

**EXECUTIVE
BOARD
MEETING**

EBS/19/112

CONFIDENTIAL

December 4, 2019

To: Members of the Executive Board

From: The Secretary

Subject: **Somalia—Financing Modalities for Arrears Clearance and Debt Relief and Related Decision**

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|-----------------------|---|
| Board Action: | Executive Directors' consideration (Formal) |
| Tentative Board Date: | Wednesday, December 18, 2019 |
| Proposed Decision: | Pages 22–25 |
| Publication: | Not intended |
| Questions: | Mr. Mumssen, FIN (ext. 35623) Ms. Gust, FIN (ext. 36573) Ms. Fernandez, FIN (ext. 35902) Mr. Pham, LEG (ext. 34479) Mr. Swanepoel, LEG (ext. 35609) |



December 3, 2019

SOMALIA—FINANCING MODALITIES FOR ARREARS CLEARANCE AND DEBT RELIEF AND RELATED DECISION

EXECUTIVE SUMMARY

Somalia has made significant progress under successive staff-monitored programs (SMPs). Successful implementation of the recently agreed fourth SMP, which has stronger conditionality and is considered by the Board as meeting upper credit tranche (UCT) standards, could become the basis for a track record towards arrears clearance and debt relief.

As Somalia is among the protracted arrears cases that were not included in the initial costing for the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), the Fund does not have the resources to cover its share of debt relief. Thus, new resources—estimated at around SDR 242 million—will need to be secured before Somalia can reach the HIPC Decision Point.

Executive Directors have held informal discussions on the financing of arrears clearance and debt relief for Somalia on several occasions. After considering a wide range of options at an informal meeting on July 11, 2019, Executive Directors discussed a possible financing package for mobilizing the necessary resources for debt relief for Somalia on November 13, 2019. Directors expressed broad support for a package that would aim to secure members' contributions facilitated through: (i) a partial distribution of Special Contingent Account (SCA-1) resources of SDR 122 million; (ii) refunds of Somalia-related burden-shared deferred charges adjustments of about SDR 120 million; and (iii) additional cash grant contributions from donors to fill the potential financing gap, which is estimated at around SDR 100 million.

Building on these discussions, this paper lays out the modalities and a proposed decision needed to implement the financing package. To facilitate the collection of contributions for Somalia's debt relief, administered accounts would be established that provide options to members, taking into account the various constraints posed by members' domestic processes. The package also requires a judgment from the Board on the scope for a partial SCA-1 distribution. The partial distribution of SCA-1 resources and the refund of deferred charges adjustments would become effective after financing commitments of at least SDR 242 million for debt relief to Somalia have been secured, and Somalia has cleared its arrears to the Fund.

Approved By
**Andrew Tweedie and
Rhoda Weeks-Brown**

Prepared by the Finance and Legal Departments (in consultation with the Strategy, Policy, and Review and Middle East and Central Asia Departments).

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BACKGROUND

1. Somalia has been in arrears to the Fund since July 1987. As of end-October 2019, Somalia's arrears to the Fund amounted to about SDR 243 million (Table 1), most of which is to the General Resources Account (GRA). Somalia's debt is unsustainable and amounted to an estimated US\$5.3 billion as of end-2018 (96 percent in arrears), with the Paris Club holding 58 percent, international financial institutions (IFIs) 29 percent, and non-Paris Club creditors 13 percent. Arrears to the Fund represent 6 percent of total debt. Somalia has made no payments to its creditors in more than two decades. With the net present value of public and publicly-guaranteed external debt estimated at about 329 percent of the average three-year backward-looking exports of goods and services (based on staff estimates as of end-2018), well above the HIPC threshold of 150 percent, Somalia is potentially eligible for HIPC debt relief.¹

**Table 1. Protracted Arrears to the Fund
(In SDR millions; as of end-October 2019)**

| | Principal | | | Interest | | | Total Arrears |
|---------|-----------|--------------------|-------|------------------|--------------------|-------|---------------|
| | GRA | Other ¹ | Total | GRA ² | Other ³ | Total | |
| Somalia | 96 | 15 | 112 | 128 | 3 | 131 | 243 |
| Sudan | 145 | 59 | 204 | 735 | 24 | 759 | 963 |

Source: Finance Department.

¹ Includes Trust Fund and SAF obligations.

² Includes GRA charges and special charges.

³ Includes interest on Trust Fund and SAF obligations and special charges.

2. Recent progress on policies could pave the way for arrears clearance and debt relief.

The authorities have demonstrated sustained cooperation on policies under three successive SMPs and have implemented a range of technical assistance recommendations.² In July 2019, Somalia's fourth SMP was endorsed by the Board as meeting upper credit tranche (UCT) conditionality standards. In addition, the authorities have submitted their 9th National Development Plan as their interim Poverty Reduction Strategy (iPRS), meeting another HIPC requirement. Staff are currently preparing the accompanying Joint Fund-Bank Staff Advisory Note; this is expected to be shared with the Boards of both the Fund and Bank in early 2020, together with the iPRS. The successful implementation of a UCT-quality SMP could pave the way for arrears clearance with the Fund

¹ Remaining countries that are potentially HIPC-eligible (i.e., Eritrea, Somalia, and Sudan), after being assessed as HIPC-eligible based on end-2004 and end-2010 income and indebtedness criteria, could only qualify for debt relief under the HIPC Initiative (i.e., reach the Decision Point) if their debt burden were to remain above the relevant HIPC Initiative debt sustainability thresholds based on the most recent available actual debt data and if they remained IDA-only and PRGT-eligible (see November 8, 2011 policy paper "Initiative for Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI)-Status of Implementation and Proposals for the Future of the HIPC Initiative").

² Relations with other donors have also strengthened. In particular, the World Bank has approved two pre-arrears clearance grants in 2017 and 2018. The EU approved a three-year budget finance grant in 2018. The AfDB approved in April 2019 a pre-arrears clearance grant of US\$4.2 million.

alongside normalization of financial relations with other creditors, which would help unlock new concessional financing to support Somalia's development efforts. In the context of normalizing relations with IFIs, Somalia intends to start making token payments to creditors, including the Fund, from January 2020.

3. The Fund's membership is committed to mobilizing the resources needed to cover the Fund's share of debt relief. Somalia is one of the three protracted arrears cases (Liberia, Somalia, and Sudan) that were explicitly excluded from the original HIPC costing exercise.³ In the context of the decision to use remaining balances of resources in the Special Disbursement Account (SDA) (dedicated to support low-income countries) for the purpose of debt relief under the MDRI, the G-8 committed at the Gleneagles summit in 2005 that donors would provide the extra resources necessary for full debt relief for the three protracted arrears cases.⁴

4. Liberia became the first protracted arrears country to receive HIPC and beyond-HIPC debt relief. Liberia reached the HIPC Decision Point in March 2008, following a broad-based fundraising campaign to secure the necessary financing commitments. The Fund's share of debt relief was financed by 102 countries contributing about SDR 539 million. The financing package relied on voluntary contributions facilitated by (i) a partial distribution of SCA-1 resources of SDR 525 million; (ii) refunds of deferred charges adjustments of SDR 231 million; and (iii) new bilateral cash grants of SDR 45 million.

5. Drawing on recent informal discussions of Executive Directors, this paper sets out a proposed set of financing modalities for arrears clearance and debt relief for Somalia, including a draft Board decision. In an informal meeting on July 11, 2019, Executive Directors considered a wide range of financing options. Subsequently, on November 13, 2019, there was broad support for a financing package that follows the approach taken in the case of Liberia. Under this approach, firm commitments regarding the availability of adequate financing would need to be secured before proceeding with the HIPC Decision Point. The rest of this paper is organized as follows: Section II describes the proposed financing package and related issues. Section III discusses key aspects of the proposed operational modalities. Section IV contains a commentary of the Board decision and the proposed administered accounts to implement the financing package. The text of the proposed decision is set forth in the last section and the instruments of the proposed accounts are set out in Attachments I-III.

³ For example, see "Update on the Financing of PRGT and HIPC Operations and the Subsidization of Post-Conflict Emergency Assistance" (SM/03/100, March 21, 2003) and "Liberia-Financing Modalities for Arrears Clearance and Debt Relief and Related Decision" (EBS/07/100, August 28, 2007).

⁴ See G-8 Debt Cancellation Proposal (FO/Dis/05/79, June 20, 2005); The G-8 Debt Cancellation Proposal and Its Implications for the Fund (SM/05/284, July 20, 2005); and The G-8 Debt Cancellation Proposal and Its Implications for the Fund—Further Considerations (SM/05/353, September 19, 2005).

