

I. COUNTRY REFORM PROGRESS

There has been significant cooperation with Djibouti under this project. Authorities have demonstrated a strong interest in, and commitment to, assessing various options for tax policy reforms. Although few of our recommendations have resulted in legislative changes to date, our analysis and advice have proven impactful and continue to be deliberated at the highest levels of government. For instance, our concerns regarding the tax provisions in the new draft investment code have been taken seriously, leading to the project being referred back for further technical work. Looking ahead, reforms are anticipated to gradually emerge in the coming years, particularly concerning core taxes (such as VAT and wage tax) and institutional elements related to tax policy-making (including the establishment of a tax policy unit and enhancements in tax expenditure reporting).

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY25: The project has achieved great traction with Djiboutian authorities. Our counterparts are engaged and committed to working alongside us in exploring areas of reform. Moreover, our analysis and recommendations are being shared with, and considered by, officials at the highest level including the Ministers and Secretary Generals of Budget and Finance. While few legislative amendments have been introduced to date, several of our recommendations are being actively considered and are positively influencing ongoing debates.

Next Steps: Two activities are planned for the second half of FY25; one to assist with reforms that could be debated during the upcoming *Assises Nationales sur la Fiscalité* (GPFP-supported) and another on tax expenditures reporting (through METAC).

III. LOGICAL FRAMEWORK

Country – Djibouti		
RM I: Objective - Improve Tax Policy Design - TPD		Rating - 2
Outcome	Rating	Narrative
Increased/decreased revenue quantity	2 Partially Achieved	As of now, reforms are being considered but few have been formally enacted. This is not uncommon for tax policy reforms. It is worth acknowledging, however, that our concerns regarding the tax provisions in the new draft investment code have been taken seriously, leading to the project being referred back for further technical work.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	2 Partially Achieved	As of now, reforms are being considered but few have been formally enacted. This is not uncommon for tax policy reforms. Forthcoming budgets will help shed light on the extent to which authorities are committed to raising revenues as assisted by our CD.

Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	As of now, reforms are being considered (e.g., to the wage tax schedule, setting-up a new tax policy unit) but few have been formally enacted. For the VAT, professional services are now <i>de facto</i> registered businesses irrespective of turnover, consistent with our recommendations. Forthcoming budgets will help shed light on the extent to which authorities are committed to raising revenues as assisted by our CD.
--	----------------------	---

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External climate/conditions		
RM I: World economy, security in the region, etc.	Medium	Factor authorities' priorities into our work program and remain flexible in delivering the workplan.
Political Support		
RM I: Obtain needed leadership from Budget and/or Finance Ministers and sufficient buy-in from the whole government to enact meaningful reforms in the National Assembly.	Very High	Engage constructively with high-level officials to ensure that they appropriate themselves of options and that their views are considered and factored into the analysis. Work closely with country team.
Management and Technical Staff Support and Commitment		
RM I: Buy-in and commitment by our direct counterparts at the Budget Ministry.	Medium	Engage constructively with high-level officials to ensure that they appropriate themselves of reform options and that their views are considered in the analysis.
Resource Adequacy		
RM I: Resource adequacy in Budget ministry, including number of staff and skillset.	High	Sequence CD and reform proposals to align with country capacity. Offer complementary CD in the form of follow-up engagements or support in legal drafting. Coordinate closely with the revenue administration division.
Other Risks		
RM I: N/A	N/A	N/A

V. PROJECT MANAGERS CONTACT INFORMATION

Project Manager	Module PM	E-mail
Sebastien Leduc (FADT1)	Sebastien Leduc (FADT1)	SLeduc@imf.org