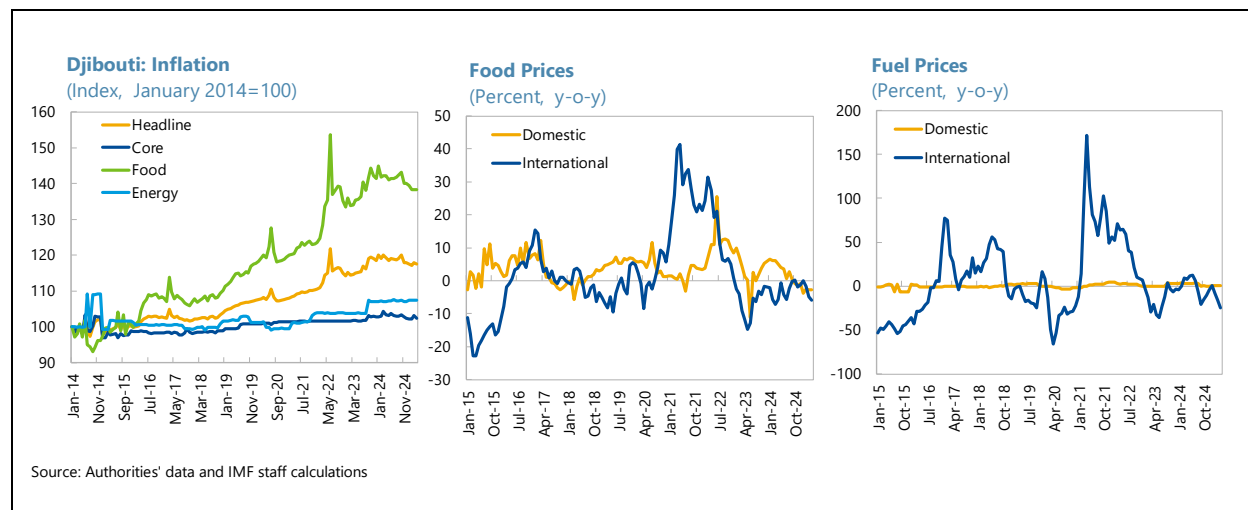
**4. Inflation remained contained in 2024 and moderated throughout the year.** Headline inflation rose to 2.1 percent, up from 1.4 percent in 2023, with core inflation accounting for approximately one-third of the overall acceleration, and food and energy inflation for two-thirds. Inflation continued its steady decline in 2025, averaging -1½ percent from January to May 2025, as lower global food and energy prices were passed through to domestic prices. The closer alignment of domestic prices with international prices has temporarily reduced fuel subsidies to about 0.25 percent of GDP in 2024 (in addition to revenues foregone due to tax exemptions). This is down from about 1 percent of GDP in 2022 during peak international prices.

**5. A significant fiscal effort was delivered in 2024.** Faced with financing constraints and seeking to limit the Treasury's overdraft at the Central Bank of Djibouti (CBD), the authorities restrained capital expenditure and effectively mobilized revenue. Revenues from the business profit tax and SOE dividends rose by 0.7 and almost 1 percentage points of GDP respectively, and

<sup>1</sup> Transshipment refers to transferring cargo from a larger vessel to a smaller one to ensure more efficient transport.

<sup>2</sup> Djibouti has become a pivotal hub for Asia-Europe trade as shipping companies skirt the Red Sea in favor of safer routes around Africa. Merchandise off-loading from large vessels in Djibouti, and re-shipping on smaller boats to Yemen, allows the conduct of necessary inspections to prevent illegal shipments.

successful negotiations secured a 0.13 percentage point of GDP increase in military lease revenues. As a result, the fiscal deficit stood at 2.6 percent of GDP, reflecting a 1 percentage point of GDP reduction in the primary deficit. However, fiscal vulnerabilities remained high, particularly considering the outstanding external arrears accumulated in earlier years, which amounted to 2.7 percent of GDP as of March 2025.

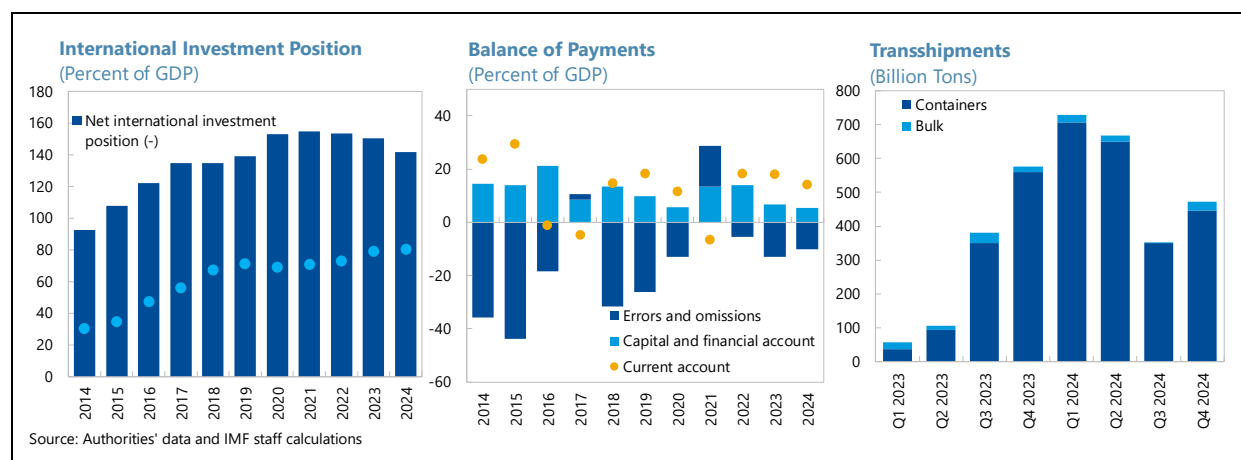


**6. The current account surplus is estimated to have narrowed in 2024.** Djibouti's imports and exports have traditionally been volatile, primarily driven by transit trade with neighboring Ethiopia.<sup>3</sup> In 2024, rising tensions among countries in the Horn of Africa led to a contraction in road and rail traffic, hindering re-exports to Ethiopia. This outweighed the decrease in imports to Djibouti, which resulted from the surge in freight and insurance rates during the Red Sea shipping crisis. Overall, the current account balance deteriorated by 4 percentage points to 14.2 percent of GDP. Djibouti's external position in 2024 was substantially stronger than what is justified by fundamentals and desirable policies (Annex II) although the analysis of the external sector is affected by data quality issues, and Djibouti's debt distress, elevated foreign debt service payments, and weakened reserves position underscore the need to strengthen the external position to safeguard the currency board.

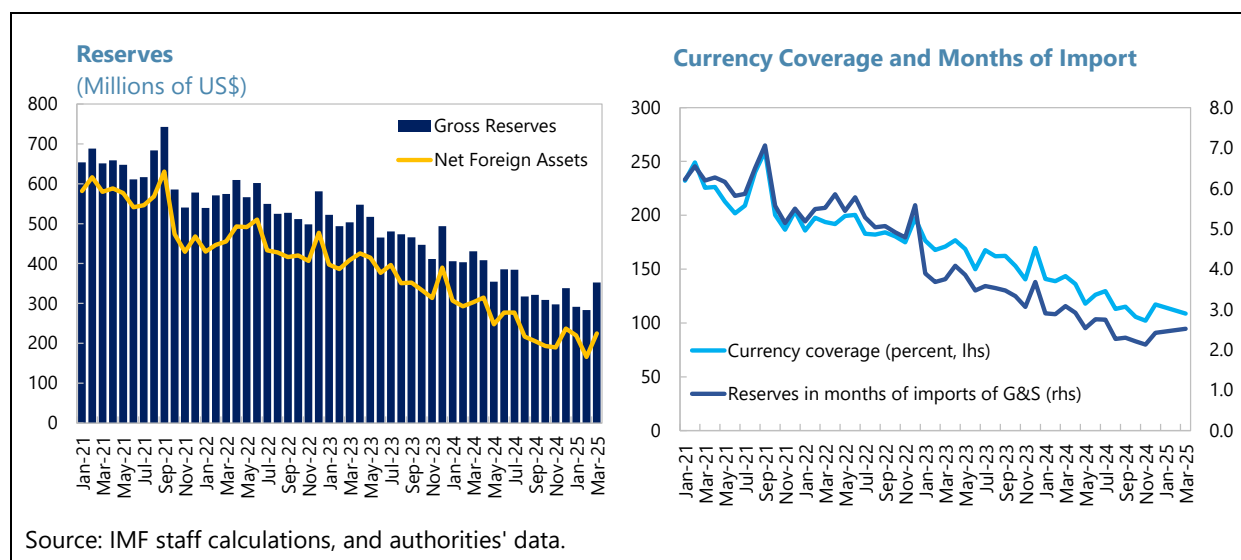
**7. Gross reserves are recovering, following a decline since late 2023.** Reserves fell by 15 percent year-on-year in December 2023, followed by a further decline of 31½ percent year-on-year in December 2024, primarily due to the increase in Treasury's overdrafts at the CBD, which cumulatively amounted to about 5 percent of GDP (or 32 percent of the CBD's total assets). These overdrafts were used to finance current and capital expenditures with high-import component in 2023, and debt amortization payments in 2024. However, the 2024 fiscal consolidation allowed reserves to rebound by 5.2 percent in December 2024. This trend continued in Q1 2025 QoQ, driven by sustained fiscal consolidation, military lease payments and budget support from the French

<sup>3</sup> In Djibouti, re-exports involve storing goods in the free trade zone for shipment to other countries, primarily Ethiopia. These goods are exempt from taxes unless reintroduced into the domestic market. Re-exports represent over 90 percent of the total goods exports recorded in Djibouti's Balance of Payments (BoP). Their impact on Djibouti's BoP is significant, as not all imports intended for re-exports are dispatched within the same year. Contributing factors include stock management in the free trade zone aimed at optimizing price gains, and disruptions in inland trade routes resulting from political instability in the Horn of Africa.

Development Agency. As of March 2025, reserves stood at 2.5 months of imports, and the coverage ratio stood at 108.7 percent for currency in circulation and 67.2 percent for the monetary base.<sup>4</sup>



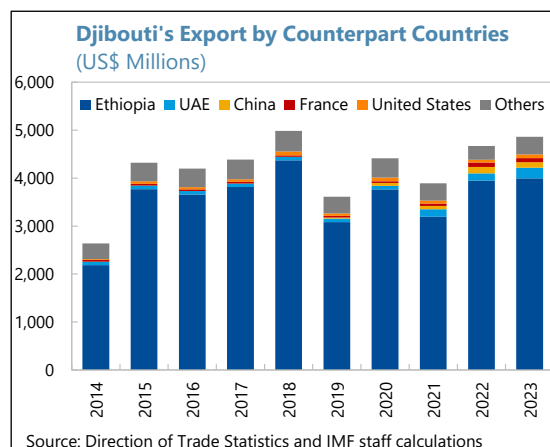
**8. The banking sector remains resilient.** The capital adequacy ratio rose from 18.7 percent in 2023 to 23.3 percent in 2024, exceeding the 12 percent regulatory minimum, while nonperforming loans declined by roughly a quarter to approximately 3.1 percent in 2024. These developments signal cautious risk management and improved asset quality, alongside a growing exposure to the public sector—which carries lower risk weights and may affect the extent of private sector lending. Banking sector profitability remains solid, with increases observed in both return on assets and equity. A loan-to-deposit ratio of 62 percent indicates sufficient liquidity buffers and a focus on stability rather than rapid credit expansion.



<sup>4</sup> The CBD law requires the central bank to hold foreign reserves in USD at no less than 100 percent of currency in circulation. However, based on staff's advice, the coverage ratio should also encompass commercial banks and government deposits.

## OUTLOOK AND RISKS

**9. The outlook remains favorable.** Growth and the external balance are primarily influenced by economic prospects in Ethiopia, which remain cautiously optimistic following the US announced revision of tariffs. This optimism stems from higher gold and coffee prices, the depreciation of the Ethiopian birr following exchange rate reforms, ongoing macroeconomic stabilization, and limited financial account exposure. The planned fiscal consolidation and reduced large-scale investments may somewhat temper the outlook. Overall, growth is projected to stay strong at around 6 percent this year, before moderating to 5½ percent over the medium term. Inflation is projected to ease to 1.4 percent over the medium term, as core inflation declines alongside growth, and both food and energy inflation moderate in line with projected international prices. The current account surplus is expected to narrow to about 8 percent of GDP over the medium term, driven by re-exports to Ethiopia, moderation in secondary income, and ongoing imports growth related to port expansion and renewable energy projects. A reduction in government consumption (as a share of GDP), in line with the planned fiscal consolidation, is expected to result in positive reserves accumulation.



**10. Djibouti's outlook faces several risks in an uncertain regional and global context (RAM).** Renewed conflict in Tigray and worsening Ethiopia-Eritrea relations could increase refugee flows into Djibouti. Combined with reduced donor grants, this may strain food supplies and social conditions amid limited job creation and a constrained budget. A potential depreciation of the dollar and thus the Djiboutian franc would enhance the competitiveness of service exports, while increasing inflationary and/or fiscal pressures, depending on the extent of pass-through to domestic prices. Building fiscal space, better targeting social protection to the most vulnerable, and diversifying the economy would help mitigate these risks. Delays in fiscal consolidation, debt negotiations, and the development of the Berbera port in Somaliland, could lead to continued declines in foreign reserves. On the upside, expedited debt renegotiations, revenue mobilization, and stronger SOE governance, could help rebuild fiscal space and improve the economic outlook. Private sector investment may exceed expectations, supported by Djibouti's stable economy, currency board, modern port infrastructure, and connectivity to Ethiopia's large market.

### Authorities' Views

**11. The authorities held a more optimistic view of the outlook.** They anticipate higher growth rates of about 7 percent in the medium term, driven by stronger Ethiopian growth and imports, and private investment in energy, transport infrastructure and housing linked to real estate programs and progress on the National Development Plan 2020–24. They expected these factors to more than offset the significant fiscal consolidation planned. The authorities concurred with staff's

characterization of the risks to the outlook while emphasizing that Djibouti has successfully navigated several shocks in recent years, including COVID-19, the 2022 Tigray crisis, the Ukraine war, and the 2024 Red Sea maritime disruptions. They noted that an escalation of the current geopolitical tensions could jeopardize fiscal consolidation efforts by increasing security expenses and the fiscal costs associated with stabilizing fuel and food prices.

## POLICY DISCUSSIONS

*Amid high global uncertainty, Djibouti should strengthen its economic resilience by restoring debt sustainability, strengthening the currency board, and fostering inclusive growth. Sustaining fiscal consolidation, reforming SOEs and increasing their contributions to the national budget, renegotiating debt terms with major creditors, and securing new concessional financing, remain essential. Structural reforms to attract investment, diversify the economy, and generate formal jobs are also vital.*

### A. Fiscal Policies: Enhancing Fiscal Consolidation, Reforming SOEs, and Renegotiating Debt Terms

#### 12. Despite continued fiscal consolidation, debt is projected to remain unsustainable.

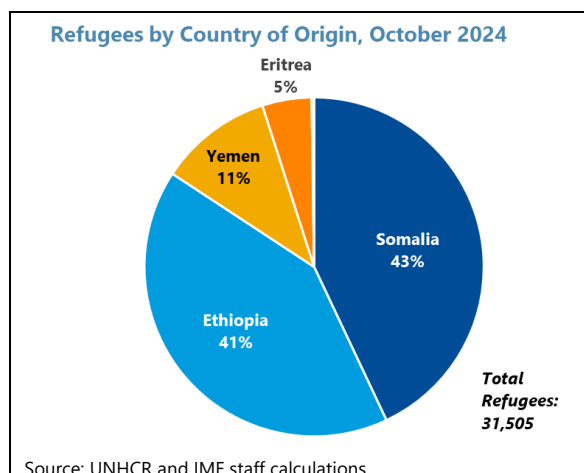
Amidst standing arrears and limited financing, the authorities plan to pursue their consolidation efforts, as highlighted in their 2024–27 fiscal reform Action Plan. Despite the anticipated fiscal tightening, which is expected to lead to a broadly balanced government position in the medium term, Djibouti's overall and external public debt remain in debt distress and are unsustainable (Debt Sustainability Analysis, DSA) primarily due to outstanding arrears.

- **Revenues.** Projected non-tax revenues reflect gains from new military lease agreements. The macroeconomic framework also includes 0.2 percent of GDP of additional tax revenues in 2025 (0.1 percent less than the authorities' projection) and a cumulative 0.4 percent of GDP over 2026–30, supported by the authorities' action plan. In 2025, direct, indirect taxation measures, and the digitalization of the payment of some taxes<sup>5</sup>, are expected to generate around 0.27, 0.01, and 0.03 percent of GDP, respectively.<sup>6</sup> The authorities' action plan also includes land sales, stricter tax compliance controls, and additional staffing at the General Directory for Taxes to boost revenue collection. Over 2026–30, the authorities aim to leverage the extensive IMF and donor TA and establish a tax policy unit (TPU) to improve tax reform efficiency, finalize the digitalization and integration of information systems across tax administrations, and operationalize the recently created large taxpayer office (LTO). The authorities are planning to introduce additional SME, property, and VAT taxation measures.

<sup>5</sup> Electronic payment is now available for the vehicle road tax, the stamp duty and licensing fees.

<sup>6</sup> Direct and indirect taxation measures encompass the general business tax, the tax on professional profits, the tax on dividends, the tax on mobile money transfers and the VAT.

- Expenditures.* The projected consolidation entails primary current expenditure restraint. It involves a gradual reversal of fiscal overruns in goods and services contributing to Treasury overdrafts over the past two years, returning 2030 expenditure to 2022 levels, supported by stricter expenditure controls. The authorities' 2024–27 action plan targets the following measures aimed at lowering non-essential current expenditures: reductions in water, phone, fuel, and electricity costs through meter checks and installing solar panels in public buildings; conducting an inventory to develop a plan to sell certain assets; restricting travel abroad; freezing contracts with non-essential providers; ensuring timely retirement for civil servants and promoting early, non-replacement retirements; reviewing civil servants' hiring and benefits; continuing the restructuring of the administrative public entities (EPAs, 118); and pausing lower-priority investments. The authorities have set quarterly caps on non-essential spending and monitor compliance digitally. The projections also assume that the public wage bill will keep declining (by about 0.1 percent of GDP annually), as it has for a decade.



**13. Achieving lasting fiscal consolidation through steadfast implementation, together with SOE reform and debt negotiations, is essential for restoring debt sustainability.** The substantial fiscal adjustment frontloaded in the 2025 budget and the medium-term balanced budget target are welcome steps. Additional steps to safeguard fiscal consolidation, guard against implementation risks, and improve tax system efficiency include:

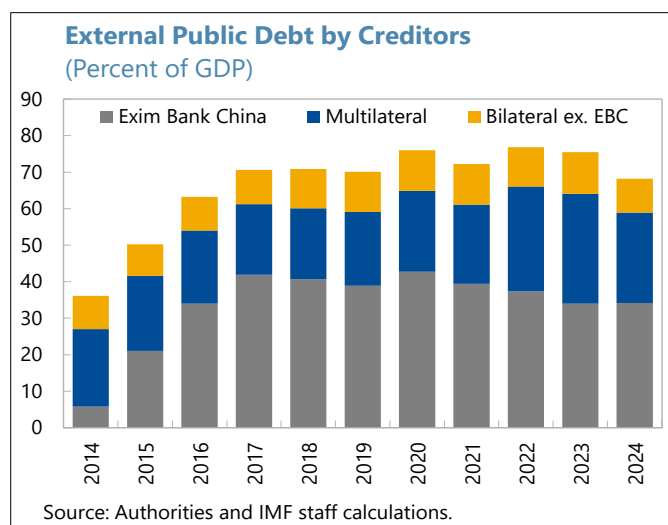
- Fiscal consolidation.* On the revenue side (Annex I), this could encompass further expanding the capital income tax base, accurately costing major tax expenditures, significantly narrowing tax exemptions under the derogatory regimes, designing and implementing programs to promote voluntary compliance. Asset sales should prioritize their impact on public sector net worth over short-term cash generation. On the expenditure side, the effective implementation of the authorities' 2024–27 action plan will require concerted efforts from all governmental entities, thorough expenditure monitoring by the Ministry of Budget, and the operationalization of the Treasury Single Account (TSA) along with improved cash forecasting to support timely adjustments if spending deviates from the budget. In addition, the authorities could consider phasing out fuel subsidies and expanding targeted cash transfers to households identified as most vulnerable, as this approach provides a more efficient and equitable alternative to existing fuel subsidies.
- SOE debt reduction and dividend mobilization.* Accelerating SOE governance reforms (below) remains essential to unlock sustainable and meaningful dividend contributions to the national budget, while mitigating fiscal risks associated with SOEs, including through Public Private



Partnerships (PPPs). The liquidation of the Sovereign Wealth Fund (SWF) provides an opportunity to mobilize dividends from profitable SOEs. In addition, enforcing highly-indebted SOEs to gradually reduce their debt, mostly guaranteed by the government, would also help.