PROPOSED FINANCING PACKAGE FOR DEBT RELIEF

6. The cost of the Fund’s debt relief for Somalia is estimated at around SDR 242 million. This is broadly equivalent to Somalia’s stock of arrears to the Fund as of end-October 2019 (Table 2). These estimates will need to be updated and refined once there is greater clarity on the underlying assumptions, including the timing of the HIPC Decision Point, the amount of possible Fund financing being disbursed and/or purchased prior to the HIPC Decision Point, and the amount of interim relief. The Fund would be expected to provide HIPC debt relief based on the so-called common reduction factor as well as “beyond-HIPC” debt relief, which together would deliver 100 percent debt relief on Somalia’s eligible debt to the Fund.⁵

7. It is proposed that all Fund credit outstanding at the time Somalia reaches the HIPC Decision Point would be eligible for full HIPC and beyond-HIPC debt relief. This would include Fund financing disbursed immediately after Somalia’s arrears clearance and before the HIPC Decision Point, consisting of all new Fund credit needed by Somalia to repay the bridge loan used for arrears clearance (about SDR 243 million or 149 percent of Somalia’s new quota) and a modest additional amount to help meet balance of payments needs and catalyze donor support during the first six months of the new Fund arrangement (about SDR 7 million or 4 percent of Somalia’s new quota).⁶ This would ensure that after the HIPC Completion Point, Somalia would have no pre-HIPC Decision Point debt outstanding to the Fund. The definition of eligible debt for beyond-HIPC debt relief proposed here would be marginally broader than in the case of Liberia where a small amount of pre-HIPC Decision Point debt remained outstanding after the HIPC Completion Point.⁷ In staff’s

⁵ The common reduction factor determines the amount of HIPC debt relief each creditor will have to provide. It is applied to remaining debt after relief from traditional mechanisms is applied to ensure that a country’s debt is brought down to sustainable levels. The term “beyond-HIPC” debt relief is used generally and in this paper to refer to debt relief that is *in addition* to that necessary to bring a country’s debt to the levels deemed sustainable for purposes of the HIPC Initiative. Under the modalities proposed below for beyond-HIPC debt relief to Somalia, the combination of HIPC and beyond-HIPC debt relief on eligible debt to the Fund would generally result in 100 percent debt relief for such debt.

⁶ It is assumed that in addition to the amount of Fund financing that Somalia needs to repay the bridge loan, new financing of 30 percent of Somalia’s new quota would be provided and evenly disbursed under a three-year Fund supported program. This would be broadly in line with the case of Liberia, where total access under the new Fund financing arrangement exceeded the amount needed for repayment of the bridge loan used to clear arrears by 30 percent of quota.

⁷ When the MDRI instruments were adopted in late 2005, it was recognized that the modalities would not allow for the three protracted arrears cases (then Liberia, Somalia, and Sudan) to receive any MDRI debt relief, and the Board agreed to consider different options for these countries later. See The G-8 Debt Cancellation Proposal and Its Implications for the Fund—Further Considerations (SM/05/353, 09/15/2005) at paragraphs 33-34; and BUFF/05/188. In the case of Liberia, the Fund decided to provide beyond-HIPC debt relief in an amount to cover the portion of Liberia’s arrears to the Fund that was not covered by HIPC debt relief. The SDR 7 million disbursed in addition to the amount needed to repay the bridge loan for arrears clearance before the HIPC Decision Point was therefore only eligible for HIPC, but not for beyond-HIPC, debt relief, resulting in SDR 1.5 million of pre-HIPC Decision Point debt not being eligible for debt relief.

view, this different treatment can be justified in light of the small additional costs and the strong economic case of Somalia for providing full debt relief on all pre-HIPC Decision Point debt.⁸

Table 2. Somalia: Resources Required for Arrears Clearance and Debt Relief

| | In millions of SDR | In percent of 14th General Review of Quotas |
|--|-----------------------|---|
| Arrears to the Fund at end-October 2019 | 243.0 | 148.7 |
| Bridge loan to pay quota increase ¹ | 29.8 | 18.2 |
| Bridge loan required for arrears clearance | 243.0 | 148.7 |
| Resources needed for debt relief (in NPV terms) ² | 241.6 | |

Source: Staff estimates, Finance Department.

¹ Bridge loan amounting to 25 percent of Somalia's quota increase. Somalia's quota will increase from SDR 44.2 million currently to SDR 163.4 million under the 14th General Review of Quotas.

² Preliminary estimate of debt relief in NPV terms at HIPC Decision Point. Debt relief at the HIPC Completion Point is assumed to cover the first disbursement under the new financial arrangement, which would provide sufficient resources to repay the bridge loan for arrears clearance. These estimates are sensitive to a number of assumptions, including: (i) the timing of arrears clearance and HIPC Decision and Completion Points; (ii) updated loan-by-loan debt reconciliation and HIPC debt sustainability analyses; (iii) level of token payments to the Fund; (iv) the future interest rate path; (v) the amount of possible Fund financing being disbursed and/or purchased prior to the HIPC Decision Point, which will be eligible for debt relief; and (vi) the amount of interim relief.

8. At the informal meeting on November 13, Executive Directors supported a financing package that would cover the Fund's share of debt relief with member contributions derived from IMF internal resources and additional cash grants. Specifically, Directors supported the distribution of internal resources broadly equivalent to the total estimated cost of debt relief and soliciting additional cash grants from donors to ensure that the package is fully financed.⁹ Specifically, the package would aim to secure members' contributions facilitated through: (i) a partial distribution of SCA-1 resources of SDR 122 million; (ii) refunds of Somalia-related burden-shared deferred charges adjustments of about SDR 120 million; and (iii) additional cash grant contributions from donors to fill the potential financing gap, which was estimated at around SDR 100 million (Table 3 and Figure 1).

⁸ As financing for beyond-HIPC debt relief for Somalia would only come from donor resources rather than the Fund's own resources, the uniformity of treatment requirement applicable to the use of the Fund's resources does not apply. See The G-8 Debt Cancellation Proposal and Its Implications for the Fund—Further Considerations (SM/05/353, 09/15/2005), paragraph 13.

⁹ While the Fund encourages members to contribute resources from their shares in the deferred charges and SCA-1 distribution, there is no legal obligation for them to do so. As in the case of Liberia, it can be expected that some members, including those facing economic strains, will not be able to contribute, and some may contribute only a portion of the resources released by the distribution. Moreover, some members may face lengthy domestic procedures that create uncertainties about their potential contribution. Based on the patterns seen in the case of Liberia, cash grants will be needed to close the financing gap.

Table 3. Possible SCA-1 Distribution and Somalia's Deferred Charges Refunds

| | Quotas (as of October 2019) | | Proposed SCA-1 Distributions | | Share in Somalia's Deferred Charges ¹ | | Total Distributions ¹ | |
|------------------------|--------------------------------|------------------|---------------------------------|--------------|---|--------------|----------------------------------|--------------|
| | SDR mn. | Percent | SDR mn. | Percent | SDR mn. | Percent | SDR mn. | Percent |
| | Total | 474,827.9 | 100.0 | 122.0 | 100.0 | 119.4 | 100.0 | 241.4 |
| Creditors ² | 329,964.6 | 69.5 | 57.5 | 47.2 | 57.0 | 47.7 | 114.5 | 47.4 |
| Borrowers ² | 144,863.3 | 30.5 | 64.5 | 52.8 | 62.4 | 52.3 | 126.9 | 52.6 |

Source: Finance Department.

¹ Based on data as of October 31, 2019. Deferred charges continue to accumulate and are expected to reach about SDR 120 million in early 2020.

² Creditors are defined as countries with a majority of their past contributions to burden sharing (of deferred charges and SCA-1) made as GRA creditors. All other countries with past contributions to burden sharing (of deferred charges and SCA-1) are defined as borrowers.

9. The proposed package has been calibrated to encourage broad participation and support adequate burden sharing between GRA creditors and borrowers.¹⁰ While all participants in the distributions are encouraged to contribute resources from their respective shares of SCA-1 and deferred charges distributions to help finance debt relief for Somalia, it is difficult to predict the level of contributions, especially given the compressed timetable for making firm commitments. GRA creditors would be invited to contribute at least the full amount of their shares from the distributions, and borrowers would be encouraged to contribute an appropriate amount, all subject to domestic procedures. It is recognized that not all participants will be able to contribute their shares, either in part or in full, and thus the provision of additional cash grants will be an essential part of the package to close the financing gap and also ensure appropriate burden sharing between creditors and borrowers.¹¹