**14. Alongside fiscal consolidation, finalizing debt negotiations, adopting a medium-term debt strategy, and enhancing fiscal governance are critical for debt sustainability.**

- *Finalizing debt negotiations with major creditors.* As of end-2024, China was the country's primary creditor. The agreed debt service moratorium with Exim Bank China, which limits interest payments for the railway and water projects to about USD 20 million over 2024–27 (compared to USD 276 million previously), offers only temporary relief. The authorities aim to renegotiate debt terms with Exim Bank China in 2025. They also anticipate positive discussions with Exim Bank India and Paris club creditors.



- *Adopting a medium-term debt strategy and enhancing fiscal governance.* The authorities plan to enact a new organic law on the financial regime of the state as part of the Strategy for the Reform of Public Financial Management, setting indicative golden rules on expenditures, revenues, fiscal balances and debt. A national strategy will also be developed to manage medium-term public debt and outline annual borrowing plans. In this context, the authorities should set a debt target with a multi-year fiscal deficit path and enforce borrowing limits for the central government, SOEs, including their participation in PPPs. The Public Sector Debt Committee, which issues reasoned opinions on any borrowing requests, should ensure prudent debt management. The Ministry of Budget should consistently assess the fiscal impact and risks of all PPP projects, as required by the current legal framework. Such a rules-based framework will help identify high-quality investment projects and strengthen planning and budgeting. Continuing reforms to enhance fiscal transparency and strengthen public financial management, as outlined in the approved Public Finance Management Reform Strategy, will help support debt sustainability.

**Authorities' Views**

**15. The authorities concurred with the urgent need to mobilize revenue to create fiscal space and improve debt sustainability.** They highlighted digitalizing tax administration, the TPU, LTO, organizing national tax conferences, and standardizing the VAT payment threshold as effective strategies for increasing revenue. They emphasized their focus on streamlining expenditures in contrast to ending tax exemptions, as they believed that the latter could affect Djibouti's investment attractiveness. They stated their objective to maintain social equity in an environment susceptible to

shocks. They highlighted that they were reviewing options to improve the targeting of the current fuel subsidy program, thereby decreasing the budget's exposure to changes in international energy prices. The authorities also emphasized that the government was planning to implement a new budget policy in 2026 to boost SOE dividend contributions, including from former SWF-managed entities, following the Organic Law for Public Finances and updated accounting and transparency standards.

**16. The authorities acknowledged high debt levels and emphasized that they were taking steps to improve sustainability.** They also noted that the current debt levels were attributable to substantial investments in two strategic sectors vital for the nation's development: the drinking water sector, aimed at mitigating Djibouti's persistent water stress, and the railway sector, designed to connect the country's logistics platform to its primary market, Ethiopia. They also emphasized that within this framework, fiscal reforms introduced by the 2025 Finance Law, adjustments to military base rental agreements, and ongoing negotiations with major creditors were all intended to facilitate a long-term restructuring of the debt and promote its sustainability.

## B. State-Owned Enterprise Governance Reform

**17. Advancing SOE governance reform is essential for fiscal sustainability, limiting fiscal risks, and enhancing public services.** Well-managed and profitable SOEs, which are integral to the Djiboutian economy, together with their contribution to the budget can significantly aid national fiscal consolidation and help restore reserves at the CBD, particularly following the dissolution of the SWF. At the same time, addressing the complex financial relations between the central government and some SOEs can strengthen SOEs' ability to operate under commercial conditions.

**18. The authorities are continuing to implement the code adopted in 2016 to enhance SOE governance.**<sup>7</sup> The *Secrétariat Exécutif chargé du Portefeuille de l'État* (SEPE) has established a register of all SOEs, begun training accountants and board members to enhance SOE financial information in line with IPSAS standards and governance, and completed the first phase of restructuring of administrative public entities (EPAs). This initial phase eliminated eight entities and consolidated twelve, reducing subsidies, streamlining support functions, and improving skills alignment. A second phase planned in 2026 will pursue deeper reform of these entities.

**19. Additional measures are needed to strengthen SOE performance, monitoring, and contribution to the state.** These include a gradual deleveraging of highly indebted SOEs, mobilizing dividends from profitable SOEs to the budget, limiting fiscal transfers to loss-making ones and restructuring or closing them to ensure the profitability of the sector. Key priorities include:

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<sup>7</sup> The Code of Good SOE Governance seeks to improve efficiency, transparency and accountability by requiring SOE financial and performance data collection, establishing KPI-based management, strengthening board governance, and creating an ownership policy to guide state-SOE relations, including finances and dividends.

- In 2025, use the existing SOE governance structure<sup>8</sup> to mandate timely disclosure of financial statements from all SOEs, including those formerly under the dissolved SWF, and expand KPI-based performance contracts beyond the national water utility ‘*Office National de l’Eau et de l’Assainissement de Djibouti*’ (ONEAD) to advance SOE transformation. In addition, establish transparent dividend policies based on financial performance and finalize the review of SOE independent boards by implementing updated candidate qualification criteria
- In 2026, focus on finalizing implementation of the Code on Good SOE governance by reviewing the SOE portfolio to determine whether to retain, restructure, or divest each entity. Establishing a clear framework for the state’s financial interactions with SOEs would enable SOEs to operate commercially and prevent the future buildup of expenditure arrears to SOEs.

### **Authorities’ Views**

**20. The authorities agreed to improve SOE transparency and accountability and clarify their economic role.** They recognized that improved SOE governance was essential for effective state asset management, better public services, and reduced fiscal risks. In April 2025, a presidentially supported campaign promoted SEPE’s role and the implementation of the Code of Good Governance in all ministries, while efforts to enhance professional requirements for board members continue. The authorities aim to train at least 70 leaders as SOE administrators by 2025. SEPE will collect data from all SOEs to improve financial transparency and review the SOE portfolio in 2026 based on the KPI performance framework. They also plan to improve fiscal transparency and risk management through a shareholder policy clarifying financial relations between central government and SOEs and conducting regular audits.

## **C. Monetary and Financial Sector Policies**

**21. Strengthening the CBD law in line with the 2023 safeguards assessment recommendations would enhance CBD’s autonomy.** Key amendments to reinforce CBD governance and the currency board include: (i) redefining the coverage ratio to encompass the monetary base and government deposits, reinforcing fiscal discipline; (ii) enhancing eligibility criteria for Board members by requiring expertise in financial institutions oversight; (iii) specifying the governing body responsible for appointing the external auditor; and (iv) enhancing financial statement transparency. In addition, safeguards recommendations on financial reporting, audit, risk management and internal controls should be implemented. Staff also recommends developing a reimbursement plan between the CBD and the Ministry of Budget to strengthen CBD’s balance sheet and deter further monetary financing. The CBD should use future profits to pay off outstanding overdrafts before distributing dividends, as allowed by its statutes.

**22. Phasing in reserve requirements would further strengthen Djibouti’s currency board.** Reserve requirements offset the absence of a deposit guarantee fund, stabilize FX reserves (by

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<sup>8</sup> SOE governance is overseen by a steering committee led by the prime minister, with technical support from a committee chaired by the Minister of Finance. The Ministry of Finance supervises the SEPE, which monitors and implements the reform process.

generating yields on actively managed reserves), provide a liquidity buffer against shocks, and encourage an interbank market. Capacity development from METAC has supported the establishment of a dedicated unit for the preparation, implementation, and monitoring of reserves requirements. The BCD should finalize the draft regulation and adopt a phased approach in setting policy parameters that enhance liquidity management and reinforce the banking sector's financial stability.

**23. Implementing the MENAFATF recommendations will strengthen the AML/CFT framework.** The 2024 Mutual Evaluation Report rated Djibouti as "Largely Compliant" and "Compliant" in 18 of the 40 recommendations, placing the country under "enhanced monitoring". The authorities are addressing areas where Djibouti is partially compliant or non-compliant—particularly to protect international correspondent banking relationships. Measures to be implemented include strengthening customer due diligence, regulating virtual asset service providers, and enforcing sanctions for breaches related to terrorism financing.

**24. Improving central bank oversight will help strengthen Djibouti's growing banking sector.** The banking sector features a substantial offshore component and increasing exposure to the government, with total assets reaching USD 3½ billion (81½ percent of GDP) by the end of 2024, underscoring the need for enhanced regulation and oversight. Building on advances in operational capacity, the CBD should continue implementing 2020 Financial Sector Stability Review (FSSR) recommendations, including liquidity coverage ratio reporting, establishing an internal audit function, and reviewing foreign exposure limits.

### **Authorities' Views**

**25. The CBD endorsed recommendations to amend its statutes, gradually introduce reserve requirements, enhance AML/CFT compliance, and strengthen financial sector oversight.** The authorities acknowledged the need to accelerate safeguards assessment reforms—particularly, amending the CBD statutes to support the currency board regime—and plan to formally request TA from the Fund. The reserve requirements ratio is being finalized in consultation with commercial banks, and its implementation is expected to follow a phased approach. The authorities agreed to implement pending MENAFATF recommendations and aim to achieve full compliance by June 2026.

## **D. Structural Reforms**

**26. Accelerating reforms to foster private investment, diversify the economy, and create jobs remains essential.** Building on previous infrastructure investments, Djibouti should continue economic transformation, modernize its public sector, and address informality. Under the *Djibouti Vision 2035* framework, the government seeks to advance economic diversification across key sectors including logistics and connectivity, tourism, agribusiness, and fisheries. To enhance the business environment, it is essential to develop a roadmap with specific actions and timelines. Priority areas include:

- *Utilities services.* Improve reliability and access and reduce the cost of electricity and telecommunication services, by continuing to expand cost-efficient green electricity generation and large international data connectors. Lower cost-recovery electricity tariffs to the private sector by improving bill collection (including from the public sector), simplifying tariff structure, modernizing and expanding the grid, and enhancing its technical efficiency (Box 1).
- *Level playing field.* (i) Broaden the tax base by limiting tax exemptions in scope and duration, and unifying effective tax rates, removing market entry barriers; (ii) establish an SOE ownership strategy to determine which SOEs will remain public, undergo restructuring, or be divested.
- *Market regulation and human capital.* (i) Streamline administrative procedures and improve access to finance for small- and medium-sized enterprises (SME), to encourage creation of formal businesses and employment; (ii) safeguard fiscal space to invest in health and education and improve workforce skills by effectively implementing the national education masterplan (2021–35).

## **27. Continuous improvements in statistical coverage and quality will help enhance**

**evidence-based policy making.** Djibouti's data submitted to the Fund for surveillance are assessed as having some shortcomings that somewhat hamper surveillance, which corresponds to a "C" overall rating under the Data Adequacy Assessment (DAA) (Annex IV). Monetary and financial statistics have some shortcomings but are overall adequate for surveillance. National Accounts (NA) data offer detailed insight into GDP by activity and expenditure. With IMF TA support, Djibouti's recent adoption of the Enhanced General Data Dissemination System (e-GDDS) and publication of the National Data Summary Page (NDSP) will enable more frequent and timely NA dissemination. Fiscal data are reported according to the Government Finance Statistics Manual (GFSM) 1986 standards and encompass only the central government budget. The authorities furnish information on SOE dividends, publicly guaranteed debt, and arrears, aiding fiscal stance and debt sustainability assessments, though PPPs still pose fiscal risks. Improved goods statistics and accurate recording of financial account transactions related to re-exports proceeds can help reduce net errors and omissions (NEOs) (Box 2). The authorities have outlined plans to develop an international transactions reporting system (ITRS) with support from IMF TA to address these matters.

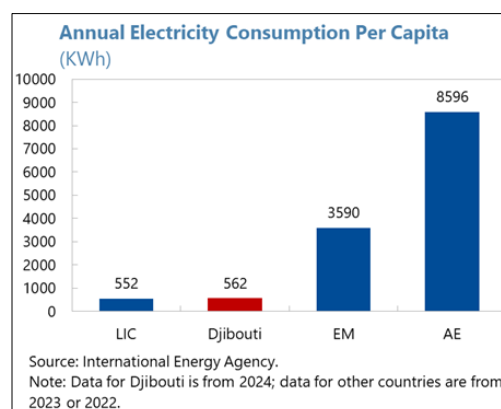
### **Authorities' Views**

## **28. The authorities recognized the need to accelerate structural reforms to enhance**

**economic diversification, growth, and job creation in line with *Vision 2035*.** They emphasized their commitment to strengthening Djibouti's human capital through a 2021–35 education masterplan focused on ensuring universal, high-quality primary and secondary education for all children, including refugees, by investing in schools, teachers, teaching practices, and job training. They highlighted that Djibouti was expanding its telecom infrastructure, with Djibouti Telecom providing mobile and data services to over 95 percent of the population and covering 80 percent of the country. They also stated that the authorities were working with the World Bank and other donors to reduce electricity consumption in government facilities and to expand the generation and distribution capacity of green electricity.

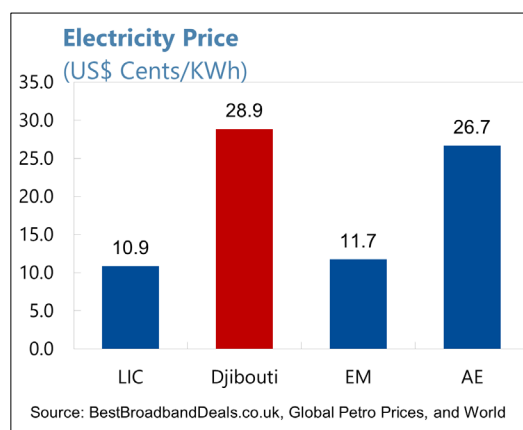
### Box 1. Djibouti: Affordable and Reliable Electricity to Foster Investment and Growth

*Djibouti Vision 2035* outlines an ambitious path toward economic diversification and sustainable growth, with electricity being foundational in enabling this transformation. As the country seeks to expand sectors such as information and communication technology, transport and logistics, tourism, fishing, and mining, the demand for reliable and affordable electricity is expected to rise. While current per capita electricity consumption is in line with LIC peers, realizing *Vision 2035* will necessitate a significant scale-up in electricity production and access, as these sectors are energy-intensive.



The electricity sector currently faces several structural challenges that limit Djibouti's growth potential and inclusiveness:

- Significant tariff-cost misalignment may discourage productive investment. The average sales price stands at 29 US cents per kWh, which is among the highest globally and nearly triple the estimated supply cost of 9–11 US cents per kWh, reflecting low-cost hydropower imports from Ethiopia and domestic renewable sources like the Ghoubet Wind Farm. The pricing structure, compounded by a complex tariff system, makes electricity costs as high as 25 percent of operating expenses for businesses.
- Insufficient payments from public sector clients lead to reduced revenues for the national electricity company, and the need to charge higher tariffs to other clients to safeguard financial viability.
- Large clients such as ports and military bases are increasingly turning to self-generation via solar installations and other solutions, leading to grid fragmentation.
- Despite a steady increase in the number of subscribers, over one-third of the population remained unconnected to the national grid as of 2022, with rural communities particularly affected.



To address these challenges, a range of measures may be considered to unlock the electricity sector's full potential as a catalyst for inclusive and sustainable growth. First, expanding grid access and investing in last-mile connectivity are essential for equitable energy distribution. Second, simplifying the tariff structure based on cost recovery can help maintain financial sustainability, with more competitive rates for productive sectors encouraging investment and job creation. Finally, improving payment discipline—especially in the public sector—can strengthen the financial viability of the electricity utility and enable targeted subsidies or infrastructure upgrades.



### Box 2. Djibouti: External Sector Statistics

Starting with the 2025 Article IV consultation, Djibouti's data submitted to the Fund for surveillance are assessed based on the DAA framework (Annex IV). A main challenge encountered in the compilation of Djibouti's ESS is their consistency, evidenced by the large BOP NEOs, reaching up to 31 percent of GDP over 2013–24. A significant proportion of these NEOs reflects the recording of re-exports primarily to Ethiopia (representing over 90 percent of Djibouti's goods exports) and their settlement handled by Ethiopian importers. A primary challenge arises when matching imports each year and re-exports in the same year, as imports may be re-exported several months later (which sometimes leads to a different year) for different reasons. High re-exports and related valuation effects have contributed to heightened volatility in the current account balance, ranging from -30.8 percent of GDP in 2013 to 14.1 percent of GDP in 2024.

Furthermore, challenges in fully accounting for re-export proceeds from Ethiopia, some of which are paid through informal channels, are recorded in NEOs. This suggests that inflows of funds are understated or that some outflows of funds are overstated. While Customs seems to accurately record trade activity in the free trade zone, further clarity is needed to understand the settlement of re-exports. In this regard, a better understanding of the activities of the free trade zone enterprises and their transactions with banks could shed some light on the discrepancy between the current and the financial accounts.

Djibouti shares economic traits with countries like Belize, Cabo Verde, and Comoros—such as per capita income, reliance on ports, close ties to a larger neighbor, and small state status. The collective experience with ESS compilation in these countries indicates that Djibouti has made strides in improving the periodicity and timeliness of its BOP compilation, including the IIP. Increasing full-time staff for ESS could further enhance follow-up with source data providers and the investigation of NEOs.

#### 29. The authorities welcomed staff recommendations to improve statistics with IMF TA.

They believed that launching e-GDDS and publishing the NSDP will help Djibouti meet recommended data dissemination standards and improve its DAA score, especially by improving the frequency and timeliness of NA releases. The authorities observed that the evaluation of data quality indicated inconsistencies in the government finance and external sector statistics, which have impacted the overall DAA consistency score. They agreed to incorporate SOEs into government finance statistics and plan to work towards the adoption of GFSM 2014, with IMF TA support, aiming for greater transparency in government-SOE financial flows. They acknowledged the low DAA consistency rating, partly due to significant BOP NEOs, and expressed their intention to investigate the source further with TA from the IMF.

## STAFF APPRAISAL

**30. Djibouti is positioned to leverage its economic resilience to tackle fiscal and development challenges.** Djibouti has handled recent shocks well, maintaining solid growth despite Red Sea tensions, with moderate inflation and rising reserves. Logistics investments over the past decade have boosted growth and economic transformation but increased external debt, leaving limited fiscal space considering development needs. In a challenging global climate, the authorities' focus on macroeconomic stability, debt sustainability, and economic diversification to support job creation is commendable.

**31. Growth stays robust amid regional conflicts.** Economic growth is expected to have surpassed 6½ percent of GDP in 2024, driven by higher transshipment activity alongside robust expansion in the construction, commerce, telecommunications and tourism sectors. Moderation in

international food and energy prices has contributed to keeping inflation contained. In 2024, substantial fiscal consolidation was realized, which aided in rebuilding reserves and partially offset the decline seen since late 2023; however, reserve levels remain below the monetary base. The authorities' plan to maintain strong fiscal consolidation, aiming for a government surplus this year and a balanced budget in the medium term, is welcome.

**32. The outlook is positive but faces risks amid global uncertainty.** Growth is projected to remain strong at about 6 percent in 2025, then to stabilize near 5½ percent in the medium term, largely driven by Ethiopia's strong demand for port services. Inflation is projected to remain subdued in line with global energy and food prices. External risks include heightened instability in the Horn of Africa with increased migration potentially straining social conditions amid constrained fiscal space, reduced development aid, new competition from nearby ports, and global policy shifts possibly weakening the dollar and Djibouti franc, spurring service exports but raising inflation.

**33. Djibouti needs to restore debt sustainability and rebuild reserves through a mix of fiscal consolidation, SOE reform, and debt negotiations.** Clearing all arrears and finalizing debt negotiations is key to restore debt sustainability, alongside the containment of public and publicly guaranteed debt through quantified and enforced ceilings on both SOE and central government debt. This should be complemented by durable fiscal consolidation. To sustain progress, it is imperative to ensure the effective implementation of the revenue and expenditure measures outlined in the authorities' 2024–27 Action Plan for fiscal reforms as well as rationalize tax expenditures associated with the derogatory regimes.

**34. Staff welcomes the authorities' commitment to accelerate SOE governance reform.** Swiftly implementing the Code of Good SOE Governance, including by collecting financial statements from all SOEs to allow performance monitoring, together with enforcing a transparent dividend policy, and gradually deleveraging those highly indebted, will contribute to achieving debt sustainability. In addition, staff encourages the authorities to review the SOE portfolio to determine whether to retain, restructure, or divest each entity to improve the efficiency of the sector. The authorities should also apply a market-based approach to financial settlement practices between SOEs and the state.

**35. Building on the recent recovery in reserves, the authorities should pursue a comprehensive strategy to strengthen the currency board.** Alongside amending the CBD law to enhance its autonomy and implementing reserve requirements incrementally, the CBD should retain future CBD profits to further bolster reserves. Furthermore, sustaining fiscal consolidation and leveraging dividends from profitable SOEs, including ex-SWF entities, remain essential measures to prevent the recurrence of overdrafts. Developing a reimbursement plan with the Ministry of Budget would help clarify arrangements to strengthen reserves.

**36. Speeding up reforms to boost private investment, diversify the economy, and create jobs would further support the authorities' commitment to inclusive growth.** Leveling the playing field between companies operating under the general and special regimes, and lowering electricity costs by curbing government agencies' overuse and improving bill collection, will buttress Djibouti's investment momentum. Enhancing SME financing and strengthening education and job



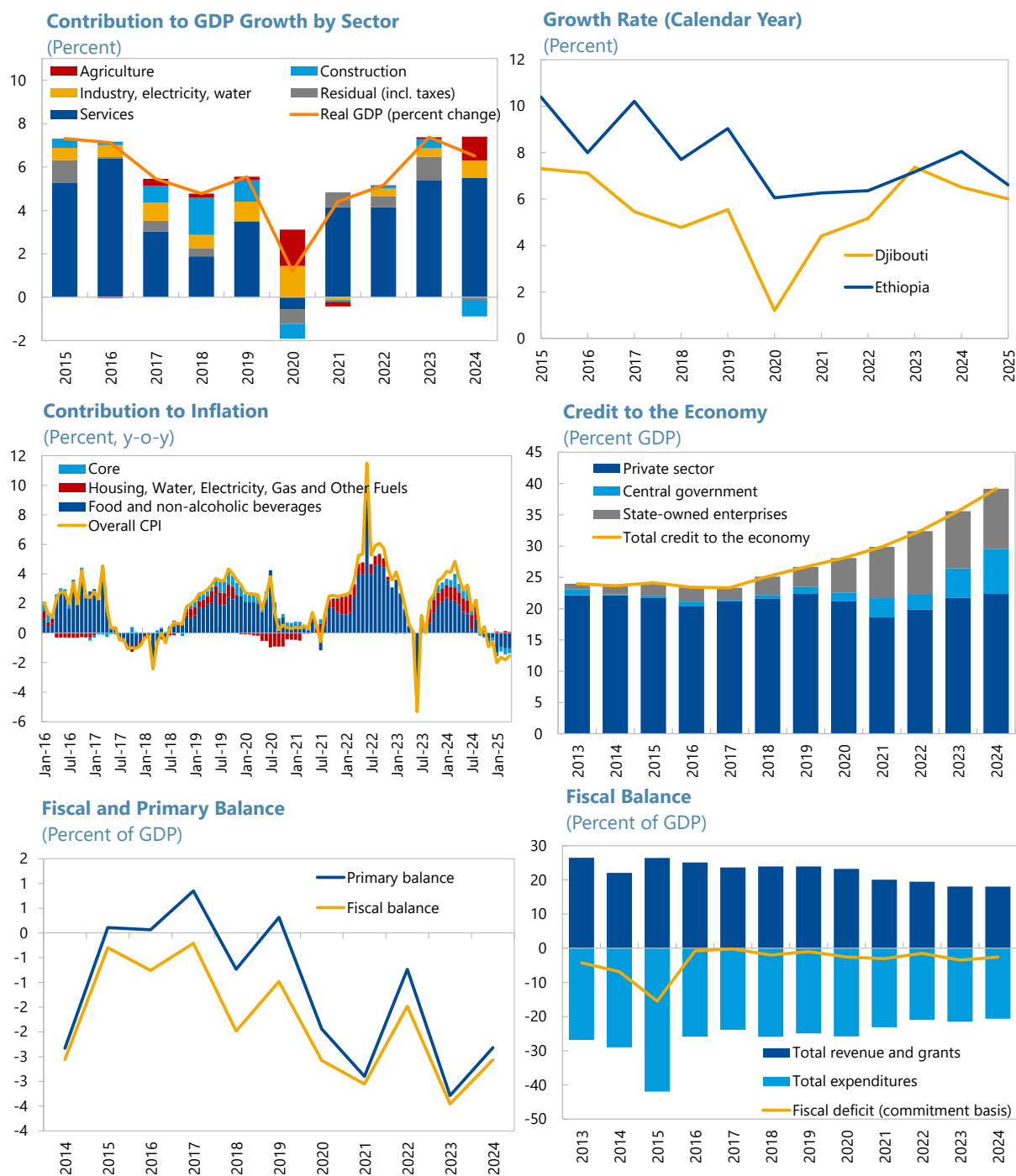
training under the 2021–35 education master plan is essential for private sector growth and the effective implementation of the ‘Vision 2035’ national development strategy.

**37. High quality data coverage will support policy making and strengthen surveillance.**

The authorities have taken important steps to improve the dissemination and quality of macroeconomic statistics and are determined to further improve the coverage and consistency of national, fiscal, and external accounts data in line with DAA requirements. Advancements in data compilation methods and the timely publication of statistics will further enhance economic analysis and policy making.

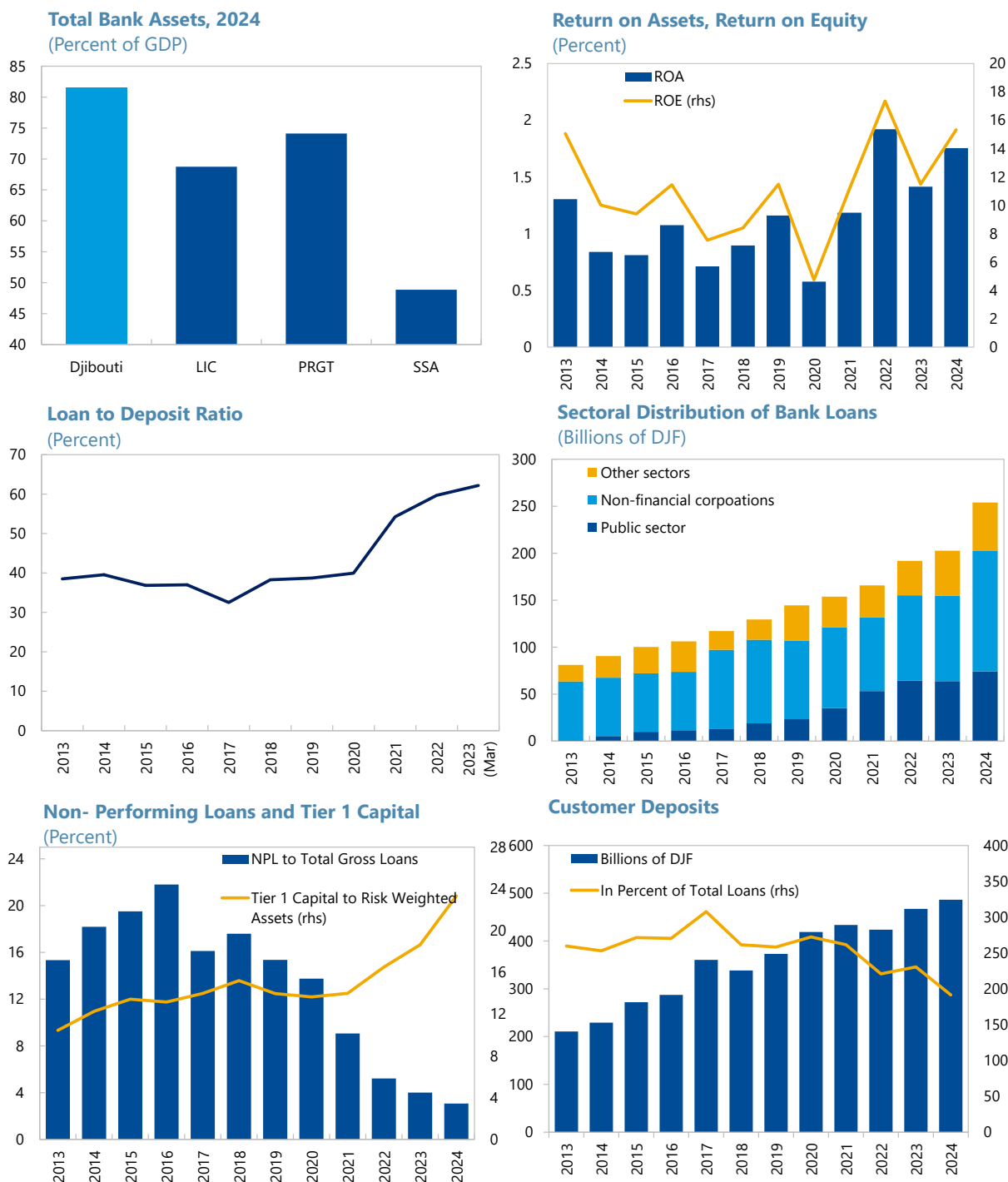
**38. Staff recommends that the next Article IV consultation with Djibouti be held on the standard 12-month cycle.**

Figure 1. Djibouti: Selected Macroeconomic Indicators



Sources: Country authorities' data and IMF staff calculations.

Figure 2. Djibouti: Monetary and Financial Indicators



Source: Authorities' data and IMF staff calculations.

Table 1. Djibouti: Selected Economic and Financial Indicators, 2021–2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Est.				Proj.					
<b>National accounts</b>	(Annual percentage change)									
Real GDP	4.4	5.2	7.4	6.5	6.0	6.0	6.0	5.5	5.5	5.5
Consumer prices (annual average)	1.2	5.2	1.4	2.1	1.6	1.5	1.4	1.4	1.4	1.4
Consumer prices (end of period)	2.5	3.6	3.7	-0.6	1.8	1.6	1.5	1.4	1.7	1.6
<b>Saving and investment</b>	(In percent of GDP)									
Fixed capital investment	29.7	29.0	24.5	26.1	26.1	26.0	26.0	26.1	26.5	26.7
Non-government	22.3	23.8	17.9	20.8	21.1	20.5	20.5	20.6	21.1	21.3
Central government	7.3	5.2	6.6	5.3	5.0	5.5	5.5	5.5	5.4	5.4
Gross national savings	23.1	47.9	42.6	40.2	34.2	33.6	33.9	34.2	34.8	35.0
Savings/investment balance	-6.6	19.0	18.1	14.1	8.1	7.6	7.9	8.1	8.3	8.3
<b>Central government</b>	(In percent of GDP)									
Revenues and grants	20.1	19.5	18.1	18.0	19.0	18.8	18.6	18.5	18.4	18.2
Tax revenues	11.6	11.7	11.1	11.0	11.2	11.3	11.4	11.4	11.5	11.6
Nontax revenue	6.7	6.8	5.2	5.9	6.7	6.4	6.1	5.9	5.7	5.5
Grants	1.8	1.1	1.7	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Expenditure	23.1	21.0	21.5	20.6	20.1	19.6	19.2	18.8	18.5	18.1
Current expenditure	15.8	15.7	14.9	15.3	15.0	14.1	13.7	13.3	13.0	12.7
Capital expenditure	7.3	5.2	6.6	5.3	5.0	5.5	5.5	5.5	5.4	5.4
Domestically financed	4.7	3.2	3.9	3.6	3.1	3.8	4.6	4.9	5.4	5.4
Foreign-financed	2.9	2.0	2.6	1.7	2.0	1.7	0.8	0.6	0.1	0.0
Covid-19/emergency expenditures	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis)	-3.1	-1.5	-3.5	-2.6	-1.0	-0.8	-0.6	-0.3	-0.1	0.1
Change in arrears	0.4	1.2	-0.2	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-2.7	-0.3	-3.7	-3.1	-1.0	-0.8	-0.6	-0.3	-0.1	0.1
Overall Central Government and Publicly Guaranteed Debt	71.5	69.0	69.9	68.9	67.2	62.3	56.9	50.1	44.0	38.5
<b>Monetary sector</b>	(Annual change in percent of broad money)									
Broad money	5.3	-1.7	7.8	3.4	4.7	5.0	5.1	5.7	5.5	5.9
Net foreign assets	-2.4	-7.7	-0.4	-6.5	2.9	2.7	2.0	2.4	-3.2	1.1
Net domestic assets	7.7	6.0	8.3	9.9	1.9	2.3	3.1	3.4	8.7	4.8
Of which: Claims on government (net)	2.3	-0.6	3.6	4.3	-0.2	-0.3	-0.3	-0.2	-0.2	-0.1
Of which: Claims on non-government sector	2.8	5.8	5.4	5.7	4.1	4.3	4.5	4.7	4.9	5.1
Credit to non-government (in percent of GDP)	26.8	29.9	30.9	32.0	32.4	32.5	32.8	33.5	34.5	35.2
<b>External sector</b>	(In millions of US dollars)									
Current account balance	-224	675	708	604	373	381	427	469	509	545
(In percent of GDP)	-6.6	19.0	18.1	14.1	8.1	7.6	7.9	8.1	8.3	8.3
Underlying current account balance 1/	-224	192	298	-15	73	69	110	152	194	238
(In percent of GDP)	-6.6	5.4	7.6	-0.4	1.6	1.4	2.0	2.6	3.2	3.6
External public and publicly guaranteed debt	2,423	2,455	2,738	2,985	2,951	2,823	2,691	2,549	2,394	2,260
(In percent of GDP)	71.4	68.9	69.9	69.6	64.0	56.4	49.8	44.1	39.0	34.5
Foreign direct investment	167	187	137	68	102	120	128	133	135	136
(In percent of GDP)	4.9	5.2	3.5	1.6	2.2	2.4	2.4	2.3	2.2	2.1
Exports of goods and services (percent change)	39.7	10.0	3.6	-10.7	26.7	6.8	7.8	8.3	8.3	8.3
Imports of goods and services (percent change)	60.1	-7.1	3.4	-9.5	33.8	7.1	7.6	8.1	8.2	8.3
Gross official reserves	578	581	494	338	393	444	483	527	569	609
(In months of next year's imports of goods and services, exc. re-exports)	5.5	5.6	3.7	2.4	2.6	2.9	3.0	3.1	3.2	3.3
Gross foreign assets of commercial banks	2,026	1,751	1,761	1,758	1,809	1,826	1,855	1,690	1,688	1,675
(In months of next year's imports of goods and services, exc. re-exports)	19.3	16.8	13.1	12.6	12.1	11.8	11.5	10.0	9.5	9.1
Exchange rate (DF/US\$, end of period)	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7
Real effective exchange rate (yearly average, 2010=100)	96.1	...	...	...	...	...	...	...	...	...
(Change in percent; depreciation -)	-4.4	...	...	...	...	...	...	...	...	...
<b>Memorandum items</b>										
Nominal GDP (in millions of Djibouti francs)	602,971	633,187	696,160	762,621	819,904	889,110	960,745	1,027,130	1,089,802	1,165,581
Nominal GDP (in millions of US dollars)	3,393	3,563	3,917	4,291	4,613	5,003	5,406	5,779	6,132	6,558
Nominal GDP per capita (US dollars)	3,385	3,506	3,804	4,114	4,369	4,681	5,000	5,286	5,546	5,873
Population (million)	1.002	1.016	1.030	1.043	1.056	1.069	1.081	1.093	1.106	1.117

Sources: Djibouti authorities and IMF staff estimates and projections.

1/ Current account balance excluding imports and exports associated with re-export activities.

**Table 2a. Djibouti: Central Government Operations, 2021–2030**  
(In millions of Djiboutian francs)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Est.				Proj.					
Revenues and grants	121,016	123,342	125,689	137,454	156,021	167,147	178,754	189,673	200,128	212,707
Tax revenues	69,836	73,833	77,171	84,144	91,829	100,292	109,141	117,504	125,545	135,207
Direct taxes	29,388	33,183	32,733	40,302	44,521	48,990	53,706	58,238	62,664	67,953
Indirect and other taxes	40,448	40,650	44,438	43,842	47,308	51,302	55,435	59,265	62,882	67,254
Indirect taxes	37,588	37,672	41,285	40,508	43,619	47,301	51,112	54,643	57,977	62,009
Other taxes	2,860	2,978	3,153	3,334	3,690	4,001	4,323	4,622	4,904	5,245
Nontax revenue	40,158	42,754	36,344	44,887	55,090	56,987	58,949	60,768	62,486	64,562
Domestic	18,687	21,330	15,298	20,872	22,465	24,362	26,324	28,143	29,861	31,937
External	21,471	21,424	21,046	24,015	32,625	32,625	32,625	32,625	32,625	32,625
Grants	11,022	6,755	12,172	8,423	9,101	9,869	10,664	11,401	12,097	12,938
Development projects	5,641	4,573	6,245	5,642	7,325	7,125	7,002	7,134	7,360	6,874
Budget support	5,381	2,182	5,927	2,781	1,776	2,744	3,662	4,268	4,736	6,064
Expenditure	139,436	132,736	149,757	157,275	164,527	174,296	184,177	193,064	201,290	211,305
Current expenditure	95,154	99,717	103,846	116,551	123,207	125,224	131,707	136,981	142,020	148,203
Wages and related expenditure	37,418	42,381	42,588	44,454	45,165	47,643	50,041	51,958	53,494	55,465
Wages and contributions	37,417	37,960	38,736	40,472	41,119	42,879	45,037	46,762	48,144	49,918
Housing subsidies	4,271	4,421	3,852	3,982	4,046	4,764	5,004	5,196	5,349	5,546
Goods and services	32,186	35,911	42,502	51,469	52,310	51,461	55,043	58,363	61,497	65,286
Civil expenditure	30,426	31,527	35,881	44,311	41,000	44,461	48,043	51,363	54,497	58,286
Military expenditure	5,805	4,384	6,621	7,158	11,310	7,000	7,000	7,000	7,000	7,000
Maintenance	1,176	1,072	793	790	1,228	1,308	1,394	1,486	1,583	1,687
Transfers	15,118	15,622	16,772	17,973	22,372	22,775	23,162	23,555	23,956	24,363
Interest	941	4,731	1,178	1,858	2,132	2,036	2,068	1,620	1,491	1,403
Foreign-financed current spending	0	0	0	0	0	0	0	0	0	0
Capital expenditure	44,282	33,019	45,911	40,724	41,320	49,073	52,470	56,083	59,270	63,101
Domestically financed	28,234	20,080	27,467	27,425	25,132	34,151	44,575	49,972	58,382	63,070
Foreign-financed	17,574	12,939	18,444	13,299	16,188	14,922	7,895	6,111	888	31
Grants	5,641	4,573	6,245	5,642	0	0	0	0	0	0
Loans to central government (projects)	9,664	9,510	11,795	9,244	16,188	14,922	7,895	6,111	888	31
COVID-19 related expenditures	4,000	0	0	0	0	0	0	0	0	0
Primary balance (commitment basis)	-17,479	-4,663	-22,890	-17,963	-6,374	-5,113	-3,355	-1,771	329	2,805
Overall balance (commitment basis)	-18,420	-9,394	-24,068	-19,821	-8,506	-7,149	-5,423	-3,391	-1,162	1,403
Change in arrears	2,120	7,713	-1,693	-4,013	0	0	0	0	0	0
Domestic	2,120	4,000	-1,693	-4,020	0	0	0	0	0	0
External	0	3,713	6,160	6	0	0	0	0	0	0
Overall balance (cash basis)	-16,300	-1,681	-25,761	-23,835	-8,506	-7,149	-5,423	-3,391	-1,162	1,403
Financing	18,049	1,681	9,836	25,363	11,283	7,129	-1,575	-3,094	-7,539	-8,654
Domestic	7,314	-5,110	-2,370	21,992	-148	-737	-1,474	-1,474	-1,474	-1,474
Bank	11,297	-2,883	3,334	21,992	-148	-737	-1,474	-1,474	-1,474	-1,474
Central bank	13,909	-515	3,501	22,565	0	-737	-1,474	-1,474	-1,474	-1,474
Of which: SDR Allocation 1/	7,642	0	0	0	0	0	0	1	2	3
Commercial banks	-1,791	-1,595	-167	-573	-148	0	0	0	0	0
Nonbank	-4,489	-1,008	-63	0	0	0	0	0	0	0
External	7,549	6,787	7,062	9,244	11,430	7,866	-101	-1,620	-6,065	-7,180
Disbursements	10,426	9,664	11,795	9,244	16,188	14,922	7,895	6,111	888	31
Loans to central government (projects)	9,664	9,510	11,795	9,244	16,188	14,922	7,895	6,111	888	31
Exceptional Financing (CCRT)	761	155	0	0	0	0	0	0	0	0
Amortization	-2,877	-2,877	-4,733	0	-4,758	-7,056	-7,996	-7,731	-6,953	-7,211
Other	0	0	0	0	0	0	0	0	0	0
<i>Memorandum</i>										
Overall balance (excl. foreign-financed expenditures)	-4,367	6,685	-13,562	-16,178	357	648	-4,530	-4,413	-7,635	-5,440

Sources: Djibouti authorities; and IMF staff estimates and projections.

1/ Using the SDR/DJF exchange rate as of October 28, 2021.