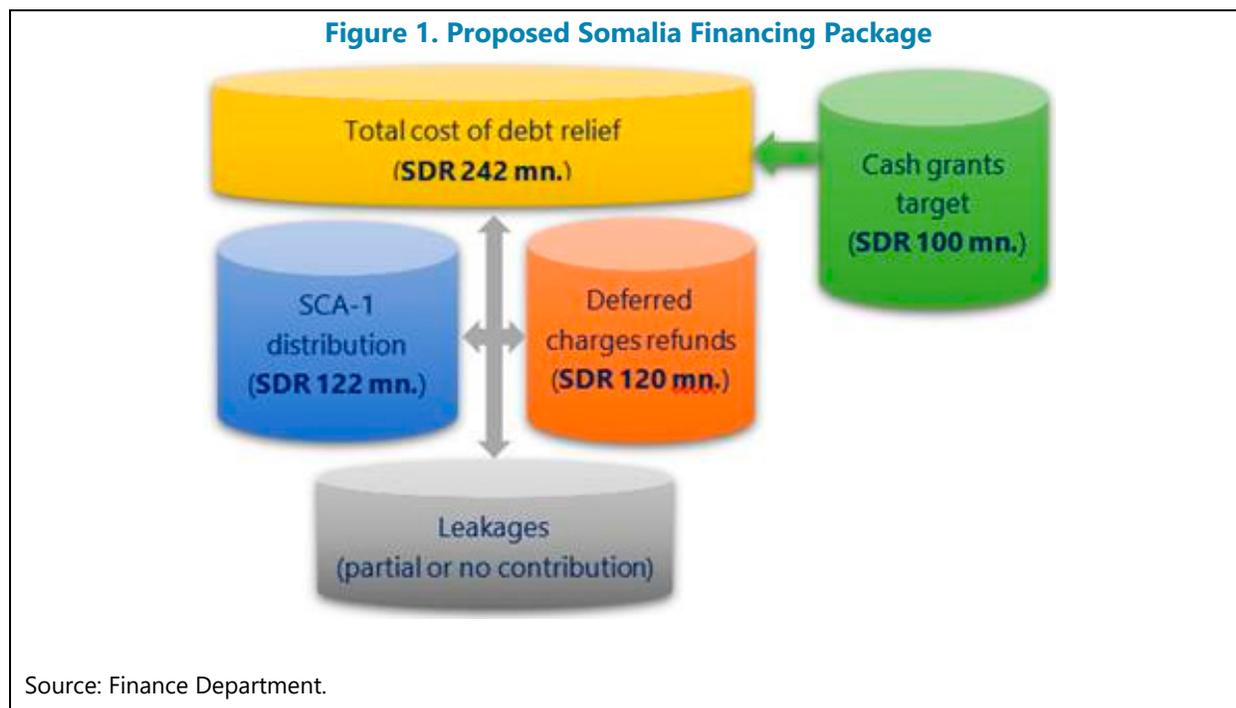
A. Partial SCA-1 Distribution

10. The proposed financing package requires a judgment by the Board on the scope for a partial SCA-1 distribution. The governing SCA-1 decisions provide only that such balances are to be distributed when there are no outstanding overdue repurchases and charges, or at such earlier time as the Fund may decide. Any SCA-1 distribution, however, should take into account the SCA-1's unique role in protecting the Fund against potential losses from overdue obligations (Box 1). While considered part of the Fund's precautionary balances, the SCA-1 plays a distinct role from that of the Fund's reserves, and this role is expected to be even more important in the context of the recent implementation of International Financial Reporting Standards (IFRS) 9 in the preparation of the

¹⁰ Creditors are defined as countries with a majority of their past contributions to burden sharing (of deferred charges and SCA-1) made as GRA creditors. All other countries with past contributions to burden sharing (of deferred charges and SCA-1) are defined as borrowers.

¹¹ While GRA creditors and borrowers have contributed in roughly equal proportions to the SCA-1 and deferred charges, creditors in aggregate have a much larger quota share than borrowers (Table 3).

Fund's financial statements.¹² The Board has broad discretion to decide, with a 70 percent majority,¹³ on the timing and magnitude of any SCA-1 distribution.¹⁴



11. A reduction of the SCA-1 by SDR 122 million could be justified in the context of Somalia's arrears clearance on the basis that it would leave the GRA's protection against losses from overdue obligations broadly unchanged. While credit risks have increased substantially since the Liberia debt relief operation, the settlement of Somalia's arrears to the Fund would reduce the current stock of GRA principal arrears by SDR 96 million, and thus the proposed distribution of SDR 122 million could be viewed as falling within a range that would leave the adequacy of the remaining SCA-1 balances to protect against potential future losses from arrears broadly unchanged, with around SDR 0.9 billion remaining in the SCA-1 after the settlement of Somalia's GRA principal arrears, and netting off Sudan's arrears on GRA principal. Members would be encouraged to contribute all or part of their share in the SCA-1 distribution for the purpose of financing debt relief for Somalia.

¹² Precautionary balances increased to SDR 17.7 billion at end-FY2019, compared to the SDR 20 billion target. SCA-1 balances have been stable at SDR 1.2 billion since Liberia's arrears clearance in March 2008.

¹³ The distribution of the SCA-1 resources requires a decision by the Executive Board with a majority of 70 percent of the total voting power as it is equivalent to the retroactive readjustment of the remuneration rate and the rate of charge.

¹⁴ Shortly after the SCA-1 was established, the Board considered what factors should guide the determination of when a reduction of SCA-1 balances would be appropriate, including, in particular, whether there should be a pre-determined formula. Directors supported the staff's proposal that a "judgmental approach" should be used in making this determination. The summing up reflected the conclusion that the time was not then ripe to determine specific criteria that would trigger an automatic reduction of the SCA-1, and that rather, "it would be preferable to consider those matters in light of all the factors that influenced the Fund's exposure to financial risk." See Review of The Operation of "Principles of Burden-Sharing" (EBS/88/219, 10/26/1988) and BUFF/88/248.

Box 1. Role of the SCA-1 in the Fund's Balance Sheet

While considered part of precautionary balances, the SCA-1 plays a distinct role from that of the Fund's reserves. The SCA-1 explicitly protects the Fund against potential credit losses from existing or potential new arrears. It was funded during the period 1987–2006, in equal amounts, by GRA debtors and creditors, by increasing the rate of charge and decreasing the rate of remuneration. Its balances are a contingent liability in that they are distributed to contributors when there are no remaining overdue charges or principal balances or earlier if decided by the Board. In contrast, the Fund's reserves represent its own resources accumulated from net income and these resources are available to help cover any form of financial losses.

This distinction is important from a financial reporting perspective. All financial institutions hold reserves to provide a buffer against financial losses. However, it is the distinct role of the SCA-1 that has allowed the Fund to consistently report all of its credit to members at full face value, as the SCA-1 balances (currently SDR 1.2 billion) more than covered the amount of principal arrears to the GRA (currently about SDR 0.3 billion). The Fund's recent adoption of IFRS 9 introduced a revised impairment model under which expected credit losses have to be recognized for the whole portfolio, not limited to cases of actual arrears. Staff expects that, even for large exposures, the current SCA-1 balance could be material in determining whether there is a need for the Fund to report a credit impairment.

The scope for a partial distribution of the SCA-1 should be judged against the impact on the buffer that would remain to protect the GRA against the risks of losses from arrears. The Board has the discretion to decide when and by how much to reduce, or increase, balances held in the SCA-1 based on a judgmental approach considering a broad range of factors that influence the Fund's exposure to financial risk. In 2007, the Board determined that a partial SCA-1 distribution of SDR 525 million could be justified in the context of Liberia's arrears clearance, reflecting a judgment that the SCA-1 balances remaining after the distribution would provide an adequate buffer against the risk of losses from existing and potential future arrears.

Fund lending and associated credit risks have increased sharply since the time of Liberia's arrears clearance. Outstanding Fund credit has increased from a 32-year low of SDR 5.8 billion in early 2008, to SDR 68.1 billion as of October 31, 2019. The surge in Fund lending initially reflected exceptional support provided to certain euro area members in the wake of the global financial crisis and has more recently shifted back toward emerging market countries.

A partial distribution equivalent to Somalia's principal arrears to the GRA would leave the remaining SCA-1 balances available to protect against losses from overdue obligations unchanged. A slightly higher reduction as proposed in this paper would also leave the overall protection of the Fund against losses broadly unchanged (it would leave remaining balances of about SDR 0.9 billion after the settlement of Somalia's GRA principal arrears and excluding Sudan's arrears on GRA principal), whereas a significantly larger distribution could have a material impact on future considerations regarding the reporting of a credit impairment under IFRS 9, depending on the circumstances prevailing at the time.

B. Deferred Charges Refund

12. The proposed financing package also includes expected contributions facilitated by the refund of about SDR 120 million in deferred charges. The system of deferred charges was established in 1987 to protect the Fund against shortfalls in income resulting from GRA overdue

charges.¹⁵ Under this system, Fund borrowers and creditors both contribute (through adjustments to the rate of charge and rate of remuneration, respectively) in broadly equal amounts to offset income losses resulting from GRA overdue charges. When a member clears its arrears to the Fund, the contributors are entitled to refunds from the deferred charges burden-sharing mechanism. Members can contribute their share for specific Fund initiatives, for example by consenting to the transfer—alongside their share in the SCA-1 distribution—in part or in full for the purpose of IMF debt relief to Somalia.

C. Cash Grants

13. Staff has received indications from several donors willing to provide new cash grants to help fill the potential financing gap of around SDR 100 million and support appropriate burden sharing. The United Kingdom, Qatar, and Canada have indicated that they will support the proposed financing package with significant cash grants, and several other members are considering possible additional grants. In parallel, the European Commission is exploring a sizeable grant to help fill the financing gap. All of these potential grants are still subject to relevant approval procedures.

D. Income Effects

14. The proposed financing package will have modest income effects:

- Somalia’s clearance of its arrears to the Fund will result in the recognition of income of approximately SDR 6.4 million in the GRA from special charges. This income is recognized in the financial year that arrears are settled, and relates to charges that were not subject to burden sharing.
- An additional SDR 3.4 million in income from overdue interest and charges on Trust Fund and Structural Adjustment Facility obligations would be recognized in the Special Disbursement Account and subsequently transferred to the PRGT Reserve Account.
- The distribution of proceeds of burden-shared deferred charges adjustments does not affect the Fund’s income position.
- A partial distribution of SCA-1 balances equivalent to SDR 122 million will have a modest effect on income of SDR 1 million on an annualized basis.^{16,17}

¹⁵ Decision No. 12189-(00/45), adopted April 28, 2000.