**Table 2b. Djibouti: Central Government Operations, 2021–2030**  
(In percent of GDP)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Est.				Proj.					
Revenues and grants	20.1	19.5	18.1	18.0	19.0	18.8	18.6	18.5	18.4	18.2
Tax revenues	11.6	11.7	11.1	11.0	11.2	11.3	11.4	11.4	11.5	11.6
Direct taxes	4.9	5.2	4.7	5.3	5.4	5.5	5.6	5.7	5.8	5.8
Indirect and other taxes	6.7	6.4	6.4	5.7	5.8	5.8	5.8	5.8	5.8	5.8
Indirect taxes	6.2	5.9	5.9	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Other taxes	0.5	0.5	0.5	0.4	0.4	0.5	0.4	0.5	0.5	0.4
Nontax revenue	6.7	6.8	5.2	5.9	6.7	6.4	6.1	5.9	5.7	5.5
Domestic	3.1	3.4	2.2	2.7	2.7	2.7	2.7	2.7	2.7	2.7
External	3.6	3.4	3.0	3.1	4.0	3.7	3.4	3.2	3.0	2.8
Grants	1.8	1.1	1.7	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Development projects	0.9	0.7	0.9	0.7	0.9	0.8	0.7	0.7	0.7	0.6
Budget support	0.9	0.3	0.9	0.4	0.2	0.3	0.4	0.4	0.4	0.5
Expenditure	23.1	21.0	21.5	20.6	20.1	19.6	19.2	18.8	18.5	18.1
Current expenditure	15.8	15.7	14.9	15.3	15.0	14.1	13.7	13.3	13.0	12.7
Wages and related expenditure	6.2	6.7	6.1	5.8	5.5	5.4	5.2	5.1	4.9	4.8
Wages and contributions	6.2	6.0	5.6	5.3	5.0	4.8	4.7	4.6	4.4	4.3
Housing subsidies	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Goods and services	5.3	5.7	6.1	6.7	6.4	5.8	5.7	5.7	5.6	5.6
Civil expenditure	5.0	5.0	5.2	5.8	5.0	5.0	5.0	5.0	5.0	5.0
Military expenditure	1.0	0.7	1.0	0.9	1.4	0.8	0.7	0.7	0.6	0.6
Maintenance	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transfers	2.5	2.5	2.4	2.4	2.7	2.6	2.4	2.3	2.2	2.1
Interest	0.2	0.7	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.1
Foreign-financed current spending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	7.3	5.2	6.6	5.3	5.0	5.5	5.5	5.5	5.4	5.4
Domestically financed	4.7	3.2	3.9	3.6	3.1	3.8	4.6	4.9	5.4	5.4
Foreign-financed	2.9	2.0	2.6	1.7	2.0	1.7	0.8	0.6	0.1	0.0
Grants	0.9	0.7	0.9	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Loans to central government (projects)	1.6	1.5	1.7	1.2	2.0	1.7	0.8	0.6	0.1	0.0
COVID-19 related expenditures	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (commitment basis)	-2.9	-0.7	-3.3	-2.4	-0.8	-0.6	-0.3	-0.2	0.0	0.2
Overall balance (commitment basis)	-3.1	-1.5	-3.5	-2.6	-1.0	-0.8	-0.6	-0.3	-0.1	0.1
Change in arrears	0.4	1.2	-0.2	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.4	0.6	-0.2	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-2.7	-0.3	-3.7	-3.1	-1.0	-0.8	-0.6	-0.3	-0.1	0.1
Financing	3.0	0.3	1.4	3.3	1.4	0.8	-0.2	-0.3	-0.7	-0.7
Domestic	1.2	-0.8	-0.3	2.9	0.0	-0.1	-0.2	-0.1	-0.1	-0.1
Bank	1.9	-0.5	0.5	2.9	0.0	-0.1	-0.2	-0.1	-0.1	-0.1
Central bank	2.3	-0.1	0.5	3.0	0.0	-0.1	-0.2	-0.1	-0.1	-0.1
Of which: SDR allocation 1/	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-0.3	-0.3	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank	-0.7	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	1.3	1.1	1.0	1.2	1.4	0.9	0.0	-0.2	-0.6	-0.6
Disbursements	1.7	1.5	1.7	1.2	2.0	1.7	0.8	0.6	0.1	0.0
Loans to central government (projects)	1.6	1.5	1.7	1.2	2.0	1.7	0.8	0.6	0.1	0.0
Large projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rail road	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water pipeline	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Financing (CCRT)	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.5	-0.5	-0.7	0.0	-0.6	-0.8	-0.8	-0.8	-0.6	-0.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum										
Overall balance (excl. foreign-financed expenditures)	-0.7	1.1	-1.9	-2.1	0.0	0.1	-0.5	-0.4	-0.7	-0.5

Sources: Djibouti authorities; and IMF staff estimates and projections.

1/ Using the SDR/DJF exchange rate as of October 28, 2021.

**Table 3a. Djibouti: Balance of Payments, 2021–2030**  
(In millions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Est.				Proj.					
Current account	-224	675	708	604	373	381	427	469	509	545
Current account, excluding trade for re-exports	-224	192	298	-15	73	69	110	152	194	238
Trade balance	-323	578	607	481	272	274	313	350	383	412
Exports	5,160	5,674	5,877	5,249	6,652	7,104	7,660	8,292	8,978	9,719
Goods	4,147	4,601	4,772	4,077	5,363	5,737	6,211	6,756	7,350	7,993
Of which: re-exports	2,724	4,318	4,430	3,777	5,003	5,353	5,800	6,316	6,879	7,489
Services	1,013	1,073	1,105	1,172	1,290	1,367	1,449	1,536	1,628	1,726
Imports	-5,483	-5,096	-5,269	-4,768	-6,380	-6,830	-7,346	-7,942	-8,595	-9,307
Goods	-4,870	-4,328	-4,482	-4,035	-5,572	-5,934	-6,378	-6,916	-7,496	-8,109
Of which: imports for re-exports	-2,724	-3,834	-4,020	-3,158	-4,703	-5,041	-5,483	-5,999	-6,564	-7,182
Services	-613	-769	-787	-733	-808	-897	-969	-1,027	-1,099	-1,197
Income	-59	-65	-64	-26	-57	-60	-64	-67	-71	-75
Current transfers	158	162	165	149	158	167	177	187	197	208
Private	11	12	31	32	34	36	38	40	42	44
Official	148	-2	152	135	143	152	161	170	179	189
Capital and financial account	-452	-499	-262	-235	-373	-381	-427	-469	-509	-545
Capital transfers	77	26	33	32	34	36	38	40	42	45
Foreign direct investment	167	187	137	68	102	120	128	133	135	136
Public sector	83	39	283	83	264	111	1	-169	-227	-216
Disbursements	111	71	308	170	412	264	156	39	5	0
Amortization	-28	-32	-25	-86	-148	-153	-155	-208	-232	-216
Commercial banks	-195	14	-17	12	13	13	14	15	16	17
Other investment	323	273	22	-30	-464	-490	-559	-605	-652	-699
o/w SDR allocation 1/	43	0	0	0	0	0	0	0	0	0
Errors and omissions	-227	-1,166	-970	-839	0	0	0	0	0	0
Overall balance (deficit -)	-140	-44	-87	-153	58	59	48	52	50	44
Financing	140	44	87	153	-58	-59	-48	-52	-50	-44
Central bank	136	-9	87	153	-58	-59	-48	-52	-50	-44
Change in gross reserves	99	-3	87	156	-54	-51	-40	-44	-42	-40
Other central bank liabilities	37	-6	0	-3	-4	-8	-8	-8	-8	-4
Change in arrears (+ accumulation)	0	53								
Exceptional financing	4	1	0	0	0	0	0	0	0	0
IMF 2/		0	0	0	0	0	0	0	0	0
CCRT	4	1	0	0	0	0	0	0	0	0
Financing Gap	0	0	0	0	0	0	0	0	0	0
Memorandum items										
Current account (in percent of GDP)	-6.6	19.0	18.1	14.1	8.1	7.6	7.9	8.1	8.3	8.3
Exports of goods and services (percent change)	39.7	10.0	3.6	-10.7	26.7	6.8	7.8	8.3	8.3	8.3
Imports of goods and services (percent change)	60.1	-7.1	3.4	-9.5	33.8	7.1	7.6	8.1	8.2	8.3
Central bank gross reserves (in millions of US dollars)	578	581	494	338	393	444	483	527	569	609
In months of next year's imports of G&S (excl. re-exports)	5.5	5.6	16.5	2.4	2.6	2.9	3.0	3.1	3.2	3.3
FDI (in percent of GDP)	4.9	5.2	3.5	1.6	2.2	2.4	2.4	2.3	2.2	2.1
External public and publicly guaranteed debt										
In millions of US dollars	2,423	2,455	2,738	2,985	2,951	2,823	2,691	2,549	2,394	2,260
In percent of GDP	71.4	68.9	69.9	69.6	64.0	56.4	49.8	44.1	39.0	34.5
In percent of exports of goods and services	47.0	43.3	46.6	56.9	44.4	39.7	35.1	30.7	26.7	23.2
Debt service										
In millions of US dollars	53	54	46	114	216	220	220	291	306	280
In percent of GDP	1.6	1.5	1.2	2.6	4.7	4.4	4.1	5.0	5.0	4.3
In percent of exports of goods and services	1.0	1.0	0.8	2.2	3.2	3.1	2.9	3.5	3.4	2.9

Sources: Djibouti authorities; and IMF staff estimates and projections.

1/ Using SDR/USD exchange rate as of October 28, 2021.

2/ Using SDR/USD exchange rate as of April 20, 2020.

**Table 3b. Djibouti: Balance of Payments, 2021–2030**  
(In percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Est.	Proj.					
Current account	-6.6	19.0	18.1	14.1	8.1	7.6	7.9	8.1	8.3	8.3
Current account, excluding trade for re-exports	-6.6	5.4	7.6	-0.4	1.6	1.4	2.0	2.6	3.2	3.6
Trade balance	-9.5	16.2	15.5	11.2	5.9	5.5	5.8	6.0	6.2	6.3
Exports	152.1	159.3	150.0	122.3	144.2	142.0	141.7	143.5	146.4	148.2
Goods	122.2	129.1	121.8	95.0	116.2	114.7	114.9	116.9	119.9	121.9
Of which: re-exports	80.3	121.2	113.1	88.0	108.5	107.0	107.3	109.3	112.2	114.2
Services	29.9	30.1	28.2	27.3	28.0	27.3	26.8	26.6	26.6	26.3
Imports	-161.6	-143.0	-134.5	-111.1	-138.3	-136.5	-135.9	-137.4	-140.2	-141.9
Goods	-143.5	-121.5	-114.4	-94.0	-120.8	-118.6	-118.0	-119.7	-122.2	-123.6
Of which: imports for re-exports	-80.3	-107.6	-102.6	-73.6	-102.0	-100.8	-101.4	-103.8	-107.0	-109.5
Services	-18.1	-21.6	-20.1	-17.1	-17.5	-17.9	-17.9	-17.8	-17.9	-18.3
Income	-1.7	-1.8	-1.6	-0.6	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1
Current transfers	4.7	4.6	4.2	3.5	3.4	3.3	3.3	3.2	3.2	3.2
Private	0.3	0.3	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Official	4.4	0.0	3.9	3.1	3.1	3.0	3.0	2.9	2.9	2.9
Capital and financial account	-13.3	-14.0	-6.7	-5.5	-8.1	-7.6	-7.9	-8.1	-8.3	-8.3
Capital transfers	2.3	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Foreign direct investment	4.9	5.2	3.5	1.6	2.2	2.4	2.4	2.3	2.2	2.1
Public sector	2.4	1.1	7.2	1.9	5.7	2.2	0.0	-2.9	-3.7	-3.3
Disbursements	3.3	2.0	7.9	4.0	8.9	5.3	2.9	0.7	0.1	0.0
Amortization	-0.8	-0.9	-0.6	-2.0	-3.2	-3.1	-2.9	-3.6	-3.8	-3.3
Commercial banks	-5.8	0.4	-0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other investment	9.5	7.7	0.6	-0.7	-10.0	-9.8	-10.3	-10.5	-10.6	-10.7
o/w SDR allocation 1/	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-6.7	-32.7	-24.8	-19.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (deficit -)	-4.1	-1.2	-2.2	-3.6	1.3	1.2	0.9	0.9	0.8	0.7
Financing	4.1	1.2	2.2	3.6	-1.3	-1.2	-0.9	-0.9	-0.8	-0.7
Central bank	4.0	-0.3	2.2	3.6	-1.3	-1.2	-0.9	-0.9	-0.8	-0.7
Change in gross reserves	2.9	-0.1	2.2	3.6	-1.2	-1.0	-0.7	-0.8	-0.7	-0.6
Other central bank liabilities	1.1	-0.2	0.0	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1
Change in arrears	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF (RCF Disbursement) 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CCRT	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items										
Exports of goods and services (percent change)	39.7	10.0	3.6	-10.7	26.7	6.8	7.8	8.3	8.3	8.3
Imports of goods and services (percent change)	60.1	-7.1	3.4	-9.5	33.8	7.1	7.6	8.1	8.2	8.3
Central bank gross reserves (in millions of US dollars)	578.1	581.2	494.0	338.4	392.5	443.6	483.5	527.0	569.2	609.0
In months of next year's imports of goods and services	1.4	1.3	1.2	0.6	0.7	0.7	0.7	0.7	0.7	0.8
In months of next year's imports of G&S (excl. re-exports)	5.5	5.6	16.5	2.4	2.6	2.9	3.0	3.1	3.2	3.3
External public and publicly guaranteed debt										
In percent of GDP	71.4	68.9	69.9	69.6	64.0	56.4	49.8	44.1	39.0	34.5
In percent of exports of goods and services	47.0	43.3	46.6	56.9	44.4	39.7	35.1	30.7	26.7	23.2
Debt service										
In percent of GDP	1.6	1.5	1.2	2.6	4.7	4.4	4.1	5.0	5.0	4.3
In percent of exports of goods and services	1.0	1.0	0.8	2.2	3.2	3.1	2.9	3.5	3.4	2.9

Sources: Djibouti authorities; and IMF staff estimates and projections.

1/ Using SDR/USD exchange rate as of October 28, 2021.

2/ Using SDR/USD exchange rate as of April 20, 2020.



**Table 4. Djibouti: Summary Accounts of the Banking System, 2021–2030**  
(End-of-period, in millions of Djibouti francs, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Act.			Proj.						
<b>I. Central Bank</b>										
Net foreign assets	83,192	84,807	69,307	42,105	52,464	63,008	71,577	80,784	89,751	97,569
(In millions of US\$)	468	477	390	237	295	355	403	455	505	549
Gross Foreign Reserves	102,743	103,293	87,793	60,140	69,763	78,832	85,927	93,660	101,153	108,234
Currency Coverage, in percent 1/	106,205	106,502	96,921	70,537	79,291	85,819	89,246	92,439	94,849	96,401
Fund Credit Outstanding	8,065	7,521	7,582	7,370	6,633	5,159	3,685	2,211	737	0
SDR Allocation	11,352	10,794	10,882	10,577	10,577	10,577	10,577	10,577	10,577	10,577
Net domestic assets	12,863	11,275	21,272	43,153	41,229	36,585	30,291	23,414	15,463	7,018
Net credit to the central government	14,962	13,826	28,422	51,046	50,309	48,835	47,361	45,887	44,413	43,676
Other Items and Capital Account	-2,099	-2,552	-7,151	-7,894	-9,080	-12,250	-17,070	-22,473	-28,950	-36,658
Base Money	96,055	96,082	90,579	85,258	87,981	91,856	96,278	101,319	106,644	112,271
Currency in circulation	50,445	52,357	51,751	51,336	52,363	54,457	56,635	58,901	61,257	63,707
Reserve Deposits	45,610	43,726	38,828	33,922	35,618	37,399	39,643	42,418	45,387	48,564
<b>II. Consolidated Banking System</b>										
Net foreign assets	339,967	303,108	301,079	267,906	283,037	297,913	309,407	323,755	303,454	310,968
(In millions of US\$)	1,913	1,706	1,694	1,507	1,593	1,676	1,741	1,822	1,707	1,750
Of which: Commercial banks NFA	256,775	218,301	231,772	225,801	230,573	234,905	237,830	242,971	213,703	213,399
Net domestic assets	138,452	167,230	206,056	256,500	266,254	278,863	296,972	317,395	372,937	405,347
Credit to the nonfinancial public sector	68,077	79,506	96,523	128,160	130,274	131,798	133,323	134,846	136,372	138,635
Of which: Net credit to the central government	18,590	15,860	32,906	54,957	54,072	52,598	51,124	49,650	48,176	47,439
Credit to the private sector	112,134	125,588	151,198	170,479	189,232	210,047	233,152	258,799	287,267	318,866
In francs	76,365	79,557	92,231	101,743	112,935	125,358	139,148	154,454	171,444	190,303
In foreign currency	35,768	46,032	58,968	68,735	76,296	84,689	94,005	104,345	115,823	128,564
Other Items and Capital Account	-41,759	-37,865	-41,665	-42,139	-53,251	-62,982	-69,504	-76,250	-50,702	-52,155
Broad money	478,419	470,338	507,135	524,407	549,292	576,776	606,378	641,151	676,391	716,314
Currency held by the public	44,078	43,741	43,667	44,387	44,892	46,356	47,882	49,542	51,327	53,087
franc deposits	213,657	219,472	230,965	236,057	247,689	259,598	272,513	287,915	305,628	324,759
Foreign currency deposits	220,685	207,125	232,504	243,962	256,711	270,821	285,983	303,693	319,435	338,468
<b>(12-month percentage change)</b>										
Currency in circulation	1.0	3.8	-1.2	-0.8	2.0	4.0	4.0	4.0	4.0	4.0
Base money	-10.3	0.0	-5.7	-5.9	3.2	4.4	4.8	5.2	5.3	5.3
Franc money (M2)	5.3	2.1	4.3	2.1	4.3	4.6	4.7	5.3	5.8	5.9
Broad money (M3)	5.3	-1.7	7.8	3.4	4.7	5.0	5.1	5.7	5.5	5.9
Franc deposits	6.3	2.7	5.2	2.2	4.9	4.8	5.0	5.7	6.2	6.3
Foreign currency deposits	5.3	-6.1	12.3	4.9	5.2	5.5	5.6	6.2	5.2	6.0
Credit to the private sector	-5.1	12.0	20.4	12.8	11.0	11.0	11.0	11.0	11.0	11.0
Credit in francs	-0.1	4.2	15.9	10.3	11.0	11.0	11.0	11.0	11.0	11.0
Credit in foreign currency	-14.4	28.7	28.1	16.6	11.0	11.0	11.0	11.0	11.0	11.0
<b>Memorandum items:</b>										
Foreign currency deposits (percent of total private deposits)	50.8	48.6	50.2	50.8	50.9	51.1	51.2	51.3	51.1	51.0
Foreign curr. credit to priv. sector (percent of total)	31.9	36.7	39.0	40.3	40.3	40.3	40.3	40.3	40.3	40.3
Commercial Banks' Credit to Private Sector (percent of GDP)	18.6	19.8	21.7	22.4	23.1	23.6	24.3	25.2	26.4	27.4
Velocity of Broad Money (M3/GDP)	1.26	1.35	1.37	1.45	1.49	1.54	1.58	1.60	1.61	1.63

Sources: Central Bank of Djibouti; and Fund staff estimates and projections.

1/ Gross foreign assets as a percentage of base money and other domestic liabilities of the central bank.

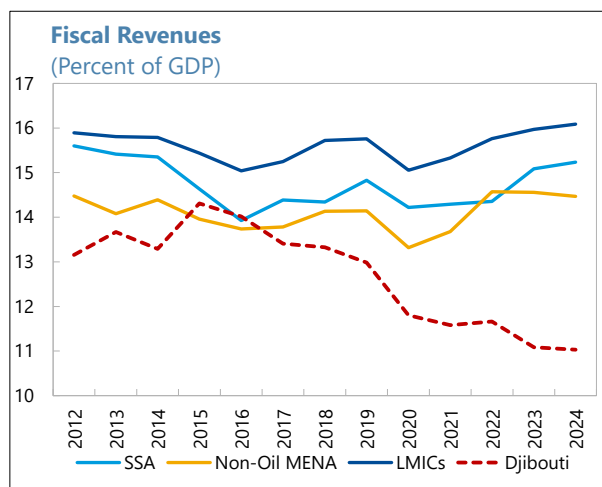
**Table 5. Djibouti: Financial Soundness Indicators, 2018–2024**  
(In percent)

	2018	2019	2020	2021	2022	2023	2024
<b>Core FSIs</b>							
Regulatory capital to risk weighted assets	15.2	15.1	15.1	14.3	19.8	18.7	23.3
Regulatory Tier 1 capital to risk-weighted assets	15.2	14.0	13.7	14.0	16.5	18.6	23.3
Non-performing loans to total gross loans	17.6	15.4	13.8	9.1	5.2	4.0	3.1
Non-performing loans net of provisions to capital	26.3	15.1	7.1	9.9	1.0	3.3	1.5
Return on assets	0.9	1.2	0.6	1.2	1.9	1.4	1.8
Return on equity	8.4	11.5	4.7	11.2	17.3	11.5	15.3
Interest margin to gross income	67.8	68.4	70.6	68.2	58.5	66.0	71.4
Non-interest expenses to gross income	64.8	60.0	73.8	67.5	61.6	67.5	63.5
Liquid assets to total assets	64.2	63.3	63.4	60.7	55.1	42.2	43.4
Liquid assets to short-term liabilities	100.0	100.0	100.0	100.0	100.0	104.6	102.4
<b>Additional FSIs</b>							
Capital to assets (leverage ratio)	5.9	5.1	6.2	6.5	7.7	7.8	7.9
Large exposures to capital	193.3	158.5	306.5	425.3	398.6	385.1	286.4
Trading income to total income	7.6	7.0	7.5	5.8	4.6	5.1	4.2
Personnel expenses to total income	43.5	46.5	42.4	43.0	43.0	41.5	41.3
Customer deposits to total non-interbank loans	261.4	258.3	272.4	261.5	220.9	230.5	191.5
FX loans to total loans	43.4	31.5	40.7	38.1	54.8	62.9	73.1
FX liabilities to total liabilities	43.3	41.1	54.6	51.9	51.4	36.1	43.6

Source: Djibouti authorities.

## Annex I. Djibouti Reforms to Mobilize Revenues

1. At about 11 percent in 2024, Djibouti's tax-to-GDP ratio is several percentage points below the 15 to 16 percent averages observed in other lower middle-income countries, or in non-oil exporters in the MENA and sub-Saharan Africa.<sup>1</sup> It is also below the 12¾ percent of GDP threshold, which the empirical literature shows is linked to improved economic growth and development.<sup>2</sup> Djibouti's declining tax ratio since 2015 suggests room for enhanced tax design and administration. To support revenue mobilization, staff has provided TA in the following areas:



- **Tax Policy Unit.** The objective is to support institution building and the implementation of sustained and meaningful tax reforms over the medium-term by creating and fully operationalizing a dedicated tax policy unit.
- **Tax policy reform.** The aim is to generate equitable revenues in a fair and efficient manner, while ensuring simplicity in administration and compliance. Key reform areas include:
  - Direct taxation. (I) Income tax on salaries: Revise rates to enhance progressivity; properly account for in-kind benefits; initiate discussions on taxing pensions; (II) Tax on professional profits: Broaden the tax base by eliminating tax exemptions, while offering more targeted and cost-efficient incentives within the tax code (e.g., longer loss carry-forwards, investment tax credits with sunset clauses); simplify taxation for small businesses by removing exemptions and introducing a presumptive regime based on turnover for businesses below the VAT threshold; tax rental income and capital earned by businesses under the professional profits tax; (III) Other direct taxes: Introduce a moderate tax on investment income; implement a new rental income tax; reform the property tax system by moving away from using rental values as the tax base; eliminate the *patente*, with corresponding adjustments to other taxes to make up for the revenue loss.
  - Indirect taxation. (I) VAT: Increase VAT threshold; eliminate poorly-targeted VAT exemptions; refrain from offering VAT exemptions as investment incentives, conditional on improving the efficient processing of VAT refunds; (II) Consumption tax: Replace the TIC with a customs tariff with a coherent rate structure; improve the transparency of the prevailing tariff structure and remove customs duty exemptions without legal basis; and (III) Use excise taxes

<sup>1</sup> Koukpaizan, Vincent, Sebastien Leduc, and Naima Smaini, 2024, "Creating Fiscal Space to Build Inclusive and Resilient Growth", IMF Selected Issues Paper (Washington: International Monetary Fund).

<sup>2</sup> Gaspar, Vitor, Laura Jaramillo, and Philippe Wingender, 2016, "Tax Capacity and Growth: Is there a Tipping Point?" IMF Working Paper No WP/16/234 (Washington: International Monetary Fund).

as instruments to correct for externalities (and possibly improve progressivity in the case of motor vehicles); consider using both *ad valorem* and specific duties on some goods (tobacco, alcohol sugary drinks); consolidate the various levies on khat to enhance transparency and improve policy coherence.

- **Tax expenditures.** The objective is to improve the quality of the tax expenditures report through (i) addressing data access, coverage, including systematic evaluation of all major tax exemptions, and clearer governance and enforcement mechanisms and (ii) updating the list of tax expenditures to expand coverage while avoiding misclassifications.
- **Tax administration.** The aim is to increase the efficiency and enhance voluntary compliance. This can be achieved by (i) strengthening the performance of the newly established Large Taxpayers Directorate (LTO), (ii) reducing taxpayer compliance costs through the simplification and modernization of procedures—particularly via the introduction of electronic filing for large enterprises—professionalizing tax administration staff, and improving taxpayer services, and (iii) modernizing of Djibouti’s customs code to align with the COMESA framework, the WCO Revised Kyoto Convention, and the WTO Trade Facilitation Agreement. Additionally, developing a robust stakeholder engagement and communication strategy will be essential to foster trust and encourage cooperative relationships between the tax administration and taxpayers.
- **Tax expenditures.** The objective is to improve the quality of the tax expenditures report through (I) addressing data access, coverage, including systematic evaluation of all major tax exemptions, and clearer governance and enforcement mechanisms and (II) updating the list of tax expenditures to expand coverage while avoiding misclassifications.

Djibouti’s 2024–27 Action Plan under the Reform of Public Financial Management foresees the operationalization of the LTO, the simplification of the taxation for small businesses with a synthetic regime based on turnover, the standardization of the threshold for companies to have to pay VAT to DJF 50 million, and the replacement of the consumption tax by a customs tariff in line with COMESA standards.

## Annex II. External Sector Assessment

**Overall Assessment:** Djibouti's external position in 2024 was substantially stronger than what is justified by fundamentals and desirable policies. The EBA Lite Model shows a current account gap of 18.6 percent of GDP, suggesting a REER undervaluation of 18.8 percent. On the other hand, the REER index model indicates an overvaluation of 1.5 percent of GDP, implying a current account gap of 1.5 percent. Both assessments are subject to considerable uncertainty given statistical challenges. Reexports to Ethiopia play a key role in Djibouti's current account, comprising of 92.6 percent of export goods and 93.6 percent of import goods in 2024. Reserves are below the IMF's 3 months of imports threshold.

**Potential Policy Responses:** The real effective exchange rate remained stable in 2024, with the currency board providing essential confidence and predictability in international transactions. However, Djibouti's economy features low import and export price elasticities, indicating substantial potential for enhancing external competitiveness through structural reforms, reducing internal costs (particularly in electricity and telecommunications) and increasing investment in health and education. Strengthening foreign exchange reserves by diversifying exports, enhancing port competitiveness through high-yield projects, and improving fiscal discipline will further support the currency board. Improving the quality of external sector statistics is critical to allow for more precise analysis of the external sector position.

### Foreign Assets and Liabilities: Position and Trajectory

**Background.** Djibouti's net international investment position stood at -83.7 percent of GDP in 2024, compared to -82.8 percent of GDP in 2023, reflecting debt and direct investment inflows for the construction of the trade hub over the past decade. Gross external assets stood at about 53 percent of GDP in 2024, after reaching 54½ percent in 2022, reflecting mainly foreign assets of deposit-taking corporations, which channel a large share of the domestic deposit base to overseas affiliates. Gross liabilities stood at about 136.7 percent of GDP, with external public and publicly guaranteed debt amounting to 62.8 percent of GDP. The stock of foreign direct investment accounted for the rest. From 2019 to 2024, liabilities rose by 35.4 percent. The country's net external position is anticipated to stabilize as the pace of infrastructure projects decreases.

Djibouti: EBA-lite Model Results, 2024		
	CA model 1/ (in percent of GDP)	REER model
<b>CA-Actual</b>	<b>14.2</b>	
Cyclical contributions (from model) (-)	-0.4	
Natural disasters and conflicts (-)	0.0	
<b>Adjusted CA</b>	<b>14.6</b>	
<b>CA Norm</b> (from model) 3/	<b>-4.0</b>	
Adjustments to the norm (+)	0.0	
<b>Adjusted CA Norm</b>	<b>-4.0</b>	
<b>CA Gap</b>	<b>18.6</b>	<b>-1.5</b>
o/w Relative policy gap	2.6	
Elasticity	-1.0	
<b>REER Gap</b> (in percent)	<b>-18.8</b>	<b>1.5</b>
1/ Based on the EBA-lite 3.0 methodology		
2/ Cyclically adjusted, including multilateral consistency adjustments.		

**Assessment.** Djibouti's net debtor position has weakened on the back of large increases in public and publicly guaranteed external debt service. The debt service moratorium agreed with Exim Bank China, effective until 2027, has supported an improvement, but the sizable external public debt presents risks to external sector sustainability.

2024 (% GDP)	<b>NIIP:</b> -83.7	<b>Gross Assets:</b> 53	<b>Debt Assets:</b> 6.7	<b>Gross Lib.:</b> -136.7	<b>Debt Lib.:</b> -68.4
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### Current Account

**Background.** The headline current account has been strongly positive over the past year (with an estimated surplus of 14.2 percent of GDP in 2024), in part because available data indicate significantly higher reexports compared to imports for reexports of goods, although this is accompanied by considerable errors and omissions. Exports of services increased by 6.1 percent while imports of services declined by 7 percent.

**Assessment.** The CA model finds a positive current account gap in 2024 of 18.6 percent, implying that the external position was substantially stronger than the level implied by fundamentals. It also shows a CA norm of -4.0 percent of GDP against a cyclically adjusted CA of 14.6 percent of GDP (Table 1). The policy gap is assessed at 2.6 percent of GDP, resulting from a combination of a lower public health expenditure and private credit, compared to desirable policies. Nevertheless, the shortcomings in BoP statistics, including large errors and omissions, suggest uncertainty.

### Real Exchange Rate

**Background.** The real effective exchange rate (REER) remained stable in 2024, with a minor increase of 3 percent. Djibouti's nominal effective exchange rate appreciated over the past decade, reflecting the relative strength of the U.S. dollar to which the Djibouti franc is pegged.

**Assessment.** The REER Index model implies a CA gap of –1.5 percent, equivalent to an overvaluation of about 1.5 percent in 2024. On the other hand, the CA model implies a REER gap of -18.8 percent, a sizable undervaluation. These assessments are subject to statistical uncertainty.

### Capital and Financial Accounts: Flows and Policy Measures

**Background.** Djibouti's capital and financial account inflows are dominated by long-term official financing and FDI inflows. Outflows represent the reduction of foreign assets by the banking system, which reached US\$187million in 2024. Djibouti maintains open capital account policies.

**Assessment.** Capital and financial account flows in Djibouti appear sustainable under the debt service moratorium. An accumulation of net foreign assets would increase buffers in the event of adverse shocks.

### FX Intervention and Reserves Level

**Background.** Official reserves are a function of capital inflows, rental income from military bases and the demand for franc-denominated assets. Reserve adequacy in the context of the currency board is best measured by the coverage ratio. As of 2024, Djibouti's international reserves cover 2.4 months of next year's imports when imports for reexports are excluded, below the 3-months of imports standard threshold.

**Assessment.** Reserve coverage at 117.2 percent continues to support the currency in circulation. However, a substantial increase in reserves is needed in the short term to fully cover the monetary base.

## Annex III. Risk Assessment Matrix (July 2025)<sup>1</sup>

Risks	Likelihood	Economic Impact	Channels	Policy Responses
<b>Country Specific</b>				
<b>Conflict resurgence in neighboring Ethiopia.</b> A resurgence in the civil conflict involving ethno-regional militias and the federal government in Ethiopia can lead to a sustained decline in the demand for Djibouti's trade services and generate other spillovers. Tensions between Ethiopia and Eritrea could reduce domestic demand in Ethiopia, leading to a decline in port activity in Djibouti.	Medium	High	Lower goods (reexports) and service exports, investment, and weaker external balance. Pressures on the budget and reserves. Risk of social tensions.	Accelerate structural reforms to promote economic activity outside of the ports and free zones, including tourism, fisheries, ICT, transport and logistics, renewable energy, and manufacturing. Adopt a medium-term fiscal adjustment plan covering the entire public sector, including SOEs.
<b>Increased competition from other regional ports.</b> Over the medium-to-long term, ports in Somalia, Eritrea, Kenya, and Sudan could erode Djibouti's market share of Ethiopian trade, potentially undermining Djibouti's status as a leading regional trade and logistics hub.	Medium	High	A shift in Ethiopia's trade to other regional ports could leave Djibouti's port operations with excess capacity and reduced profitability.	Promote efficiency at the ports and related services. Diversify export markets and strengthen regional integration.
<b>Conjunctural shocks and scenarios (Global)</b>				
<b>Intensification of regional conflicts.</b> Escalation of conflict between Israel and Iran, and other regional conflicts disrupt trade, remittances, foreign direct investment, and payment systems, while increasing refugee flows.	Medium	Medium	Subdued economic growth, rising inflation, and weaker external balance. Pressures on the budget and reserves. Risk of social tensions.	Expand the budget envelope by reducing tax expenditures and increasing SOE contribution with taxes and dividends.

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Risks	Likelihood	Economic Impact	Channels	Policy Responses
<b>Global uncertainty and policy divergences</b> as per scenarios A and B in 2025 April WEO. Both scenarios, which include trade policy shocks, tighter financial conditions, and productivity gains in China, involve a depreciation of the USD and, under the currency board regime, a depreciation of the Djiboutian franc.	Medium	Medium	Competitive service exports but rising inflation and increased pressure on the budget.	Maintain fiscal discipline. Expand the budget envelope by reducing tax expenditures and increasing SOE contribution with taxes and dividends.  Support vulnerable households and pursue economic diversification to increase resilience.
<b>Structural Risks (Global)</b>				
<b>Deepening geoeconomic fragmentation.</b> Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, inflation, financial instability, a fracturing of international monetary system, and lower growth.	Medium	Medium	Regional tensions would further reduce the demand for Djibouti's trade services and increase pressures on security and social spending. Protectionist measures and retaliatory actions would increase inflationary pressures.	Strengthen resilience through economic diversification. Expand the budget envelope by reducing tax expenditures and increasing SOE contribution with taxes and dividends. Adopt a medium-term fiscal adjustment plan covering the entire public sector including SOEs.
<b>Extreme climate events.</b> Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	Medium	High	Djibouti is highly vulnerable to climate change, including through extreme heat, drought, flooding of urban areas from rising sea levels, and limited arable land.	Provide targeted support to the vulnerable. Enhance disaster preparedness and expand renewable energy. Pursue PFM reforms to increase the efficiency of public spending.



## Annex IV. Data Issues

**Table 1. Djibouti: Data Adequacy Assessment Rating for Surveillance**

Table 1. Djibouti: Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	C	C	B	D	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	C	C	A		
Granularity 3/	C		C	C	B		
			C		A		
Consistency			D	D		D	
Frequency and Timeliness	C	A	C	C	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p><b>Rationale for staff assessment.</b> Overall, the data provided to the Fund has shortcomings that somewhat hamper surveillance. Monetary and financial statistics (MFS) have some shortcomings but are broadly adequate for surveillance. There are insufficiencies in the National Accounts (NA), Government Finance Statistics (GFS) and External Sector Statistics (ESS) that somewhat hamper surveillance. <b>NA:</b> Data on NA provide granularity for GDP by economic activity and expenditure. NA data are typically released with a delay of up to 12 months. The release of the 2024 data was postponed on an ad hoc basis due to accommodate priority census activities. The use of 2013 as the base year somewhat limits the precision of current economic assessments. <b>Prices:</b> Data on inflation are published on the website of INSTAD (the statistics office) monthly and are granular. <b>GFS:</b> Fiscal data are reported according to the Government Finance Statistics Manual (GFSM) 1986 standards and encompass only the central government budget. The authorities furnish information on SOE dividends, publicly guaranteed debt, and arrears, aiding fiscal stance and debt sustainability assessments, though PPPs still pose fiscal risks. Debt data are granular but they do not include SOEs' domestic debt. There have sometimes been some inconsistencies between the fiscal and debt file. <b>ESS:</b> The BOP and IIP data provided by the Central Bank of Djibouti has some shortcomings that somewhat hamper surveillance. While the authorities do not submit a granular breakdown of goods trade, they provide a detailed breakdown of services exports and imports, which are critical to Djibouti's port-dependent economy. Better tracking of reexports proceeds could reduce the large net errors and omissions; however, rail and road traffic data to Ethiopia provided by the authorities serve as good proxies for monitoring reexports. Some data gaps need to be addressed, especially in the financial account, "other investments", to reduce the discrepancy between the BOP and the IIP. <b>MFS:</b> Data provided to the fund are sufficiently comprehensive for the team's analysis of the Monetary Policy Stance. FSI data provided are adequate for the team's analysis of financial stability risks. Data on reserves and its components, critical under the currency board arrangement, are adequately provided.</p>							
<p><b>Changes since the last Article IV consultation:</b> BOP and IIP data were provided in a timely manner compared to last year when estimates had to be made. There has been no changes regarding the NA, GFS or MFS. The National Summary Data Page (NSDP) was launched under the e-GDDS</p>							
<p><b>Corrective actions and capacity development priorities.</b> Technical assistance from STA is supporting the authorities' transition from GFSM 1986 to GFSM 2014 with plans to extend beyond the central government. METAC will also support the production and publication of quarterly national accounts. Capacity development should prioritize enhancing the coverage and the granularity of the balance of payments statistics, as well as ensuring the consistency between the BOP and the IIP. A GFS mission on the transition to GFSM 2014 is scheduled in Fall 2025 and a National Accounts mission on quarterly accounts in November 2025. An ESS mission is scheduled in April 2026. No MFS mission is planned.</p>							
<p><b>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.</b> PortsWatch data, though not essential for surveillance or addressing delays in GDP reporting, may provide a preliminary indication of port activities at the beginning of a shock or crisis. PortsWatch uses satellite-based vessel data from the UN Global Platform, to provide real-time indicators of port and trade activity for 1730 ports and 24 chokepoints around the world.</p>							
<p><b>Other data gaps.</b> The authorities are improving employment data. Staff will assess labor market data availability in upcoming missions.</p>							

**Table 2. Djibouti: Data Standards Initiatives**

Djibouti participates in the enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in February 2012 but is yet to disseminate the data recommended under the e-GDDS. The National Summary Data Page was launched in June 2025.

**Table 3. Djibouti: Table of Common Indicators Required for Surveillance**  
(As of July 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Expected Frequency <sup>6,7</sup>	Djibouti <sup>8</sup>	Expected Timeliness <sup>6,7</sup>	Djibouti <sup>8</sup>
Exchange Rates	NA	NA	NA	NA	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	NA	NA	NA	NA	M	...	1M	...
Reserve/Base Money	Mar-25	Jun-25	M	Q	M	M	2M	1M
Broad Money	Mar-25	Jun-25	M	Q	M	M	1Q	1M
Central Bank Balance Sheet	Mar-25	Jun-25	M	Q	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	Mar-25	Jun-25	M	Q	M	M	1Q	1M
Interest Rates <sup>2</sup>	Dec-24	Jun-25	A	SA	M	Q	...	6W
Consumer Price Index	May-25	Jun-25	M	M	M	M	2M	1M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -General Government <sup>4</sup>	N/A	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -Central Government	Mar-25	Jun-25	Q	SA	Q	M	1Q	2M
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	Mar-25	Jun-25	Q	SA	Q	Q	2Q	1Q
External Current Account Balance	Dec-24	Jun-25	Q	SA	Q	A	1Q	10M
Exports and Imports of Goods and Services	Dec-24	Jun-25	Q	SA	M	Q	12W	1M
GDP/GNP	Dec-23	Dec-24	A	A	Q	A	1Q	...
Gross External Debt	Mar-25	Jun-25	Q	SA	Q	Q	2Q	1Q
International Investment Position	Dec-24	Jun-25	Q	SA	A	A	3Q	10M

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

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

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

<sup>7</sup> Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

<sup>8</sup> Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

## Annex V. Engagement Strategy with Djibouti

1. **Djibouti is a small economy which faces four main challenges** (i) mobilizing revenue and restoring debt sustainability; (ii) strengthening financial oversight and the currency board; (iii) creating a more inclusive and resilient growth model; and (iv) capacity constraints, notably in the production and dissemination of statistics and economic information in general. To support the authorities in tackling these four challenges, the engagement strategy with Djibouti relies on close integration between surveillance and extensive capacity development.
2. **Support on revenue mobilization and debt management involves both FAD and METAC experts (see dedicated box), alongside close coordination through periodic round tables with other partners (AFD, AfDB, the EU, JICA, UNDP and the World Bank).** Revenue mobilization is intended at creating fiscal space to restore debt sustainability and increase spending on health and education to create the human capital necessary to build a more inclusive and resilient growth model. During the MCD-led roundtable of March 2025, partners committed to enhancing coordination through an implementation matrix designed by staff. This aims to avoid overlapping, maximize impact, and ensure that the TA provided aligns with absorption capacity.
3. **TA in monetary and financial sector has been designed to align with Djibouti's currency regime and banking system features.** This support prioritized the strengthening of banking regulation and supervision with the appointment of an LTX for a two-year term (which ended in FY25). In addition, TA adapted to evolving needs, aiding the CBD in swiftly passing legal amendments during the MENAFATF evaluation process. Recently, there has been a concerted effort to enhance the legislative framework governing the currency board, particularly in response to signs of fiscal dominance observed since 2023.
4. **Capacity is a significant challenge in Djibouti which, like most small development states, lacks skills or resources in critical areas.** Extensive technical assistance is provided to improve the quality and timeliness of statistics, including balance of payment statistics, monetary and financial statistics and government finance statistics. Support is also provided to help government officials access Fund trainings, particularly in priority areas like the analysis of debt sustainability or debt management.
5. **Support on structural reforms relies on analytical work captured in Staff Report's boxes, annexes or Selected Issues Papers, on subjects critical for the countries, including SOE governance, economic diversification, job creation or financial inclusion.**

## Annex VI. Capacity Development Strategy

*Capacity development (CD) should focus on (i) supporting revenue mobilization through improved tax policy, revenue administration, public financial management and medium-term debt management; (ii) amending the BCD's law to strengthen the central bank's independence and fortify the currency board; (iii) implementing the recommendations of the MENAFATF evaluation; and (iv) increasing data timeliness, coverage, and quality of balance of payments and government finance statistics. In all these areas TA should also aim to build capacity. CD should remain closely integrated with surveillance.*

### 1. **Fiscal sector technical assistance (TA) should focus support on revenue mobilization.**

TA from FAD and METAC should, in close coordination with the country team, support the authorities' implementation efforts in tax policy, revenue administration and public financial management to reverse the declining trend in the tax-to-GDP ratio observed over the past decade. Priorities include the implementation of the large taxpayer office, budget preparation, the tax policy unit, and assessing and managing fiscal risks of SOEs. TA should assist the authorities in designing and implementing a medium-term debt management strategy, focusing on: (i) training relevant staff in debt portfolio management; (ii) developing a medium-term debt management strategy and an Annual Borrowing Plan; (iii) strengthening the legal and institutional framework for debt management by enhancing the coordination of debt management operations and creating a manual of procedures to support the national debt committee; and (iv) fostering the development of the domestic market for government securities. Additionally, TA will be closely coordinated with partners, including the African Development Bank (AfDB), the European Union (EU), the French Development Agency, Japan International Cooperation Agency (JICA), the United Nations Development Programme (UNDP), and the World Bank.