¹⁶ SCA-1 balances retained in the GRA have a positive income effect for the Fund, either in the form of lower remuneration expenses if the SCA-1 balances are reflected in higher currency holdings of the Fund and correspondingly lower remunerated reserve tranche positions of members or through interest income if they are reflected in higher SDR holdings of the GRA. As there is no related funding cost for these balances, the SCA-1 balances are considered part of the Fund’s “interest free resources”, similar to unremunerated reserve tranche positions not represented by gold holdings, and GRA income for the year not transferred to the IA. If SCA-1 balances are reduced, the Fund either loses income from its SDR holdings or faces a higher remuneration expense from larger reserve tranche positions, depending on whether SDRs or currencies are used in the distribution.

¹⁷ Based on the SDR interest rate for the week beginning November 11, 2019 of 0.786 percent.

OPERATIONAL MODALITIES

15. A carefully sequenced and coordinated process is required for Somalia to clear its arrears and receive debt relief. In the months following the adoption of the proposed decision and prior to the HIPC Decision Point, the Fund would need to secure sufficient financing commitments to cover the cost of its share in debt relief; the authorities will need to submit their 9th National Development Plan as their interim Poverty Reduction Strategy; the World Bank and IMF would complete a debt reconciliation and HIPC Debt Relief Analysis (DRA) exercise; Somalia would need to complete an adequate policy track record under the UCT-quality SMP and normalize relations with other creditors, including by clearing its arrears to the World Bank and AfDB; and Somalia would commit to a multiyear economic program supported by IMF financing and a program with the World Bank. Once these steps have taken place, and similar to the Liberia experience, the clearance of arrears to the Fund, quota payment, the new Fund arrangement, and the HIPC Decision Point would be sequenced to allow for these operations to take place within the same business day.

16. Under the envisaged approach, Somalia would first clear its arrears to the Fund with an intra-day bridge loan from a bilateral lender identified in advance. When a bridge loan takes place in the SDR Department, it would be executed within the same day without interest, charge, or other cost to Somalia. Once arrears to the Fund are cleared, the Board would restore Somalia's eligibility to use the general resources of the Fund.

17. On the same day that its arrears to the Fund are cleared, Somalia would be able to consent to its quota increase under the 14th General Review and complete the quota subscription payment of SDR 119.2 million. The payment for the quota increase would comprise the reserve asset portion (25 percent of the quota increase or SDR 29.8 million) payable in reserve assets and local currency portion (75 percent of the quota increase or SDR 89.4 million) payable in Somali shillings through the issuance of a promissory note in favor of the Fund. As in the case of Liberia, it is expected that the Fund would arrange for an intra-day interest-free SDR bridge loan from a willing lender (the Fund could arrange such a loan with either the same lender for arrears clearance or another) to pay the reserve asset portion. Somalia would then immediately make a request for a reserve tranche purchase (for the amount of the reserve asset portion payment) and use the proceeds to repay the bridge loan for that purpose.

18. Following the quota payment, the Fund would be expected to approve financing for a multiyear Fund-supported program. Total access is assumed at about 179 percent of Somalia's new quota, equivalent to SDR 292 million, with disbursements heavily frontloaded to allow Somalia to repay its bridge loan for arrears clearance (projected at about 149 percent of Somalia's new quota) and with an additional 30 percent of quota, envisaged to be evenly distributed in seven disbursements, to help finance balance of payments needs and catalyze donor support during the arrangement. The bulk of this financing would come from the PRGT, at currently zero interest rate, via an arrangement under the Extended Credit Facility (ECF). However, given the exceptional access limit under the PRGT of 133 percent of quota annually, a moderate amount of GRA financing would

be necessary, estimated at about 24 percent of quota, at the time of the approval of the ECF arrangement.^{18,19}

19. Thereafter, on the same day, the IMF (and World Bank) would determine that Somalia has reached the HIPC Decision Point. This would make Somalia eligible for interim debt relief, including on any charges/interest due to the Fund. It would also help Somalia normalize relations with other creditors and unlock new development assistance. Somalia would reach the HIPC Completion Point after establishing a further track record of good performance under programs supported by financing from the IMF and the World Bank, including implementing satisfactorily key reforms agreed at the HIPC Decision Point, and adopting and implementing its PRS for at least one year. At that time, it is expected that the Fund would determine that Somalia would qualify for stock-of-debt relief (both HIPC Initiative and beyond HIPC debt relief). The Fund would then provide HIPC and beyond-HIPC debt relief on all eligible (i.e., pre-HIPC Decision Point) Fund credit. The delivery of HIPC debt relief would involve the transfer of resources contributed to the administered accounts set up for this purpose to the PRG-HIPC Trust, which would then disburse debt relief to Somalia, while resources set aside in an administered account for beyond-HIPC debt relief would be used at HIPC Completion Point to repay Somalia's eligible debt to the Fund.

20. This paper proposes that the Executive Board (i) adopt the relevant decision for the SCA-1 reduction (and deferred charges transfer) and (ii) establish administered accounts to facilitate donor contributions from a broad range of members, taking into account member preferences. Specifically, staff proposes that the Board approve:

- a. the establishment of (i) the *Administered Account for Somalia (Somalia Administered Account)* as the main vehicle for debt relief contributions for Somalia; (ii) *Interim Somalia Subaccount* as a vehicle to hold on an interim basis the share of members in the SCA-1 distributions/ deferred charges refund who still require time to complete domestic approval before they can contribute their share and (iii) a new Framework Interim Account (FIA) that would integrate the Interim Somalia Subaccount (see commentary below).
- b. the direct transfer of participants' shares in the partial SCA-1 distribution and Somalia-related deferred charges refunds to the Somalia Administered Account at the time when Somalia clears its arrears, subject to the consent of SCA-1 and deferred charges contributors. The Somalia Administered Account would hold these

¹⁸ The envisaged total upfront disbursement would be around 153 percent of Somalia's new quota, equivalent to the total of the amount needed to repay the bridge loan and one seventh of the new financing of 30 percent of quota. It is assumed that one additional disbursement under the ECF arrangement would take place in the first year, equivalent to 4 percent of quota. Total disbursements in the first year would thus be about 157 percent of quota, consisting of financing under both the PRGT (133 percent of quota, which would be the PRGT's annual exceptional access limit) and the GRA (24 percent of quota).

¹⁹ In the case of Liberia, the three-year Fund-supported program approved in March 2008 also involved blended financing, with 185 percent quota in PRGT (PRGF) credit and 265 percent of quota GRA (EFF) credit, with total financing heavily frontloaded to allow repayment of the bridge loan, plus 30 percent of quota for additional financing during the Fund-supported program.

resources until the HIPC Completion Point, when they would be disbursed for delivery of debt relief to Somalia;²⁰ members who are not in a position to consent to this direct transfer will have the following alternative options:

- i. direct all or part of their share directly to the PRG-HIPC Trust to finance debt relief to members under the terms of that Trust; such contributions would not be earmarked but would be potentially available for delivering debt relief to Somalia;²¹
 - ii. direct all or part of their shares to the Interim Somalia Subaccount, pending further instruction from the member as to the ultimate disposition of these resources; or
 - iii. transfer all or part of their shares into their SDR account, or into any other account specified by the member, with the option of separately providing grants, of a similar or different magnitude, to the Somalia Administered Account or PRG-HIPC Trust at another time.
- c. members that are not in a position to provide their consent to the direct transfer of their shares to the Somalia Administered Account, and who have not communicated any alternative instructions to the Fund in respect of the disposition of their shares at the time that such distributions are made, will have their shares transferred to that member's SDR account.²²

21. The distribution of SCA-1 balances would become effective, and the refunds of deferred charges adjustments would become available when: (i) with respect to the SCA-1 distribution, the Managing Director notifies the Executive Board that, in her assessment, satisfactory financing assurances exist for the SDR 242 million (in March 2020 NPV terms) that is expected to be needed to finance Somalia's debt relief; and (ii) with respect to deferred charges, Somalia has cleared all of its arrears to the Fund.

22. Accordingly, the Fund would approve debt relief under the HIPC Initiative (and beyond-HIPC debt relief) only after the necessary commitments from members/donors have been secured to finance the Fund's share of debt relief to Somalia. Upon approval of the financing framework set forth in this paper, the Managing Director would send letters to the 183 members that have contributed to the SCA-1 and deferred charges mechanism, requesting individual financing commitments from each member by early 2020. Once the target amount of

²⁰ Interest earned from the contributions to the Somalia Administered Account will also accrue into this account.

²¹ As noted above, the HIPC Initiative is ringfenced. The other countries that have been determined to be HIPC eligible and who have not already reached the HIPC Completion Point are Sudan and Eritrea, where only Sudan has outstanding debt to the Fund. Once the Board decides that the PRG-HIPC Trust is no longer needed for the delivery of HIPC debt relief, its remaining balances would be transferred to the Reserve Account of the PRGT, available for the subsidization of the Fund's concessional lending to low-income countries.

²² This would also apply to any member which does not have a recognized government at the time of the distribution.

SDR 242 million is reached, and provided that all other relevant requirements have been met, the Fund and the World Bank could proceed with the HIPC Decision Point and commit debt relief to Somalia.

23. At the HIPC Completion Point, contributions to the Somalia Administered Account would be transferred to the PRG-HIPC Trust to deliver HIPC debt relief to Somalia by repaying eligible debt to the Fund. Contributions made to the Somalia Administered Account (after the amount needed for beyond-HIPC debt relief has been set aside) would be transferred to the PRG-HIPC Trust to complement the contributors' resources provided directly to the Trust. As in the case of Liberia, the PRG-HIPC Trust could play a temporary backstop role to ensure that the Fund can deliver debt relief even when some members have not yet provided the resources they have committed (e.g., because of delays in domestic procedures).²³ Those contributors would be expected to deliver their contributions directly to the PRG-HIPC Trust to replenish the temporary shortfall. The amount set aside for the beyond-HIPC debt relief would then be used at the HIPC Completion Point to repay Somalia's remaining eligible debt. Any remaining balances in the Somalia Administered Account will be transferred to the PRG-HIPC Trust, except for the (pro rata) shares of those members who request that their shares in the residual balances be distributed back to them.

COMMENTARY ON THE PROPOSED DECISION

A. Summary of the Proposed Decision

24. This section describes key terms of the decision that is proposed to accomplish the purposes noted above. Paragraph references in this section are generally to the proposed decision.

Paragraph 1

25. Paragraph 1 provides for the establishment, pursuant to Article V, Section 2(b) of the Fund's Articles of Agreement, of the relevant administered accounts to facilitate donor contributions, namely the Somalia Administered Account, the FIA, and the Interim Somalia Subaccount under the FIA.²⁴ The terms of the Somalia Administered Account follow closely the terms of the Liberia Subaccount. The establishment of the FIA is proposed to limit the financial reporting and auditing costs that arise in the context of each administered account. In recent years, standalone interim holding accounts have been established on a number of occasions (e.g., windfall

²³ As a legal matter, PRG-HIPC resources are not earmarked for specific countries, and the Board could decide to use resources in the PRG-HIPC Trust to help finance HIPC debt relief to Somalia and Sudan. As of end-September 2019, the Trust still had resources of about SDR 248 million, of which SDR 200 million could still be used for HIPC debt relief. Of the total resources, SDR 48 million is dedicated to the subsidization of interim lending, which is expected to be minimal in the case of Somalia. Given the expectation that debt relief to Somalia and Sudan would be covered through separate fundraising, the current balances in the PRG-HIPC are already counted as part of the PRGT's self-sustained lending capacity.

²⁴ Article V, Section 2(b) authorizes the Fund, if requested, to perform financial and technical services that are consistent with the purposes of the Fund, including the administration of resources contributed by members.

gold sales and Liberia debt relief operations).²⁵ The establishment of a framework account, with subaccounts for specific initiatives (e.g., the proposed Interim Somalia Subaccount), would reduce costs and streamline the administration of such resources. Going forward, with the agreement of contributors, resources in existing stand-alone interim accounts could be moved to new FIA subaccounts and such stand-alone accounts could be terminated. The instruments of the proposed Somalia Administered Account and FIA are set forth in Attachments I and II. Similarly, the proposed terms and conditions of the Interim Somalia Subaccount are set forth in Attachment III. It is expected that a formal request for the establishment of these accounts will be made shortly and, in any event, before the Board meeting at which the proposed decision is to be considered.

Paragraph 2

26. Paragraph 2 is a standard provision that allows for SDR operations in respect of the new administered accounts, which would facilitate contributions and transfers to those accounts that involve the use of SDRs. Similar prescription provisions have often been adopted to facilitate contributions to other administered accounts and trusts.

Paragraphs 3 and 6(a)-6(c)

27. These provisions deal with the distribution and transfer of SCA-1 balances to mobilize financing for debt relief and provide members with various options in relation to the distribution. Paragraph 3 of the proposed decision provides for a direct internal transfer of the equivalent of SDR 122 million from the SCA-1 to the Somalia Administered Account, subject to the consent of each SCA-1 participant with respect to its share of the SDR 122 million (paragraphs 3, 6(c)).²⁶ Transfers to the Somalia Administered Account would be the most direct and effective way to ensure the financing of debt relief for Somalia, given that resources in this Account may only be used for this purpose, as discussed below.

28. SCA-1 participants that are not in a position to consent to the direct transfer to the Somalia Administered Account at the time of Somalia's arrears clearance have several options in respect of their shares of the distribution of SCA-1 resources and would need to provide instructions to the Fund (paragraph 6(c)). Participants could instruct the Fund, in lieu of receiving their share in the distribution, to transfer all or a portion of these resources as a contribution to the PRG-HIPC Trust, or on an interim basis to the Interim Somalia Subaccount, their SDR account, or any other account they might wish to identify. In this context, instructions for transfer to the PRG-HIPC Trust could be a useful option for members that wish to contribute to a Trust that delivers debt relief to a broader group of countries (rather than to a country-specific account such as the Somalia Administered Account). Instructions for transfer to the Interim Somalia Subaccount could be useful for those members that are not yet in a position (e.g., due to domestic approval or decision-making processes) to authorize transfer of their share in distribution to the Somalia Administered Account or PRG-HIPC Trust (as discussed below, resources in the Interim Somalia Subaccount would simply

²⁵ See, for example, the Instrument to Establish the "Interim Administered Account for Remaining Windfall Gold Sales Profits, SM/12/244 (09/17/2012) and Decision No. 15228-(12/95), adopted September 28, 2012.

²⁶ Under the current governing SCA-1 decisions, any member with overdue financial obligations to the General Department will have its share of the SDR 122 million used to set off the Fund's claim on the member.

be administered by the Fund on behalf of participants, pending further instructions from them as to their disposition). Finally, participants can also instruct that their shares be transferred to their SDR account or any other account identified by the member. For members that are not in a position to provide their consent to the direct transfer of their shares in the SCA-1 distribution to the Somalia Administered Account, and who do not communicate another option to the Fund, it is proposed that these members' shares be transferred directly to the relevant member's SDR account.

Paragraphs 4 and 6(d)-6(f)

29. These paragraphs deal with the members' options in respect of the deferred charges adjustments. They essentially replicate for these proceeds the same terms set forth in paragraphs 3 and 6(a) through 6(c) for SCA-1 resources, based on the same considerations. Thus, and as discussed above for proceeds of SCA-1 distribution, these paragraphs provide for the direct transfer of the proceeds of Somalia-related deferred charges adjustments to the Somalia Administered Account, subject to the consent of each deferred charges participant with respect to its share of these proceeds).²⁷ The Decision also specifies that a participant shall be entitled to have distributed to it any portion of its share with respect to which it has not provided consent for transfer to the Somalia Administered Account as of the time that the Managing Director is to notify the Board that the financing assurances requirement specified in the decision is met (paragraph 6(f)). As is the case of SCA-1 proceeds, participants would also be free to instruct the Fund to transfer their share to the PRG-HIPC Trust, the Interim Somalia Subaccount, the SDR account of the member, or to any other account identified by the member. Members that are not in a position to provide their consent to the direct transfer of their shares to the Somalia Administered Account, and who do not communicate another option to the Fund, will have their shares transferred directly to the member's SDR account.

Paragraph 5

30. Paragraph 5 contains specific conditions that must be met before paragraphs 3 and 4 of the proposed decision could become effective. Specifically, this paragraph ensures that SCA-1 balances will not be reduced unless (i) minimum financing assurances have been received regarding the availability of resources for debt relief for Somalia (paragraph 5(a)); and (ii) Somalia has cleared all of its arrears to the Fund (paragraph 5(b)).²⁸

31. The minimum financing assurances requirement contemplates that, before the relevant paragraphs can become effective, the Managing Director must have notified the Board that sufficient resources have been mobilized. Specifically, the Managing Director's notice would need to confirm that, in her assessment, satisfactory financing assurances exist regarding the availability of at least SDR 242 million in March 2020 net present value terms for financing debt relief to Somalia. As provided for in the decision, such assurances would be based on:

²⁷ Under the current governing deferred charges decisions, any member with overdue financial obligations to the General Department will have its share of the proceeds of the deferred charges adjustments used to set off the Fund's claim on the member.

²⁸ Paragraphs 1 and 2 can become effective upon the approval of the proposed decision to enable early transfers of potential contributions from members and other donors to support the provision of debt relief for Somalia.

- The amount of SCA-1 resources and proceeds of deferred charges adjustments that participants have consented may be transferred to the Somalia Administered Account pursuant to the terms of the decision (paragraphs 5(a)(i) and (ii));
- The amount of any new contributions that donors have provided to the Somalia Administered Account and/or PRG-HIPC Trust in light of the decision (paragraph 5(a)(iii)); and
- The amount of other contributions that donors have given written assurances will be provided to the Somalia Administered Account and/or PRG-HIPC Trust in light of the decision (paragraph 5(a)(iv)).²⁹

32. Additional contributions could be made to the Somalia Administered Account and/or PRG-HIPC Trust and/or new subaccounts under the FIA even after the financing assurances requirement is met. However, the Managing Director would be expected to provide notice as soon as satisfactory financing assurances are in place for the minimum amount specified in the decision. It is also anticipated that Somalia's clearance of its arrears—the second and final condition for effectiveness of paragraphs 3 and 4 of the proposed decision—would occur only after the Managing Director's notice to the Board that satisfactory financing assurances are in place.

33. It should be noted that contributions to the PRG-HIPC Trust cannot be earmarked, and thus would be available for any member that becomes qualified to receive debt relief prior to Somalia.³⁰ Nonetheless, it is proposed that amounts contributed or committed to this Trust be taken into account in the financing assurances requirement. Given the existing balances in the PRG-HIPC Trust and as Sudan would be the only remaining protracted arrear country, it is expected that there will be sufficient resources in that Trust when Somalia is ready to receive HIPC Initiative debt relief.