**2. The Central bank's TA should focus on the timely amendment of its statutes and the implementation of recommendations from the MENAFATF evaluation.** The BCD should, in collaboration with IMF staff, prepare and submit to the Cabinet the necessary amendments to align with the safeguards assessment. This initiative will enhance the financial and institutional autonomy of the central bank while reinforcing the currency board arrangement. Furthermore, the authorities, under the auspices of LEG TA, should implement the recommendations of the MENAFATF evaluation report, particularly in areas where compliance is partial or lacking, such as the oversight of virtual assets and the enforcement of sanctions.

**3. TA should prioritize enhancing the timeliness, coverage, and consistency of external sector and government finance statistics (ESS).** Addressing delays in transmitting BoP and IIP data to the country team and STA will improve data reliability. In addition, broadening data coverage and granularity—including compiling key components of the services account—will strengthen analytical capacity. TA should support BCD efforts in enhancing data sources, ensuring internal consistency, and aligning BoP and IIP methodologies. Strengthening the BoP service with increased staffing and targeted training is essential for sustaining long-term statistical capacity. TA in government finance statistics (GFS) should aid the authorities in transitioning from GFSM 1986 to GFSM 2014. Once this transition is complete, the next step should be to expand the coverage of

GFS, which currently encompasses only the central government budget, to include SOEs. These SOEs significantly influence the Djiboutian economy and pose considerable fiscal risks to the central government budget.

<b>Summary of Capacity Developments Needs</b>		
	Technical Assistance	
	FY25–27	FY28–30
Fiscal	Tax Policy-Tax Policy Efficiency Revenue Administration and Governance	Tax Policy-Tax Policy Efficiency Revenue Administration and Governance
Legal	Financial and Institutional Autonomy – Amendment of BCD statutes Financial Integrity – AML/CFT Measures: Legal and Regulatory Framework	Financial Integrity – AML/CFT Measures: Legal and Regulatory Framework
Monetary/ Financial	Financial Supervision and Regulation-Regulatory & Prudential Framework	Financial Supervision and Regulation-Risk Based Supervision
Statistics	Compilation and dissemination – Balance of Payments Statistics – Government Finance Statistics	Compilation and dissemination – Balance of Payments Statistics

## Annex VII. Implementation of 2024 Article IV and 2020 FSSR Recommendations

Recommendation	Implementation
<b>Fiscal Policies</b>	
<ul style="list-style-type: none"> <li>• Implement a strategy for revenue mobilization anchored on a long-term vision and supported by stronger fiscal institutions and governance.</li> <li>• Finalize debt negotiations with all creditors.</li> <li>• Consider an anchor for debt—for instance, a target debt level to be reached by a certain year, or a targeted path for fiscal deficits—to ensure multiyear fiscal policy coherence, or a medium-term debt strategy.</li> <li>• Ensure that profit-making SOEs contribute to the budget, while limiting transfers to loss-makers, by putting in place a clear dividend policy, along with mutually agreed performance parameters.</li> <li>• Consolidate all tax provisions within a single legislation.</li> <li>• Ensure that military base leases are fair and include an indexation mechanism to protect future revenues.</li> <li>• Create a tax policy unit (TPU) to ensure coherence and consistency in tax policy design and implementation.</li> <li>• Better target the fuel subsidy.</li> </ul>	<ul style="list-style-type: none"> <li>• A Strategy for the Reform of Public Financial Management and 2024–27 revenue mobilization Action Plan are in place.</li> <li>• Debt negotiations with Exim Bank China and other creditors are ongoing.</li> <li>• The Strategy for the Reform of Public Financial Management foresees the establishment of a Medium-Term Debt Strategy.</li> <li>• There is ongoing progress in SOE governance (below). SEPE has facilitated a performance contract with ONEAD.</li> <li>• In progress.</li> <li>• Military leases lack indexation mechanisms.</li> <li>• The authorities are drafting legislation to establish the TPU.</li> <li>• The authorities aim to improve targeting and reduce budget exposure to international prices.</li> </ul>
<b>State-Owned Enterprise Governance</b>	
<ul style="list-style-type: none"> <li>• Enhance financial transparency of SOEs.</li> </ul>	<ul style="list-style-type: none"> <li>• SEPE requested financial statements from commercial SOEs and has signed a performance contract with ONEAD.</li> <li>• A presidential decree issued in April 2025 emphasized the importance of good SOE</li> </ul>

Recommendation	Implementation
<ul style="list-style-type: none"> <li>• Empower the Executive Secretariat of the State Portfolio (SEPE) with political buy-in and more resources.</li> <li>• Accelerate efforts for a strategic review of 77 (administrative and commercial) SOEs.</li> </ul>	<p>governance. SEPE is integrated with the Ministry of Finance which also leads the technical SOE governance committee.</p> <ul style="list-style-type: none"> <li>• SEPE completed the review of over 30 administrative SOEs in 2025 and plans to review ~80 commercial SOEs in 2026.</li> </ul>
<b>Monetary and Financial Sector Policies</b>	
<ul style="list-style-type: none"> <li>• The implementation of reserve requirements should be carefully designed</li> <li>• Intensify efforts to pass three draft amendments to AML/CFT laws, under the auspices of IMF TA.</li> <li>• Address recommendations in Safeguards assessment.</li> <li>• Accelerating reforms in areas identified in the 2020 FSSR report to further support the CBD's oversight.</li> </ul>	<ul style="list-style-type: none"> <li>• In consultation with METAC, the authorities have made concrete steps towards introducing a reserve requirement ratio using a phased approach.</li> <li>• With LEG TA, the authorities passed the three draft amendments which contributed to the MENAFAFT evaluation.</li> <li>• The audit committee meets every quarter and is expected to review the financial statements by end-July. The authorities have also made progress on risk management and cyber-security.</li> <li>• With support from an LTX, the authorities made progress in drafting the regulatory framework for solvency ratios, strengthening AML/CFT capacity and addressing operational risks.</li> </ul>
<b>Structural Reforms</b>	
<ul style="list-style-type: none"> <li>• Develop a strategy to enhance formality (e.g. through tax and labor law and other reforms).</li> <li>• Improve the coverage and quality of statistics.</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing informality is in progress under <i>Djibouti Vision 2035</i> Strategy.</li> <li>• In June 2025, the authorities launched a National Summary Data Page (NSDP), which will provide more discipline in the dissemination of macroeconomic statistics.</li> <li>• The authorities have endorsed the DAA, which will guide data improvements for surveillance.</li> </ul>



# DJIBOUTI

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

August 22, 2025

Prepared By

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

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## RELATIONS WITH THE FUND

(As of June 2025)

**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	3.34	7.32

### Outstanding Purchases and Loans:

	SDR Million	Percent Quota
RCF Loans	31.80	100.00

### Latest Financial Arrangements:

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

<sup>1/</sup>Formerly PRGF.

### Projected Payments to the Fund<sup>1</sup>

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

	2025	2026	2027	2028	2029
Principal	3.18	6.36	6.36	6.36	6.36
Charges/interest	0.63	1.24	1.24	1.24	1.24
<b>Total</b>	<b>3.81</b>	<b>7.60</b>	<b>7.60</b>	<b>7.60</b>	<b>7.60</b>

<sup>1</sup> 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):**

<b>Date of Catastrophe</b>	<b>Board Decision Date</b>	<b>Amount Committed (SDR million)</b>	<b>Amount Disbursed (SDR million)</b>
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

<sup>1</sup>/Formerly PRGF.

### Safeguards Assessment

A safeguards assessment update of the Banque Centrale de Djibouti (BCD) was completed in August 2023. It found that the BCD needs to strengthen governance arrangements, amend the BCD Law to reinforce autonomy, and enhance the transparency of the financial statements through the adoption of IFRS and the timely publication of audited financial statements. Furthermore, the internal audit and the risk management functions are not yet operational. The capacity constraints of the BCD contribute to weak controls in many areas such as currency management. While initial steps were taken to address these recommendations, the progress of implementation has been slow and concerted efforts are needed.

### 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 March, 22 2024 the Executive Board of the IMF concluded the 2024 Article IV consultation with Djibouti (IMF Country Report No. 24/59).

### 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 was supported by an FSSR follow-up TA program, which included a resident advisor placed by MCM in 2022-2024.

## RELATIONS WITH THE WORLD BANK

(As of July 2025)

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

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



# DJIBOUTI

## STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

August 20, 2025

Approved By  
**Taline Koranchelian and  
Bergljot Barkbu (IMF) and  
Manuela Francisco and  
Sandeep Mahajan (IDA)**

Prepared by the staff of the International Monetary Fund and the International Development Association.

<b>Risk of external debt distress</b>	<i>In debt distress</i>
<b>Overall risk of debt distress</b>	<i>In debt distress</i>
<b>Granularity in the risk rating</b>	<i>Unsustainable</i>
<b>Application of judgment</b>	<i>No</i>

*Djibouti's overall and external public debt is assessed to be in distress and unsustainable. This assessment reflects the accumulation of sizeable external arrears and protracted breaches of the sustainability thresholds of the present value (PV) of overall and external debt-to-GDP, as well as the external debt service-to-revenues ratios. The Debt Sustainability Analysis (DSA) suggests that Djibouti is susceptible to exports and depreciation shocks; more prolonged and protracted shocks to the economy would also pose downside risks to the debt outlook.<sup>1</sup>*

*The fiscal outlook has improved compared to a year ago, driven by an increase in revenues from military leases and the fiscal consolidation efforts undertaken in 2024. These factors, along with the moratorium with Exim Bank China, effective through 2027, create temporary fiscal space and help prevent the further accumulation of arrears. Additionally, the recent dissolution of the Sovereign Wealth Fund (SWF) presents an opportunity to significantly increase the dividends paid by State-Owned Enterprises (SOEs) to the central government budget.*

*However, finalization of debt negotiations with major creditors, strengthened SOE governance, continued fiscal consolidation and new concessional financing remain essential to entrench debt sustainability. As the authorities continue their negotiations with major creditors to clear arrears and restructure debt, they should strive for a medium-term debt strategy with explicit ceilings encompassing all public and publicly guaranteed debt, ambitious revenue mobilization and SOE dividend payments to the budget.*

<sup>1</sup> Djibouti's current composite indicator (CI) is 2.10, which corresponds to a weak debt-carrying capacity, as confirmed by the April 2025 World Economic Outlook assumptions and the 2023 World Bank's Country Policy and Institutional Assessment (CPIA).

## PUBLIC DEBT COVERAGE

**1. The coverage of public debt used for this DSA is public and publicly guaranteed (PPG) debt (Text Table 1).** Specifically, the debt stock covers central government debt and government guarantees on external debt of SOEs. Data on non-guaranteed external debt held by SOEs is not available and therefore standard assumptions are used. Information on domestic debt remains partial.<sup>2</sup> Domestic debt contracted by the central government is covered by the authorities' data (and hence included in this DSA) and remains small.<sup>3</sup> SOEs' domestic debt is not captured. With support from the World Bank, the authorities have enhanced debt transparency since 2022 by regularly publishing information on all new or restructured public or publicly guaranteed loans, including those extended to SOEs.

**Text Table 1. Djibouti Debt Coverage**

Subsectors of the public sector		Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1 The country's coverage of public debt		The central government, central bank, government-guaranteed debt	
		Default	Used for the analysis
2	Other elements of the general government not captured in 1.	0 percent of GDP	5.0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0
4	PPP	35 percent of PPP stock	4.2
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0
Total (2+3+4+5) (in percent of GDP)			16.2

**2. This DSA applies a tailored stress test on contingent liabilities.** The tailored stress test on contingent liabilities amounts to 16.2 percent of GDP, which consists of four components: (i) the USD 200 million awarded to DP world by a US court in July 2024 (5 percent of GDP), (ii) the materialization of potential additional SOE external liabilities at the default value (2 percent of GDP); (iii) the materialization of potential additional public and private partnerships (PPPs) contingent liabilities (4.2 percent of GDP); and (iv) a financial sector contingent liability at the default value (5 percent of GDP).

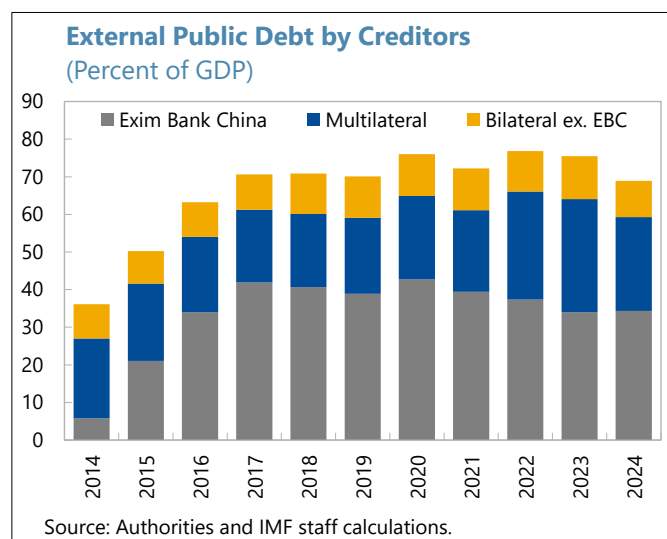
## BACKGROUND

**3. Debt accumulated rapidly between 2013 and 2024 as Djibouti expanded its role as port to Ethiopia and a regional hub for trade and logistics.** Debt-to-GDP increased from 34.9 percent in 2013 to 68.9 percent by the end of 2024. This rise was primarily driven by major infrastructure projects, including the Djibouti-Addis Ababa railway, the construction of the Doraleh

<sup>2</sup> External debt is defined on a residency basis.

<sup>3</sup> It is also phasing out in 2025, when final principal and interest payments are due to one creditor.

multi-purpose port and the Port of Ghoubet, as well as a water pipeline from Ethiopia. These projects were financed through loans contracted in 2013 from Exim Bank China, totaling USD 1.2 billion (approximately 59 percent of GDP). In 2023, the public sector incurred additional borrowing amounting to about 8 percent of GDP. This included (i) a EUR 79.2 million loan contracted by the central government from the European Investment Bank (EIB) to support water desalination, improve access to clean drinking water, and enhance wastewater treatment and (ii) government guarantees extended for loans contracted by the State-Owned Enterprise Great Horn Investment Holding for two projects: USD 120 million with Afreximbank and USD 35 million with Banque pour le Commerce et l'Industrie Mer Rouge (BCIMR) aimed at further developing the Damerjog Industrial Development Free Trade Zone and USD 95.5 million from Invest International for the development of the Ship Repair Yard. There was no further borrowing in 2024. The authorities plan to borrow EUR 79.2 million more from the EIB in 2025, to further support water desalination, improve access to clean drinking water, and enhance wastewater treatment.



**4. Following significant non-concessional borrowing during a period of high interest rates, debt service costs have increased.** The share of external debt at variable interest rates also increased. The construction and railway electrification loans were tied to the LIBOR, thus increasing exposure to global financing conditions. Driven by this and by more recent and planned new commercial loans from Afreximbank, Invest International and the EIB, the last two tied to EURIBOR, the weighted-average interest rate on Djibouti's external debt stock is projected to rise from 1 percent in 2024 to an average of 2 percent over the ten-year projection horizon.

**5. Due to the expiration of debt relief initiatives after the pandemic, debt service increased sharply in 2022, coinciding with a growth slowdown linked to the conflict in Ethiopia.** The Catastrophe Containment and Relief Trust (CCRT) and the Debt Service Suspension Initiative (DSSI) decreased debt service in 2020–21 and restructured arrears. The first round of the DSSI rescheduled debt service of about 2 percent of GDP in 2020 and the second round provided further relief of about 1.6 percent in 2021.

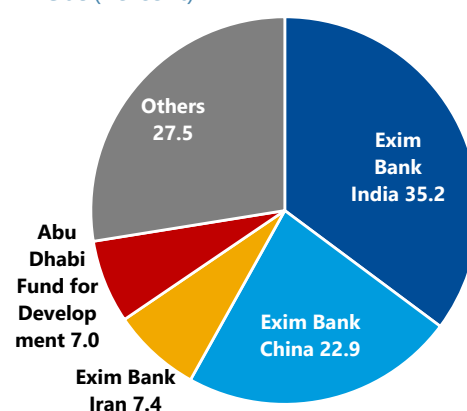
**Text Table 2. Djibouti: Breakdown of Public Debt and Debt Service by Creditor, 2023–26**

	Debt Stock end-2024			Debt Service							
	(In US\$ mn)	(Percent total debt)	(Percent GDP)	2023	2024	2025	2026	2023	2024	2025	2026
				(In US\$)				(Percent GDP)			
<b>Total</b>	2,958.8	100.0	68.9	48.3	114.7	207.2	209.7	1.2	2.6	4.5	4.2
<b>External</b>	2,958.0	100.0	68.9	46.9	113.6	206.4	209.7	1.2	2.6	4.5	4.2
Multilateral creditors	1,071.1	36.2	25.0	39.4	51.1	105.8	112.1	1.0	1.2	2.3	2.2
IMF	41.5	1.4	1.0	0.0	0.0	4.1	8.3	0.0	0.0	0.1	0.2
World Bank	296.4	10.0	6.9	10.3	9.9	11.4	12.0	0.3	0.2	0.2	0.2
AfDB	118.3	4.0	2.8	5.4	6.5	6.8	7.2	0.1	0.2	0.1	0.1
Other multilaterals	614.9	20.8	14.3	23.6	34.7	83.4	84.6	0.6	0.8	1.8	1.7
o/w: IsDB	129.7	4.4	3.0	9.1	12.1	11.2	14.5	0.2	0.3	0.2	0.3
Bilateral creditors	1,886.9	63.8	44.0	7.6	62.6	100.6	97.6	0.2	1.5	2.2	2.0
Paris Club	53.6	1.8	1.2	0.5	0.0	5.7	5.1	0.0	0.0	0.1	0.1
o/w: Italy	47.7	1.6	1.1	0.0	0.0	4.8	4.8	0.0	0.0	0.1	0.1
Non-Paris Club	1,833.3	62.0	42.7	7.0	62.6	94.9	92.5	0.2	1.5	2.1	1.8
o/w: Exim Bank China	1,473.9	49.8	34.3	6.7	32.4	64.7	61.4	0.2	0.8	1.4	1.2
Other international creditors											
o/w: list largest creditors											
<b>Domestic</b>	0.8	0.0	0.0	1.4	1.0	0.8	0.0	0.0	0.0	0.0	0.0
Held by residents, total	0.8	0.0	0.0	1.4	1.0	0.8	0.0	0.0	0.0	0.0	0.0
Held by non-residents, total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memo items:</b>											
Contingent liabilities											
o/w: Public guarantees	2,259.4			27.9	80.4	154.7	153.2	0.7	1.9	3.4	3.1
o/w: Other explicit contingent liabilities	200 <sup>1/</sup>										
Nominal GDP (US\$ million)	4,291.1			3,917.2	4,291.1	4,613.4	5,002.8				

Sources: Djibouti authorities and IMF staff calculations.

<sup>1/</sup> July 2024 US court award to DP WORLD

**6. As a result, the authorities halted debt service, leading to arrears accumulation.** As of end December 2024, the total stock of arrears reached around 3 percent of GDP (2.2 percent for principal repayments and 0.7 percent for interest payments). These arrears were due to sixteen different creditors<sup>4</sup>: Exim Bank India (35 percent), Exim Bank China (23 percent), the Export Development Bank of Iran, the Abu Dhabi Fund for Development and the Solidarity Fund for Development (about 7 percent each), the Arab Fund for Economic and Social Development (6 percent), Exim Bank Turkey (5 percent), the Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development and Spain (about 2 percent each), France and the Islamic Development Bank (about 1 percent each), the International Development Association, the African Development Bank, the International Fund for Agricultural Development and the European Investment Bank (for less than one percent each). A four-year moratorium was agreed with Exim Bank China in October 2023, which limited

**Stock of Arrears on External Public Debt (Percent)**

Source: Authorities data and IMF staff calculations

<sup>4</sup> As of March 2025, arrears were due to eleven creditors, for a total amount of 2.7 percent of GDP (2 percent for principal repayments and 0.7 percent for interest payments).

total payments for the railway and water projects to about USD 20 million over 2024–27 (compared to about USD 276 million previously) and reprofiled the payment of USD 314 million (8 percent of GDP) of arrears on these projects. Following the moratorium, Exim Bank India has become the creditor to whom Djibouti owes the highest amount of arrears. In this DSA, arrears on interests are added to the stock of debt and accrue interest at the same rate as the loan in arrears.

## RECENT DEVELOPMENTS AND OUTLOOK

**7. The outlook remains favorable.** Growth and the external balance are primarily influenced by economic prospects in Ethiopia, which remain cautiously optimistic following the US’s announced tariffs on April 2. This optimism is bolstered by higher gold and coffee prices, currency depreciation resulting from the recent exchange rate reforms, ongoing macroeconomic stabilization, and a relatively little exposed financial account. However, Djibouti’s expected fiscal consolidation and the anticipated reversal in transshipments, as regional security stabilizes and Red Sea shipping lines reopen, are likely to weigh on the medium-term outlook. Overall, growth is projected to moderate to its pre-pandemic average of 5½ percent by 2030. Inflation is projected to ease to 1.4 percent over the medium term, as core inflation declines alongside growth, and both food and energy inflation moderate in line with projected international prices. The current account surplus is expected to narrow to approximately 8.3 percent of GDP, driven by re-exports to rapidly growing Ethiopia and robust imports momentum associated with port expansion and renewable energy projects in the pipeline.

**8. Nonetheless, significant risks cloud the outlook.** A resurgence of conflict in Tigray, or deteriorating relations between Ethiopia and Eritrea, may lead to an increase in refugee flows into Djibouti which, alongside the withdrawal of USAID support, may potentially strain food supply and destabilize social conditions, especially in a context of limited job creation and tight budgetary resources. The exposure to the risk scenarios as the ones outlined in the April 2025 WEO is deemed moderate. Delays in fiscal consolidation, debt negotiations, and the development of the Berbera port in Somaliland, could lead to continued declines in foreign reserves. On the upside, expedited debt renegotiations, stronger SOE governance and revenue mobilization could enhance fiscal space and the overall economic outlook.

**9. Climate change also poses risks to Djibouti’s macroeconomic outlook.** Primary sources of climate change risk are rising temperatures, a higher frequency of extreme weather events, and extended droughts. These factors may impact water resources, food security, and the livelihoods of populations. The World Bank’s 2024 Country Climate and Development Report (CCDR) on Djibouti estimated that climate impacts could amount to a permanent annual loss of up to 6 percent of GDP by mid-century. Most of output losses would derive from damage to roads and associated delays, as well as labor productivity decline due to heat. Priority adaptation investments and policies could reduce these losses to 1 to 3 percent of GDP. The set of priority reforms and investments proposed in the CCDR’s adaptation scenario would require an estimated USD 1.1 billion in funding. In view of the uncertainty surrounding prospects for adaptation investments, this DSA excludes them.



**10. The baseline fiscal and financing projections incorporate assumptions aimed at improving Djibouti's debt position, consistent with ongoing consolidation efforts:**

- *Fiscal and revenues outlook.* The central government balance is expected to average around 0.11 percent of GDP over the next decade with a primary surplus of 0.04 percent of GDP. Total PPG debt service is expected to increase from 2.6 percent of GDP in 2024 to an average of 4 percent, peaking at 5 percent in 2028 upon the expiration of the current debt moratorium with Exim Bank China. The projections incorporate a measured increase in tax revenue of 0.2 percent of GDP in 2025 (0.1 percentage point less than the authorities' estimates<sup>5</sup>), followed by a 0.08 percentage points of GDP increase annually from 2026 to 2030. Non-tax revenues incorporate the increase in revenues from military leases. The recent dissolution of the Sovereign Wealth Fund (SWF) presents an upside risk to the fiscal outlook. It is expected to generate permanently higher budget revenues through increased dividend payments as well as the devolution of payments from military bases.
- *Expenditures outlook.* Expenditures are expected to decrease as a share of GDP, from a combination of the pursuit of the decrease of the current expenditure to GDP ratio and a stabilization of the capital expenditure to GDP ratio. Furthermore, the authorities' 2024–27 fiscal reform action plan aims to consolidate expenditures through measures including reductions in water, phone, fuel, and electricity costs through meter checks and the installation of solar panels in public buildings; conducting an inventory to develop a plan to sell certain assets; restricting travel abroad; freezing contracts with non-essential providers; ensuring timely retirement for civil servants and promoting early, non-replacement retirements; reviewing civil servants' hiring and benefits; and pausing lower-priority investments.
- *SOEs outlook.* SOEs are expected to remain broadly balanced in the medium term. The baseline scenario assumes that SOEs will generate sufficient cash flow to service the debt incurred for the projects they oversee, as investments in the pipeline gradually phase out.
- *Financing outlook.* The projections incorporate the EIB loan planned for 2025, conservative assumptions regarding IDA allocations, and planned projects for a total amount of USD 227 million. Some uncertainty remains around these assumptions given the lack of a Medium-Term Debt Strategy.

**11. The authorities are actively pursuing discussions to resolve the accumulated external arrears and obtain debt relief.** Over the next decade, the anticipated fiscal efforts, together with the moratorium with Exim Bank China lasting through 2027, are expected to prevent the accumulation of arrears and ensure the timely servicing of debt payments. Discussions with Exim Bank China regarding the debt terms are anticipated to conclude in 2025, which should assist in addressing the accumulation of arrears and temper the expected increase in debt service payments

<sup>5</sup> In 2025, the authorities have undertaken reforms to direct and indirect taxation, encompassing the general business tax, the tax on professional profits, the tax on dividends, the tax on mobile money transfers and the VAT. They have also introduced electronic payment for the vehicle road tax, the stamp duty and licensing fees. According to their estimates, direct, indirect taxation measures, and the introduction of electronic payment are expected to generate around 0.27, 0.01 and 0.03 percent of GDP in additional revenues, respectively.

following the end of the moratorium. Finalizing debt negotiations with major creditors remains essential to restore sustainability.

**Text Table 3. Djibouti: Evolution of Selected Macroeconomic Assumptions, 2024–2030**

	2024	2025	2026	2027	2028	2029	2030	Long-term 1/
<b>Growth (percent)</b>								
Current	6.5	6.0	6.0	6.0	5.5	5.5	5.5	5.5
March 2024 DSA	6.5	6.0	5.5	5.5	5.5	5.5	5.5	5.0
<b>Primary Fiscal Balance (percent of GDP)</b>								
Current	-2.4	-0.8	-0.6	-0.3	-0.2	0.0	0.2	0.8
March 2024 DSA	-1.1	-0.9	-0.7	-0.6	-0.7	-0.7	-0.9	-0.7
<b>Public Sector Primary Balance 2/ (percent of GDP)</b>								
Current	-0.3	0.8	0.8	0.9	2.0	2.0	2.0	1.3
March 2024 DSA	-0.3	0.8	1.8	0.2	0.8	0.8	0.8	0.8
<b>Current Account Balance (percent of GDP)</b>								
Current	14.1	8.1	7.6	7.9	8.1	8.3	8.3	5.9
March 2024 DSA	5.1	4.0	2.9	6.1	5.8	5.2	4.9	3.7
<b>Inflation (average, percent)</b>								
Current	2.1	1.6	1.5	1.4	1.4	1.4	1.4	1.4
March 2024 DSA	1.8	2.0	2.1	2.2	2.2	2.2	2.3	2.0

Source: Authorities' data and IMF Staff calculations

1/Average 2030–2043

2/ Includes SOEs

## COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

**12. Djibouti's debt-carrying capacity is classified as weak.** The debt sustainability framework encompasses a broad set of indicators to define debt carrying capacity and applicable thresholds. The underlying composite indicator (CI) accounts for the CPIA, real GDP growth rate, import coverage of reserves, remittances and world economic growth. With the current CI estimated at 2.10, Djibouti's debt carrying capacity is classified as weak, with the largest contributions to the composite indicator from the CPIA and world economic growth. While this is a standardized methodology, it is worth noting that Djibouti's nontraditional imports affect the CI and debt-carrying capacity. As a hub for Ethiopia, about two thirds of Djibouti's imports are re-exported to Ethiopia. Since these reexports are not expected to be a direct draw on the country's reserves, the value of the CI score appears underestimated.

**13. This DSA applies the standard stress tests (Tables 3 and 4).** The standard tests account for shocks in real GDP growth, the primary balance, exports, other external financing flows and the

exchange rate. Given the Djibouti franc's stability vis-à-vis the dollar under the currency board, the DSA exchange rate stress scenario should be considered a tail risk event.

**Text Table 4. Djibouti: Calculation of the Composite Indicator Index and Threshold Tables**

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.135	1.21	58%
Real growth rate (in percent)	2.719	5.268	0.14	7%
Import coverage of reserves (in percent)	4.052	8.763	0.36	17%
Import coverage of reserves^2 (in percent)	-3.990	0.768	-0.03	-1%
Remittances (in percent)	2.022	1.034	0.02	1%
World economic growth (in percent)	13.520	2.973	0.40	19%
<b>CI Score</b>			2.10	100%
<b>CI rating</b>			Weak	

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.10	Weak 2.17	Weak 2.19

#### EXTERNAL debt burden thresholds

##### PV of debt in % of

Exports 140

GDP 30

##### Debt service in % of

Exports 10

Revenue 14

#### TOTAL public debt benchmark

PV of total public debt in  
percent of GDP 35

## EXTERNAL DEBT SUSTAINABILITY ASSESSMENT

**14. Under the baseline scenario, two of the four external debt burden indicators are projected to breach their respective thresholds throughout the medium term (Figure 1).** The present value (PV) of the external debt-to-GDP ratio is expected to peak at 54.5 percent in 2025, subsequently declining to 27.9 percent by 2032, and continuing to decrease while remaining below the threshold from 2033 onward. The debt service-to-revenue ratio is projected to remain above the threshold until 2032 included, and fall below the threshold in 2033. Both the PV of debt-to-exports and the debt service-to-exports ratios are anticipated to remain consistently below the relevant thresholds across the projection horizon.

**15. The debt dynamics are sensitive to shocks.** The stress tests indicate that the most extreme shock for both PV of external debt-to-GDP and debt service-to-revenues is the exports shock, which could stem from a slowdown in economic growth in Ethiopia or a slowdown in international trade. The PV of external debt-to-GDP ratio raises to 147 percent in 2027 and stays above 100 percent until 2032, before progressively decreasing to 79 percent in 2035. The debt service-to-revenues ratio rises from an 18 percent average over 2025–27 to a 31 percent average over 2028–2035.

## OVERALL RISK OF PUBLIC DEBT DISTRESS

**16. Under the baseline scenario, the PV of debt-to-GDP ratio is above threshold until 2030** (Figure 2). It peaks at 54.5 percent in 2025 and declines continuously but remains above the 35 percent threshold until 2030 included, before falling below the threshold in 2031 when it reaches 31.5 percent. The divergence in trajectory from the historical scenario indicates a notable slowdown in the pace of investments, now that the major infrastructure projects have been undertaken.

## RISK RATING AND VULNERABILITIES

**17. Djibouti remains in debt distress, and debt is deemed unsustainable.** The moratorium with Exim Bank China and the increase in revenues from military leases create only temporary fiscal room. Restoring debt sustainability requires the completion of debt negotiations with creditors, sustained fiscal consolidation, improved SOE dividend payments to the budget, strengthened public debt management and restricting financing to concessional financing.

**18. Finalizing debt negotiations with major creditors and adopting a medium-term debt strategy is essential for restoring debt sustainability.** As the authorities strive to negotiate new debt terms with Exim Bank China in 2025, they should concurrently advance their engagements with Exim Bank India and Paris Club creditors. Establishing a medium-term public debt strategy that includes binding annual borrowing limits for the central government and SOEs—encompassing their participation in Public-Private Partnerships—and ensuring these measures are enforced by the Public Sector Debt Committee, would help anchor debt sustainability.

**19. Building on the Strategy for the Reform of Public Financial Management, and the 2024–27 action plan, sustaining fiscal consolidation over the medium-term is the second pillar towards achieving debt sustainability.** The envisaged expenditure containment and revenue mobilization measures would bring much needed additional resources. Priorities in 2025 include (i) the finalization of the digitalization and integration of information systems across tax administrations; (ii) the operationalization of the large taxpayer office (LTO); and (iii) the establishment of the tax policy unit (TPU) to strengthen tax policy and enhance reform efficiency. In the medium-term, a thorough review of the substantial fiscal cost of tax expenditures and fuel subsidies could serve as a basis for their rationalization.

**20. Advancing SOE governance reforms is critical to creating fiscal space.** The authorities should continue to implement the Code on Good SOE Governance adopted in 2016. The *Secrétariat Exécutif en charge du Portefeuille de l'Etat* (SEPE) has established a register for SOEs and started agreeing objectives and KPI-based performance contracts with some SOEs. Additional measures are needed to strengthen SOE performance and monitoring, and to ensure gradual debt reduction of highly indebted SOEs and a sustainable flow of dividends from profitable SOEs to the budget, while limiting fiscal transfers to loss-making ones. In 2025, Djibouti should mandate the submission of all SOE financial statements to the SEPE, including those formerly under the dissolved SWF, establish a dividend policy grounded in financial performance, and finalize the review of SOE independent boards by implementing updated candidate qualification criteria. In 2026, Djibouti should complete the review of the SOE portfolio and determine whether to retain, restructure, or divest each entity.

**21. Access to concessional loans and grants will be key to lower debt vulnerabilities.** Several factors contribute to mitigating debt vulnerabilities, including the lack of roll-over risks associated with short-term debt, relatively modest interest rates on most obligations, and access to concessional financing. The authorities should prioritize reducing the scope for new borrowing, and if additional borrowing is deemed necessary, it should be undertaken solely on concessional terms. Moreover, enhanced access to grants would support a more rapid restoration of debt sustainability.

### **Authorities' Views**

**22. The authorities acknowledged that debt had reached a high level.** They also noted that the current debt levels were attributable to substantial investments in two strategic sectors vital for the nation's development: the drinking water sector, aimed at mitigating Djibouti's persistent water stress, and the railway sector, designed to connect the country's logistics platform to its primary market, Ethiopia. They also emphasized that within this framework, fiscal reforms introduced by the 2025 Finance Law, adjustments to military base rental agreements, and ongoing negotiations with major creditors were all intended to facilitate a long-term restructuring of the debt and promote its sustainability.

**Table 1. Djibouti: External Debt Sustainability Framework, Baseline Scenario, 2022–2045**  
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	68.9	69.9	68.9	67.2	62.3	56.9	50.1	44.0	38.5	18.5	3.4	67.8	40.7
	68.9	69.9	68.9	67.2	62.3	56.9	50.1	44.0	38.5	18.5	3.4	67.8	40.7
Change in external debt	-2.5	1.0	-1.0	-1.7	-4.9	-5.4	-6.8	-6.0	-5.5	-3.1	-0.6		
Identified net debt-creating flows	-27.6	-27.8	-21.8	-14.2	-13.7	-13.7	-13.3	-13.1	-12.7	-9.3	-6.1	-20.3	-12.0
Non-interest current account deficit	-19.6	-18.6	-14.7	-9.4	-8.7	-8.9	-9.3	-9.3	-9.2	-6.6	-4.1	-12.1	-8.3
Deficit in balance of goods and services	-302.3	-284.5	-233.4	-282.5	-278.5	-277.6	-280.9	-286.6	-290.1	-248.5	-193.6	-276.9	-273.9
Exports	159.3	150.0	122.3	144.2	142.0	141.7	143.5	146.4	148.2	126.4	97.9		
Imports	-143.0	-134.5	-111.1	-138.3	-136.5	-135.9	-137.4	-140.2	-141.9	-122.1	-95.7		
Net current transfers (negative = inflow)	-4.6	-4.2	-3.5	-3.4	-3.3	-3.3	-3.2	-3.2	-3.2	-3.0	-2.8	-6.0	-3.2
of which: official	0.0	-3.9	-3.1	-3.1	-3.0	-3.0	-2.9	-2.9	-2.9	-2.7	-2.5		
Other current account flows (negative = net inflow)	287.3	270.1	222.2	276.5	273.2	272.0	274.8	280.5	284.1	244.9	192.3	270.8	268.8
Net FDI (negative = inflow)	-5.2	-3.5	-1.6	-2.2	-2.4	-2.4	-2.3	-2.2	-2.1	-2.0	-1.8	-5.0	-2.1
Endogenous debt dynamics 2/	-2.8	-5.7	-5.5	-2.6	-2.6	-2.5	-1.7	-1.6	-1.4	-0.7	-0.1		
Contribution from nominal interest rate	0.6	0.5	0.6	1.3	1.1	1.0	1.2	1.0	0.8	0.4	0.1		
Contribution from real GDP growth	-3.5	-4.6	-4.2	-3.9	-3.7	-3.5	-2.9	-2.6	-2.3	-1.1	-0.2		
Contribution from price and exchange rate changes	0.1	-1.6	-1.9	...	...	...	...	...	...	...	...		
Residual 3/	25.1	28.8	20.8	12.5	8.8	8.3	6.5	7.1	7.1	6.2	5.5	23.6	7.4
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Sustainability indicators</b>													
PV of PPG external debt-to-GDP ratio	...	...	55.4	54.5	51.3	48.1	43.4	39.2	35.1	19.1	4.9		
PV of PPG external debt-to-exports ratio	...	...	45.3	37.8	36.2	33.9	30.2	26.8	23.7	15.1	5.0		
PPG debt service-to-exports ratio	1.0	0.8	2.2	3.2	3.0	2.8	3.5	3.2	2.7	2.0	0.6		
PPG debt service-to-revenue ratio	6.2	5.1	11.1	17.2	17.5	16.5	19.5	19.3	16.9	11.1	3.3		
Gross external financing need (Million of U.S. dollars)	-829.2	-820.4	-585.6	-323.2	-339.2	-392.2	-385.8	-415.5	-472.0	-539.4	-886.4		
<b>Key macroeconomic assumptions</b>													
Real GDP growth (in percent)	5.2	7.4	6.5	6.0	6.0	6.0	5.5	5.5	5.5	5.5	5.5	5.5	5.6
GDP deflator in US dollar terms (change in percent)	-0.1	2.4	2.8	1.4	2.3	1.9	1.3	0.6	1.4	1.0	0.0	1.3	1.3
Effective interest rate (percent) 4/	0.9	0.9	1.0	2.0	1.8	1.7	2.3	2.1	2.0	1.9	1.5	1.5	2.0
Growth of exports of G&S (US dollar terms, in percent)	10.0	3.6	-10.7	26.7	6.8	7.8	8.3	8.3	8.3	3.7	3.8	6.6	7.5
Growth of imports of G&S (US dollar terms, in percent)	-7.1	3.4	-9.5	33.8	7.1	7.6	8.1	8.2	8.3	4.2	4.0	7.2	8.2
Grant element of new public sector borrowing (in percent)	...	...	...	41.5	47.6	44.8	53.7	53.7	53.7	53.7	0.0	...	51.2
Government revenues (excluding grants, in percent of GDP)	24.8	22.7	23.9	26.6	24.7	24.1	25.4	24.5	23.9	23.0	18.9	26.3	24.1
Aid flows (in Million of US dollars) 5/	164.5	376.3	141.3	265.4	231.2	180.7	99.2	103.1	107.8	135.0	220.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.8	2.8	2.1	1.4	1.4	1.4	1.3	1.1	...	1.8
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	50.1	60.2	63.1	83.6	84.3	85.0	88.0	84.1	...	78.2
Nominal GDP (Million of US dollars)	3,563	3,917	4,291	...	...	...	...	...	...	...	...		
Nominal dollar GDP growth	5.0	9.9	9.5	7.5	8.4	8.1	6.9	6.1	7.0	6.6	5.5	6.8	7.0
<b>Memorandum items:</b>													
PV of external debt 7/	...	...	55.4	54.5	51.3	48.1	43.4	39.2	35.1	19.1	4.9		
In percent of exports	...	...	45.3	37.8	36.2	33.9	30.2	26.8	23.7	15.1	5.0		
Total external debt service-to-exports ratio	1.0	0.8	2.2	3.2	3.0	2.8	3.5	3.2	2.7	2.0	0.6		
PV of PPG external debt (in Million of US dollars)	...	...	2376.9	2514.0	2568.6	2599.3	2506.7	2403.5	2305.1	1717.5	815.2		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	3.2	3.2	1.2	0.6	-1.7	-1.8	-1.6	-1.4	-0.3		
Non-interest current account deficit that stabilizes debt ratio	-17.0	-19.6	-13.8	-7.7	-3.8	-3.4	-2.5	-3.3	-3.6	-3.5	-3.6		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $(r - g - p(1+g) + \alpha(1+r))/(1+g+p+g)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate;  $p$  = growth rate of GDP deflator in U.S. dollar terms;  $E$  = nominal appreciation of the local currency; and  $\alpha$  = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

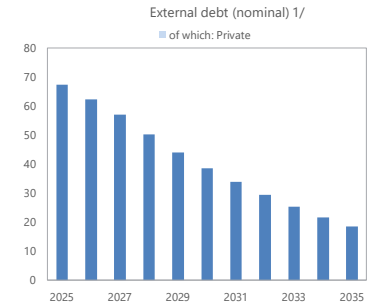
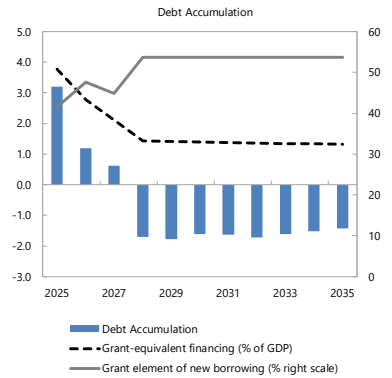
5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No