B. Summary of Key Terms of the New Administered Accounts

34. There are two new administered accounts, the Somalia Administered Account and the Framework Interim Account (FIA), and one subaccount under the FIA, the Interim Somalia Subaccount, that would be established under the proposed decision. Many of the terms proposed for the Somalia Administered Account and the FIA are the standard clauses included in the Instruments for similar financial services accounts (e.g., the PRG-HIPC Trust Umbrella Account, the Post-SCA-2 Administered Account, and the SCA-1/Deferred Charges Administered Account

²⁹ Resources in the Interim Somalia Subaccount would not count towards meeting the minimum financing assurances requirement.

³⁰ Donors may make earmarked contributions to a specific member via its sub-account under the Umbrella Account of the PRG-HIPC Trust (see paragraph 1(ii) of Decision No. 11698-(98/38)). However, such a sub-account is established only in the context of the actual delivery of HIPC Initiative assistance to the concerned member (and, in practice, there has been only one such contribution). In any event, the Somalia Administered Account provides a more flexible option for donors who wish to earmark resources for Somalia, and those donors wishing to make contributions to the PRG-HIPC Trust are unlikely to be interested in earmarking.

established for Liberia). Thus, for example, it is proposed that no charge is to be levied on these accounts for services rendered by the Fund in their administration, operation, and termination.³¹ It is also proposed that resources held in these accounts and not immediately needed for their operations be invested, at the discretion of the Managing Director, in the same asset classes as the PRG-HIPC Trust.³² The remainder of this subsection discusses the more unique features of these two administered accounts (Somalia Administered Account and FIA) and of the Interim Somalia Subaccount that would be established under the FIA.

Somalia Administered Account (Attachment I)

35. The purpose of the Somalia Administered Account is to provide a vehicle to facilitate fund-raising for, and delivery of, debt relief to Somalia in respect of obligations owed to the Fund. This Account would serve three distinct but related purposes. First, it would receive contributions (including SCA-1 balances and proceeds of deferred charges adjustments under the proposed decision) to finance debt relief for Somalia. Second, it would channel the resources so received as a contribution to the PRG-HIPC Trust, so as to facilitate the ability of that Trust to finance debt relief to Somalia under the terms of the HIPC Initiative. Third, it would itself directly deliver beyond-HIPC debt relief to Somalia at the HIPC Initiative Completion Point, by using resources in the Account to repay the Fund, on behalf of Somalia, the debt that is eligible for such relief.

36. Under the terms of the Somalia Administered Account, all of Somalia's debt outstanding to the Fund at the time of the HIPC Decision Point will be eligible for both HIPC and beyond-HIPC debt relief. By contrast, "new credit" under the arrangement disbursed after the HIPC Decision Point would not be eligible for beyond-HIPC debt relief. The specific beyond-HIPC debt relief to be delivered by the Account would be for full payment of any eligible debt that is still outstanding when Somalia reaches the HIPC Completion Point, and that is not repaid or scheduled to be repaid with HIPC Initiative debt relief (including any topping-up assistance).

37. All transfers from the Somalia Administered Account to the PRG-HIPC Trust would be made on a pass through basis immediately prior to the disbursement of HIPC Initiative debt relief from the Trust. The amount needed for beyond-HIPC debt relief under the terms of the Somalia Administered Account would first be calculated and set aside. A transfer would then be made to the PRG-HIPC Trust of the remaining resources in the Account, up to the amount of HIPC Initiative debt relief that is scheduled to be disbursed. If the amount needed for HIPC Initiative debt relief to Somalia at the HIPC Completion Point is greater than resources available in the Somalia Administered Account for transfer to the PRG-HIPC Trust, then the Trust would fund the remaining

³¹ It should be noted that any investment costs (e.g., custodian, management, and transaction fees) associated with the two accounts would be borne by the accounts (generally through offset of the investment income generated for these accounts), and thus would not be borne by the Fund. The administrative and related costs for the two accounts are expected to be minimal. Therefore, an approach of not requiring payment of administrative costs seems justifiable, given the fund-raising context and the limited amount of costs involved.

³² The PRG-HIPC Trust can invest in the following asset classes: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund, (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member, and (iii) deposits with a commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member.

relief. Those members that have committed but not yet delivered contributions for Somalia's debt relief would be expected to disburse such contributions to the PRG-HIPC Trust after Somalia's HIPC Completion Point. Beyond-HIPC debt relief would be delivered directly from the Somalia Administered Account at the HIPC Completion Point to repay eligible Fund credit.

38. It is proposed that any amounts remaining in the Somalia Administered Account after Somalia has received full HIPC and beyond-HIPC debt relief be transferred to the PRG-HIPC Trust. At the request of a contributor, however, its pro rata share of these resources would be distributed to it. This default use of any remaining balances for the benefit of the PRG-HIPC Trust follows the approach of the former MDRI-II Trust and the Administered Account for Liberia, which was established to facilitate the HIPC debt relief for Liberia in 2007 (see Footnote 3).

Framework Interim Account (Attachment II)

39. As noted above, the FIA is intended to serve as an interim administrative vehicle for broader use than Somalia. It is designed as a framework account to hold on an interim basis (i) resources distributed by the Fund to members or (ii) resources contributed by members or other donors, pending instructions from these members or other donors as to the disposition of such resources to support the activities of the Fund. Subaccounts may be created by the Fund within the FIA to hold resources arising from specific distributions and/or contributions.

40. While the Fund has in the past created on a number of occasions stand-alone administered accounts to hold resources from specific distributions by the Fund to members, the creation of a framework account to allow such holdings from different sources would be more efficient from an administrative and cost perspective. Previously, upon each distribution, the Fund would create a specific administered account to hold resources on an interim basis for members, pending their instructions as to the disposition of distributed resources.³³ This modality provides flexibility to members, especially in cases where domestic approval for the ultimate use of these resources is required. The creation of separate administered accounts, however, comes at an administrative cost, especially as in some cases, resources have remained in these accounts significantly longer than expected. In order to avoid a proliferation of interim administered accounts, it is therefore proposed to establish a framework account to eliminate the need to create specific interim administered accounts to hold resources arising from specific distributions; rather such interim accounts could be established as subaccounts under the new FIA.

41. If the FIA is established, subaccounts can then be established both for new initiatives and to consolidate resources currently held in the Fund's other interim administered accounts. In particular, given the administrative cost implications of a proliferation of interim administered accounts, it is envisaged that staff would reach out to the few remaining Fund members that

³³ For example, in the context of the Liberia debt relief operation, the SCA-1/Deferred Charges Administered Account was established to hold on an interim basis resources from SCA-1 and deferred charges distributions for members that need more time to decide on the disposition of these distributions. Similarly, in the context of the two distributions of windfall gold profits, the Interim Administered Account for Windfall Gold Profits were also established to hold the distributed profits for members that need more time to decide on the use of these profits.

currently still have resources in one or more of these accounts and seek their consent for the transfer of these resources to subaccounts to be created in the FIA.³⁴ The transfer of resources from these accounts to the FIA would allow for the termination, by the Executive Board, of these specific interim administered accounts.

Interim Somalia Subaccount (Attachment III)

42. To facilitate the interim holdings of SCA-1 balances and proceeds of deferred charges in the context of Somalia, it is proposed to establish the Interim Somalia Subaccount within the FIA. The purpose of the Interim Somalia Subaccount is to hold temporarily any Fund member's share of the distribution from the SCA-1 account/deferred charges balance resulting from the decision of the Executive Board to provide debt relief to Somalia and the clearance of arrears to the Fund by Somalia, pending further instructions from the member as to the ultimate destination of the balances. The terms and conditions of the Interim Somalia Subaccount are set out in Attachment III.

C. Administrative Aspects of the Resource Mobilization

43. SCA-1/deferred charges participants would need to consent to the transfers provided for in the decision by providing a written communication to the Fund to this effect.³⁵ A participant not wishing to consent could also provide a written instruction to the Fund to transfer to another account the amounts that otherwise would be distributable to it in light of the lack of consent. Sample communications that participants may wish to use for these purposes are provided in Appendix II. More specifically:

- Members who wish to consent to the transfer to the Somalia Administered Account of their full share, as contemplated in the proposed decision, would provide a notice to this effect along the lines of Sample Communication No. 1;
- Members who wish to contribute to the PRG-HIPC Trust their shares of the distribution of the SCA-1 and deferred charges, could provide instructions to this effect along the lines of Sample Communication No. 2(a);
- Members who require more time to decide on the use of their share could notify the Fund to transfer their share to the Interim Somalia Subaccount (Sample Communication No. 2(b));

³⁴ Any subaccount would need to be established by an Executive Board decision, adopted by a majority of the votes cast.

³⁵ The Fund would make the requested transfer on the date the decision becomes effective, based on the instructions in the written communication from the member. Prior to making the transfer, the Fund will send a notification to the member's fiscal agency, indicating that the Fund would proceed with the requested transfer at the time of distribution unless it would hear differently from the fiscal agency.