**Table 2. Djibouti: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–2045**  
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/ Historical Projections	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
<b>Public sector debt 1/ of which: external debt</b>	69.0 68.9	69.9 69.9	68.9 68.9	67.2 67.2	62.3 62.3	56.9 56.9	50.1 50.1	44.0 44.0	38.5 38.5	18.5 18.5	3.4 3.4	68.2 67.8	40.7 40.7
Change in public sector debt	-2.6	0.9	-1.0	-1.7	-4.9	-5.4	-6.8	-6.0	-5.5	-3.1	-0.6		
<b>Identified debt-creating flows</b>	-2.3	3.1	-2.8	-4.3	-4.3	-4.2	-5.3	-5.2	-5.0	-3.5	-3.4	8.8	-4.6
Primary deficit	0.5	8.8	2.6	0.0	-0.3	-0.5	-1.8	-2.1	-2.3	-2.1	-3.2	12.0	-1.8
Revenue and grants	25.9	24.5	25.0	27.7	25.8	25.2	26.5	25.6	25.0	24.1	20.0	29.0	25.2
of which: grants	1.1	1.7	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1		
Primary (noninterest) expenditure	26.4	33.2	27.7	27.7	25.5	24.7	24.7	23.5	22.7	22.0	16.9	41.0	23.4
<b>Automatic debt dynamics</b>	-2.8	-5.7	-5.5	-4.3	-4.1	-3.6	-3.4	-3.1	-2.8	-1.4	-0.3		
Contribution from interest rate/growth differential	-7.5	-6.4	-5.2	-4.3	-4.1	-3.6	-3.4	-3.1	-2.8	-1.4	-0.3		
of which: contribution from average real interest rate	-4.0	-1.7	-0.9	-0.4	-0.3	-0.1	-0.5	-0.5	-0.5	-0.3	-0.1		
of which: contribution from real GDP growth	-3.5	-4.7	-4.3	-3.9	-3.8	-3.5	-3.0	-2.6	-2.3	-1.1	-0.2		
Contribution from real exchange rate depreciation	4.7	0.7	-0.3	...	...	...	...	...	...	...	...		
<b>Other identified debt-creating flows</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Residual</b>	-0.2	-2.1	1.9	2.6	-0.6	-1.3	-1.5	-0.9	-0.5	0.4	2.9	-5.5	0.1
<b>Sustainability indicators</b>													
<b>PV of public debt-to-GDP ratio 2/</b>	...	...	55.4	54.5	51.3	48.1	43.4	39.2	35.1	19.1	4.9		
<b>PV of public debt-to-revenue and grants ratio</b>	...	...	221.3	196.8	199.2	190.7	163.5	153.3	140.7	79.1	24.4		
<b>Debt service-to-revenue and grants ratio 3/</b>	6.1	4.9	10.7	16.6	16.7	15.8	18.7	18.5	16.1	10.6	3.1		
Gross financing need 4/	2.0	10.0	5.3	3.4	3.0	2.5	2.3	1.9	1.3	0.4	-2.5		
<b>Key macroeconomic and fiscal assumptions</b>													
Real GDP growth (in percent)	5.2	7.4	6.5	6.0	6.0	6.0	5.5	5.5	5.5	5.5	5.5	5.5	5.6
Average nominal interest rate on external debt (in percent)	0.9	0.9	1.0	2.0	1.8	1.7	2.3	2.1	2.0	1.9	1.5	1.5	2.0
Average real interest rate on domestic debt (in percent)	2.2	-0.2	-0.5	0.0	-2.3	-1.9	-1.3	-0.6	-1.4	-1.0	0.0	1.2	-1.1
Real exchange rate depreciation (in percent, + indicates depreciation)	7.3	1.2	-0.4	...	...	...	...	...	...	...	...	1.4	...
Inflation rate (GDP deflator, in percent)	-0.1	2.4	2.8	1.4	2.3	1.9	1.3	0.6	1.4	1.0	0.0	1.3	1.3
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.0	35.4	-11.4	6.2	-2.3	2.4	5.7	0.4	1.9	5.8	3.4	1.7	3.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.0	7.8	3.6	1.7	4.7	4.9	5.0	4.0	3.3	1.0	-2.6	4.8	2.7
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

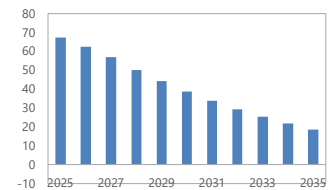
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (1-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

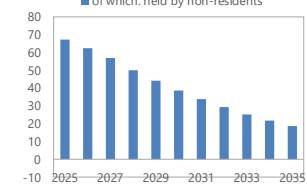
Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No

Public sector debt 1/

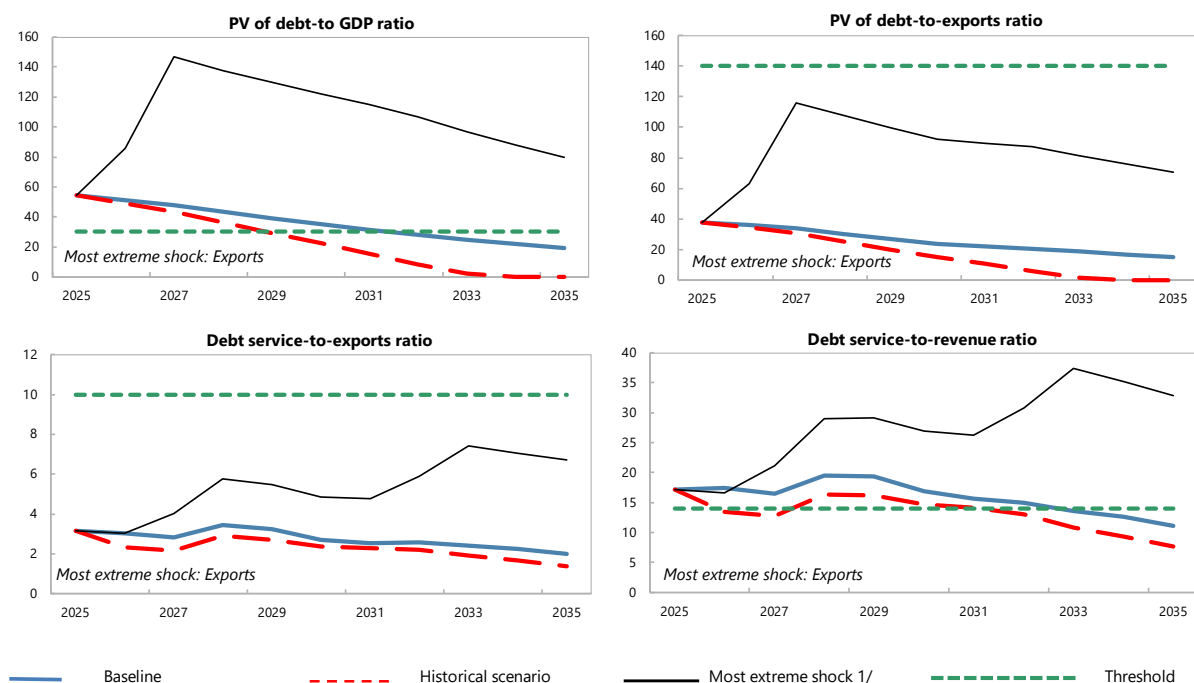
■ of which: local-currency denominated  
■ of which: foreign-currency denominated



■ of which: held by residents  
■ of which: held by non-residents



**Figure 1. Djibouti: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2025–2035**



Customization of Default Settings		
Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

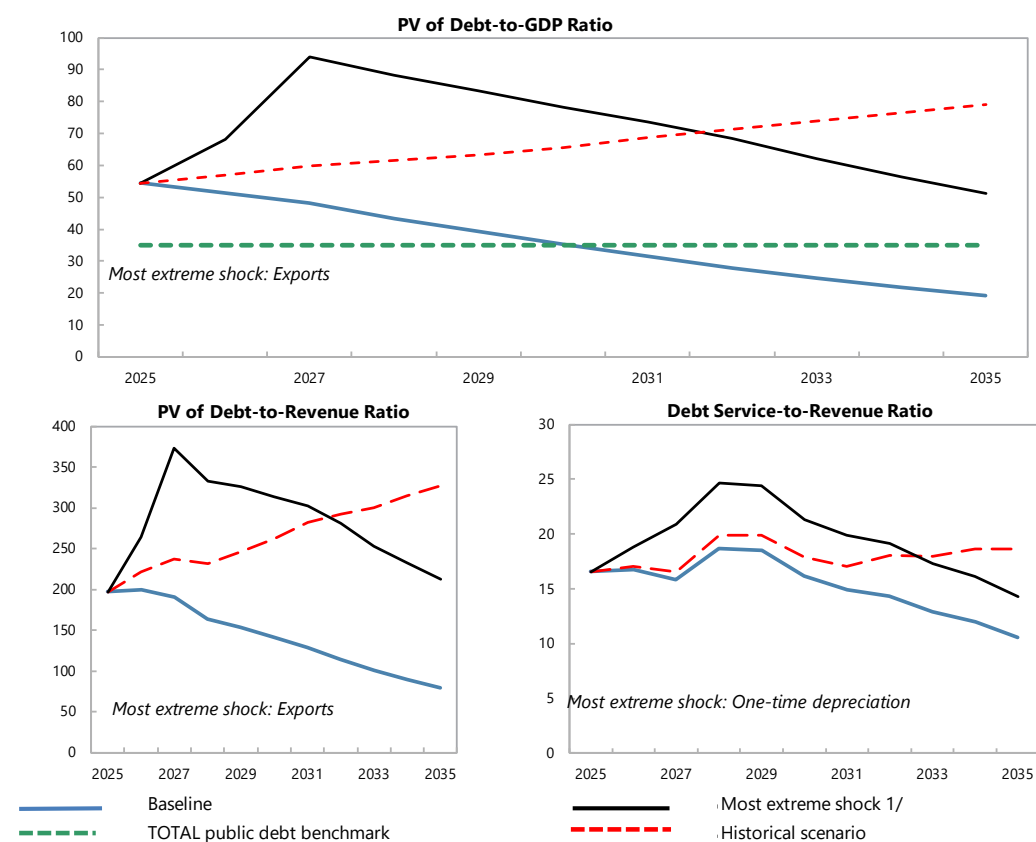
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.7%	0.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	5	5

\* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.



**Figure 2. Djibouti: Indicators of Public Debt Under Alternative Scenarios, 2025–2035**

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	100%	100%
Domestic medium and long-term	0%	0%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.7%	0.7%
Avg. maturity (incl. grace period)	34	34
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	0.0%	0.0%

\* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Table 3. Djibouti: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–2035**  
(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>PV of debt-to GDP ratio</b>											
<b>Baseline</b>	<b>54</b>	<b>51</b>	<b>48</b>	<b>43</b>	<b>39</b>	<b>35</b>	<b>31</b>	<b>28</b>	<b>25</b>	<b>22</b>	<b>19</b>
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2025-2035 2/	54	49	44	36	29	23	15	8	2	0	0
<b>B. Bound Tests</b>											
B1. Real GDP growth	54	53	52	47	42	38	34	30	27	23	21
B2. Primary balance	54	65	75	70	66	61	57	53	49	45	41
B3. Exports	54	86	147	138	130	122	115	107	97	88	80
B4. Other flows 3/	54	53	51	46	42	38	34	31	27	24	21
B5. Depreciation	54	65	94	88	82	76	71	65	59	53	48
B6. Combination of B1-B5	54	68	84	78	73	68	63	58	52	47	42
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	54	60	57	53	49	45	41	37	34	30	27
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	30	30	30	30	30	30	30	30	30	30	30
<b>PV of debt-to-exports ratio</b>											
<b>Baseline</b>	<b>38</b>	<b>36</b>	<b>34</b>	<b>30</b>	<b>27</b>	<b>24</b>	<b>22</b>	<b>20</b>	<b>19</b>	<b>17</b>	<b>15</b>
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2025-2035 2/	38	35	31	25	20	15	11	6	2	0	0
<b>B. Bound Tests</b>											
B1. Real GDP growth	38	36	34	30	27	24	22	20	19	17	15
B2. Primary balance	38	46	53	49	45	41	40	39	37	34	32
B3. Exports	38	63	116	108	99	92	89	88	82	76	71
B4. Other flows 3/	38	37	36	32	29	26	24	22	20	19	17
B5. Depreciation	38	36	53	49	44	41	39	38	35	33	30
B6. Combination of B1-B5	38	49	52	62	57	52	50	48	45	42	38
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	38	43	40	37	33	30	28	27	25	23	22
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	140	140	140	140	140	140	140	140	140	140	140
<b>Debt service-to-exports ratio</b>											
<b>Baseline</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2025-2035 2/	3	2	2	3	3	2	2	2	2	2	1
<b>B. Bound Tests</b>											
B1. Real GDP growth	3	2	2	3	3	2	2	2	2	2	2
B2. Primary balance	3	3	3	4	3	3	3	3	4	3	3
B3. Exports	3	3	4	6	5	5	5	6	7	7	7
B4. Other flows 3/	3	2	2	3	3	2	2	3	2	2	2
B5. Depreciation	3	2	2	3	3	3	3	3	3	3	3
B6. Combination of B1-B5	3	3	3	4	4	3	3	4	4	4	4
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	3	3	3	4	3	3	3	3	3	3	2
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	10	10	10	10	10	10	10	10	10	10	10
<b>Debt service-to-revenue ratio</b>											
<b>Baseline</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>20</b>	<b>19</b>	<b>17</b>	<b>16</b>	<b>15</b>	<b>14</b>	<b>13</b>	<b>11</b>
<b>A. Alternative Scenarios</b>											
A1. Key variables at their historical averages in 2025-2035 2/	17	13	13	16	16	15	14	13	11	9	8
<b>B. Bound Tests</b>											
B1. Real GDP growth	17	14	14	17	18	16	16	15	14	13	12
B2. Primary balance	17	18	17	21	21	18	17	19	20	19	17
B3. Exports	17	17	21	29	29	27	26	31	37	35	33
B4. Other flows 3/	17	13	13	16	16	15	15	15	14	13	12
B5. Depreciation	17	17	16	22	22	21	20	19	25	23	21
B6. Combination of B1-B5	17	15	15	20	20	19	18	20	22	20	19
<b>C. Tailored Tests</b>											
C1. Combined contingent liabilities	17	18	17	20	20	17	16	17	16	15	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Threshold</b>	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

**Table 4. Djibouti: Sensitivity Analysis for Key Indicators of Public Debt, 2025–2035**

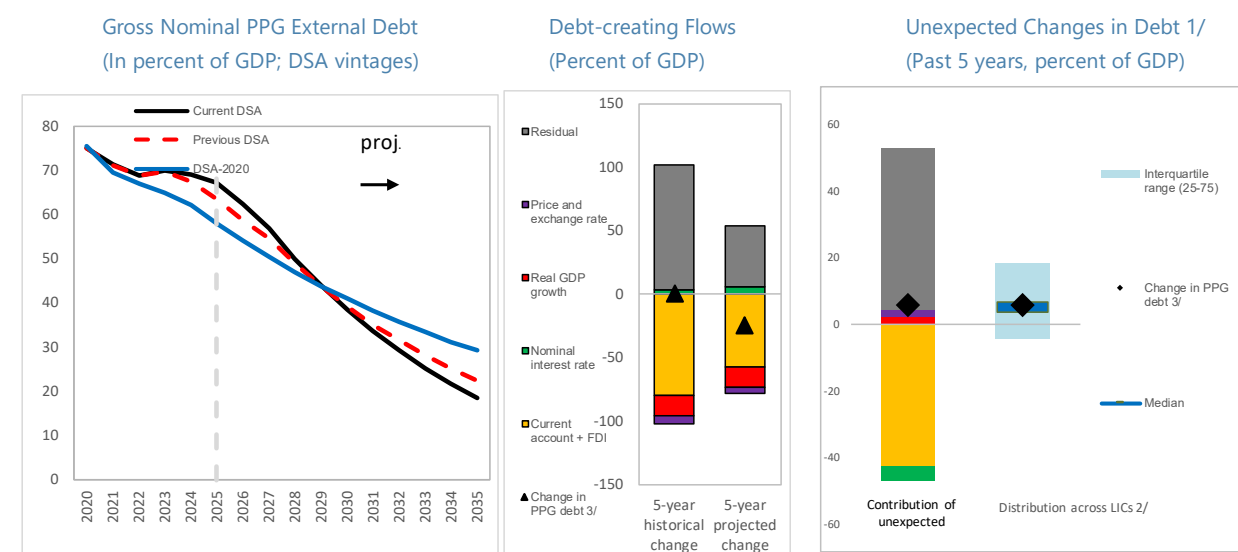
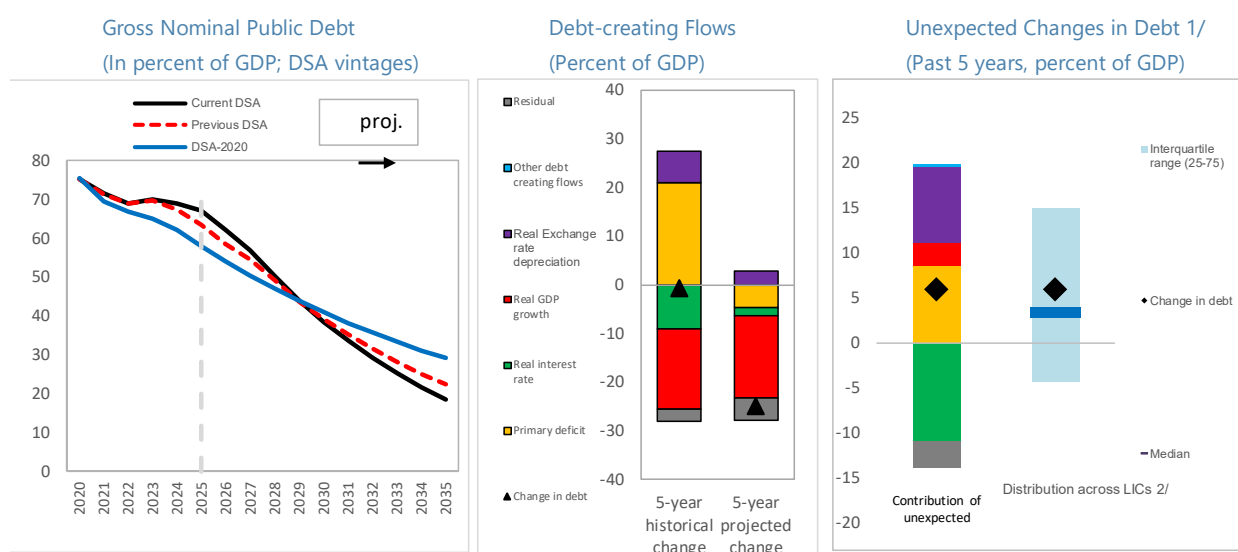
	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	54	51	48	43	39	35	31	28	25	22	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	54	57	60	61	63	65	69	71	74	76	79
B. Bound Tests											
B1. Real GDP growth	54	53	52	47	43	40	37	34	31	29	26
B2. Primary balance	54	63	72	66	62	57	53	49	44	41	37
B3. Exports	54	68	94	88	83	78	74	68	62	56	51
B4. Other flows 3/	54	53	51	46	42	38	34	31	27	24	21
B5. Depreciation	54	65	60	53	47	41	36	32	27	23	20
B6. Combination of B1-B5	54	68	65	40	35	30	27	23	20	17	15
C. Tailored Tests											
C1. Combined contingent liabilities	54	58	54	49	45	40	37	33	29	26	23
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	197	199	191	163	153	141	129	115	100	90	79
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	197	221	238	231	247	262	282	293	300	315	327
B. Bound Tests											
B1. Real GDP growth	197	204	204	177	168	158	150	137	125	117	109
B2. Primary balance	197	245	286	250	241	228	217	200	180	167	154
B3. Exports	197	264	373	333	326	313	302	281	252	233	212
B4. Other flows 3/	197	205	203	175	165	152	141	126	110	99	88
B5. Depreciation	197	255	238	200	184	166	150	130	111	96	82
B6. Combination of B1-B5	197	264	257	149	136	122	109	95	81	71	61
C. Tailored Tests											
C1. Combined contingent liabilities	197	226	216	185	175	162	150	135	119	108	97
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	17	17	16	19	18	16	15	14	13	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	17	17	17	20	20	18	17	18	18	19	19
B. Bound Tests											
B1. Real GDP growth	17	17	17	20	20	18	16	16	15	14	13
B2. Primary balance	17	17	17	20	20	17	16	18	19	18	16
B3. Exports	17	17	17	21	21	18	17	20	24	22	20
B4. Other flows 3/	17	17	16	19	19	16	15	15	14	13	11
B5. Depreciation	17	19	21	25	24	21	20	19	17	16	14
B6. Combination of B1-B5	17	16	16	18	18	16	15	14	13	12	10
C. Tailored Tests											
C1. Combined contingent liabilities	17	17	16	19	19	17	15	17	15	14	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

**Figure 3. Djibouti: Drivers of External Debt Dynamics – Baseline Scenario****Public Debt**

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Djibouti: Realism Tools