- Members who wish to have their share returned to them may wish to confirm this in writing along the lines set forth in Sample Communication No. 2(c);³⁶
- Members who wish to have their share distributed to more than one account, including to contribute part of their shares in the distributions for the purpose of Somalia’s debt relief, may wish to specify their preferences in this regard along the lines contemplated in Sample Communication No. 3; and
- Members and other contributors who wish to provide assurances of other resources that they will make available for debt relief for Somalia would need to provide a communication in writing along the lines of Sample Communication No. 4.³⁷

³⁶ Such a communication is not mandatory, however, as the proposed decision [paragraphs 6(c) and 6(f)] already provides that a participant shall be entitled to have distributed to it any portion of its share with respect to which it has not provided consent for transfer to the Somalia Administered Account. The Fund’s standard operating practice, provided for in the proposed decision, is for such distributions to participants (e.g., with respect to routine distributions of proceeds of deferred charges adjustments) to be deposited in each member’s SDR account at the Fund. However, alternative arrangements could be worked out with a member (see Sample Communication No. 2(c)).

³⁷ It is expected that the European Commission will provide grant resources to contribute to the funding of debt relief for Somalia.

Proposed Decision

Accordingly, the following decision, which may be adopted by a 70 percent majority of the total voting power, is proposed for adoption by the Executive Board:

1. Pursuant to Article V, Section 2(b), the Fund:
 - (a) adopts the Instrument to Establish the Administered Account for Somalia ("Somalia Administered Account") that is annexed as Attachment I to this decision;
 - (b) adopts the Instrument to Establish the Framework Interim Account ("FIA") that is annexed as Attachment II to this decision; and
 - (c) approves the establishment of the Interim Somalia Subaccount under the FIA with the terms and conditions as set out in Attachment III to this decision.

2. In accordance with Article XVII, Section 3, the Fund prescribes that:
 - (a) an SDR Department participant or a prescribed holder, by agreement with an SDR Department participant or a prescribed holder and at the instruction of the Fund, may transfer SDRs to that participant or prescribed holder in effecting a transfer to or from (i) the Somalia Administered Account, or (ii) any subaccount under the FIA; or in effecting a payment due to or by the Fund in connection with financial operations under the Somalia Administered Account or any subaccount established under the FIA; and
 - (b) operations pursuant to these prescriptions shall be recorded in accordance with Rule P-9.

3. Notwithstanding the SCA-1 decisions listed in Attachment IV to this decision, the equivalent of SDR 122 million shall be transferred from the First Special Contingent Account established pursuant to Decision No. 8619-(87/90) ("SCA-1") to the Somalia Administered Account, subject to

the consent of SCA-1 Participants and to paragraph 6(c) below; *provided that* any portion of the amount to be transferred that represents the Interest of SCA-1 Participant(s) with overdue obligations to the Fund's General Department will be used to set off claims owed to the Fund by such Participant(s).

4. Notwithstanding the decisions on deferred charges adjustments listed in Attachment V to this decision, upon the payment by Somalia of any charges the deferral of which has given rise to deferred charges adjustments, an amount equal to the proceeds of such adjustments shall be transferred to the Somalia Administered Account, subject to the consent of Deferred Charges Participants and to subparagraph 6(f) below; *provided that* any portion of the amount to be transferred that represents the Interest of Deferred Charges Participant(s) with overdue obligations to the Fund's General Department will be used to set off claims owed to the Fund by such Participant(s).

5. Paragraphs 3 and 4 above shall become effective when:

(a) the Managing Director has notified the Executive Board that, in her assessment, satisfactory financing assurances exist regarding the availability of at least SDR 242 million (in March 2020 net present value terms) for the financing of debt relief to Somalia, based upon:

(i) the amount that SCA-1 Participants have consented may be transferred to the Somalia Administered Account pursuant to paragraph 3 of this decision,

(ii) the amount that Deferred Charges Participants have consented may be transferred to the Somalia Administered Account pursuant to paragraph 4 of this decision,

(iii) the amount of other contributions that donors have provided to the Somalia Administered Account and/or the PRG-HIPC Trust in light of this decision, and

(iv) the amount of other contributions that donors have given written assurances that they will provide to the Somalia Administered Account and/or the PRG-HIPC Trust in light of this decision; and

(b) Somalia has cleared all of its arrears to the Fund.

6. For purposes of this decision:

(a) "SCA-1 Participant" shall mean a member to whom resources would be distributable (or attributable for purposes of set off), under the SCA-1 decisions listed in Attachment IV, upon a SDR 122 million reduction in balances held in the SCA-1;

(b) the "Interest" of each SCA-1 Participant shall mean the amount that would be distributable (or attributable for purposes of set off) to the participant, under the SCA-1 decisions listed in Attachment IV, upon a SDR 122 million reduction in balances held in the SCA-1;

(c) an SCA-1 Participant that does not have overdue obligations to the Fund's General Department may consent to the transfer under paragraph 3 above of up to its Interest. An SCA-1 Participant that does not have overdue obligations to the Fund's General Department shall be entitled to have distributed to it any portion of its Interest with respect to which, as of the date on which the Managing Director is to provide any notice pursuant to paragraph 5(a) of this decision, the SCA-1 Participant has not provided consent for the transfer specified in paragraph 3 above. In the absence of such consent or alternative instructions from the SCA-1 Participant, such Interest or any portion thereof, will be credited to the SCA-1 Participant's account in the SDR Department;

(d) "Deferred Charges Participant" shall mean a member to whom proceeds of deferred charges adjustments would be distributable (or attributable for purposes of set off), under the decisions on deferred charges adjustments listed in Attachment V, upon the payment by Somalia of the charges whose deferral had given rise to the particular deferred charges adjustments;

(e) the "Interest" of each Deferred Charges Participant shall mean the amount of the proceeds of deferred charges adjustments that would be distributable (or attributable for purposes of set off) to the participant, under the decisions on deferred charges adjustments listed in Attachment IV, upon the payment by Somalia of the charges whose deferral had given rise to the particular deferred charges adjustments;

(f) each Deferred Charges Participant that does not have overdue obligations to the Fund's General Department may consent to the transfer under paragraph 4 above of up to its Interest. A Deferred Charges Participant that does not have overdue obligations to the Fund's General Department shall be entitled to have distributed to it any portion of its Interest with respect to which, as of the date on which the Managing Director is to provide any notice pursuant to paragraph 5(a) of this decision, the Deferred Charges Participant has not provided consent for the transfer specified in paragraph 4 above. In the absence of such consent or alternative instructions from the Deferred Charges Participant, such Interest or any portion thereof, will be credited to the Deferred Charges Participant's account in the SDR Department; and

(g) the set offs provided for in paragraphs 3 and 4 of this decision shall be effected in accordance with the provisions on set off contained in Decision No. 8271-(86/74).

Attachment I. Instrument to Establish the Administered Account for Somalia

To help fulfill its purposes, the International Monetary Fund (the “Fund”) has adopted this Instrument to Establish the Administered Account for Somalia in accordance with Article V, Section 2(b) (the “Account”), which shall be governed by, and administered in accordance with, the following provisions:

Paragraph 1. Purpose of the Account

The purpose of the Account is to provide a vehicle to facilitate fund raising for, and delivery of, debt relief to Somalia in respect of obligations owed to the Fund. Specifically, the Account will (a) receive resources contributed for the financing of debt relief to Somalia from Fund members and non-members (the “Contributors”); and (b) use these resources, pursuant to the terms and conditions set forth in paragraph 6 below, to make contributions in the context of HIPC Initiative debt relief to Somalia, and to deliver “beyond-HIPC” debt relief to Somalia.

Paragraph 2. Resources of the Account

The resources held in the Account shall consist of:

- (a) SCA-1 balances and proceeds of deferred charges adjustments transferred to the Account pursuant to paragraphs 3 and 4, respectively, of Decision No. [----];
- (b) grant contributions made to the Account; and
- (c) net earnings from the investment of resources held in the Account.

Paragraph 3. Contributions to the Account

The Fund may accept contributions of resources to the Account on such terms and conditions as may be agreed between the Fund and the respective Contributors, subject to the provisions of this Instrument.

Paragraph 4. Unit of Account

The SDR shall be the unit of account.

Paragraph 5. Media of payment of contributions and exchange of resources

- (a) Resources provided to the Account shall be in SDRs, any freely usable currency, or such other media as may be agreed by the Fund and the Contributor.
- (b) Payments made by the Account shall be made in SDRs, any freely usable currency, or such other media as may be determined by the Fund.

(c) Transfers may be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Fund for holding and use of SDRs.

Paragraph 6. Use of the Resources of the Account and Modalities for Use

(a) The resources of the Account shall be used, pursuant to the terms and conditions set forth in this paragraph: (i) to make contributions to the Trust for Special PRGF Operations for the Heavily Indebted Poor Countries and Interim PRGF Subsidy Operations established pursuant to Decision No. 11436-(97/10) ("PRG-HIPC Trust"), in the context of the delivery by the PRG-HIPC Trust of HIPC Initiative debt relief to Somalia, and (ii) to enable the Account itself to deliver "beyond-HIPC" debt relief to Somalia on the full amount of Somalia's "eligible debt" (as defined below) by repaying such debt to the Fund on behalf of Somalia.

(b) For purposes of the beyond-HIPC debt relief to be delivered by the Account pursuant to subparagraph (a)(ii), "eligible debt" shall refer to any portion of Somalia's debt to the Fund (including to the Fund as Trustee) that (i) arises from the first purchase and/or first loan disbursement under the arrangement approved by the Fund (including the Fund as Trustee) for Somalia immediately following arrears clearance and (ii) is still outstanding when Somalia reaches the Completion Point under the HIPC Initiative, and is not scheduled to be repaid by assistance committed or disbursed to Somalia under the HIPC Initiative (including any topping-up assistance that may be approved but not disbursed at the Completion Point).

(c) All contributions from the Account to the PRG-HIPC Trust shall be made shortly before Somalia is scheduled to receive debt relief from the PRG-HIPC Trust. Contributions may be made from the Account to the PRG-HIPC Trust at the discretion of the Fund, in the context of any interim assistance to be delivered by that Trust to Somalia. Shortly before Somalia is scheduled to reach the Completion Point under the HIPC Initiative, the amount needed for beyond-HIPC debt relief to Somalia under the terms of this Instrument shall be estimated and set aside. The remaining resources in the Account, up to the amount of HIPC Initiative debt relief that is scheduled to be approved and/or disbursed at the Completion Point, shall then be provided as a contribution to the PRG-HIPC Trust.

(d) The resources set aside for beyond-HIPC debt relief pursuant to subparagraph (c) shall be used at the Completion Point to repay to the Fund, on behalf of Somalia, an amount equivalent to Somalia's eligible debt.

Paragraph 7. Authority to Invest Resources in the Account

(a) Resources held in the Account and not immediately needed for operations of the Account shall be invested at the discretion of the Managing Director, subject to the provisions of subparagraph (b).

(b) Investments may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund, (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member, and (iii) deposits with a

commercial bank, a national official financial institution of a member, or an international financial institution that are denominated in SDRs or in the currency of a member.

Paragraph 8. Administration of the Account

(a) Assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations or losses incurred in the administration of the Account; nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund.

(b) The Fund shall maintain separate financial records and financial statements for the Account. The financial statements for the Account shall be expressed in SDRs and prepared in accordance with accounting principles followed by the Fund.

(c) The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions conducted through the Account. The audit shall relate to the financial year of the Fund.

(d) The Fund shall report on the resources and position of the Account in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.

(e) Subject to the provisions of this Instrument, the Fund, in administering the Account, shall apply, *mutatis mutandis*, the same rules and procedures as apply to operations of the General Resources Account of the Fund.

(f) The Managing Director is authorized (i) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as he deems necessary to carry out the operations of the Account, and (ii) to take all other measures he deems necessary to implement the provisions of this Instrument.

Paragraph 9. Fees

(a) No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of this Account.

(b) All investment costs, including but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the Account.

Paragraph 10. Period of Operation and Liquidation

(a) The Account shall remain in effect for as long as is necessary, in the judgment of the Fund, to conduct and to wind up the business of the Account.

(b) Any balance remaining in the Account on the date of its termination and after the discharge of all obligations of the Account shall be transferred to the PRG-HIPC Trust for use in accordance with the provisions of the PRG-HIPC Trust Instrument; provided that, at the request of a Contributor, its pro rata share of any such resources remaining in the Account, or any portion of such share, shall be distributed to the Contributor.

Paragraph 11. Amendments

The provisions of this Instrument may be amended only by a decision of the Fund. Should the Fund amend the terms and conditions of this Instrument in a manner that changes the purpose for which contributions may be used, each Contributor shall have the right to either consent to the change or withdraw its individual unused contribution (which shall be that proportion of unused resources that the SDR equivalent of its contribution bears to the SDR equivalent of total contributions).

Paragraph 12. Settlement of Questions

Any questions arising under this Instrument between a Contributor and the Fund shall be settled by mutual agreement between the Contributor and the Fund.

Attachment II. Instrument to Establish the Framework Interim Account

To help fulfill its purposes, the International Monetary Fund (the “Fund”) has adopted this Instrument to establish the Framework Interim Account in accordance with Article V, Section 2(b) (the “Account”), which shall be governed and administered by the Fund in accordance with the terms and conditions of this Instrument.

1. The purpose of the Account is to serve as an interim vehicle for the holding and administration of any resources of Participants, pending instruction from each Participant as to the disposition of its share of such resources. For the purposes of this Instrument, a “Participant” shall be a Fund member, or can be a non-member that wishes to have the Fund hold, on an interim basis, resources on behalf of that Fund member or non-member pending further instructions.

2. One or more subaccounts within the Account may be established to perform the purposes of the Account.

(a) The establishment of a subaccount shall be subject to prior approval by the Fund, upon the recommendation of the Managing Director and at the request of a Participant. When proposing the establishment of a subaccount, the Managing Director shall specify the terms and conditions of the subaccount.

(b) A subaccount may be used to hold and administer resources from one or more Participants, in accordance with this Instrument and the terms of the subaccount.

3. The SDR shall be the unit of account. Resources provided to any subaccount shall be in any freely usable currency or such other media as may be agreed by the Fund and the Participant. Payments made by the Account shall be made in SDRs, any freely usable currency, or such other media as may be determined by the Fund. Transfers may be made in or exchanged for SDRs in accordance with such arrangements as may be made by the Fund for holding and use of SDRs.

4. Upon the instruction of a Participant, the Fund shall transfer all or part of the resources in a subaccount that are attributable to the Participant, including the participant’s pro rata share of any investment returns, to any account specified by the Participant.

5. Unless provided otherwise under the terms and conditions applicable to any subaccount in the Account, the resources held in such subaccount and not immediately needed for operations of the subaccount shall be invested at the discretion of the Managing Director. Investments pursuant to this paragraph may be made in any of the following: (i) marketable obligations issued by international financial organizations and denominated in SDRs or in the currency of a member of the Fund, (ii) marketable obligations issued by a member or by a national official financial institution of a member and denominated in SDRs or in the currency of that member, and (iii) deposits with a commercial bank, a national official financial institution of a

member, or an international financial institution that are denominated in SDRs or in the currency of a member. Earnings net of any investment costs associated with such investments as provided under paragraph 12 below shall accrue to the subaccount and shall be available for the purpose of the subaccount.

6. The assets held in the Account shall be kept separate from the assets and property of all other accounts of, or administered by, the Fund. The assets and property held in such other accounts shall not be used to discharge or meet any liabilities, obligations or losses incurred in the administration of the Account; nor shall the assets of the Account be used to discharge or meet any liabilities, obligations or losses incurred in connection with any such other accounts of, or administered by, the Fund. Unless otherwise specified in the terms and conditions of a subaccount in the Account, the assets and property held in each subaccount of the Account shall not be used to discharge or meet any liabilities, obligations, or losses of the Fund incurred in the administration of any other subaccount of the Account. The terms and conditions of a subaccount in the Account may authorize the Fund to transfer resources in this the subaccount to other subaccounts in the Account or to any other account.

7. The Fund shall maintain separate financial records and prepare financial statements for the Account. Such records and statements, which shall include a breakdown with respect to each subaccount in the Account, shall be expressed in SDRs and prepared in accordance with accounting principles followed by the Fund.

8. The external audit firm selected under Section 20 of the Fund's By-Laws shall audit the operations and transactions of the Account. The audit shall relate to the financial year of the Fund.

9. The Fund shall report on the assets and property and on the operations and transactions of the Account, including a breakdown with respect to each subaccount, in the Annual Report of the Executive Board to the Board of Governors and shall include in that Annual Report the audit report of the external audit firm on the Account.

10. Subject to the provisions of this Instrument, the Fund, in administering the Account, shall apply, *mutatis mutandis*, the same rules and procedures as apply to operations of the General Resources Account of the Fund.

11. Subject to the requirement of Fund approval specified in paragraph 2(a), the Managing Director is authorized (a) to make all arrangements, including the establishment of accounts in the name of the Fund, with such depositories as she deems necessary to carry out the operations of the Account, and (b) to take all other measures she deems necessary to implement the provisions of this Instrument.

12. No charge shall be levied in respect of the services rendered by the Fund in the administration, operation, and termination of this Account or any subaccount established under this Account unless otherwise specified in the terms of the subaccount. All investment costs, including

but not limited to costs associated with the exchange of currencies, purchase of securities, and hiring of external asset managers and custodian banks, shall be borne by, and deducted from, the relevant subaccount.

13. The Account may be terminated by the Fund at any time, and the termination of the Account shall terminate each subaccount thereof. A subaccount shall be terminated by the Fund (i) as determined by the Fund upon the request of the Managing Director; (ii) upon request from a Participant with the concurrence of all other Participants contributing to the subaccount at the time of termination, or (iii) as promptly as practicable following the receipt of instructions from every Participant regarding the distribution of its resources in the Account, whichever is earlier. In the event of termination of the Account or any subaccount, each Participant with resources remaining in the relevant subaccount at the time of termination shall have paid in full to it the amount of such resources.

14. The provisions of this Instrument may be amended by a decision of the Fund and with the concurrence of each Participant with resources held in any subaccount of the Account at the time of such decision. Such concurrence for any proposed amendment of this Instrument may be presumed if Participants do not object within thirty days after the issuance of the proposed amendment to Participants.

15. Any questions arising under this Instrument or the terms of any subaccount between a Participant and the Fund shall be settled by mutual agreement between the Participant and the Fund.

Attachment III. Terms and Conditions of Interim Somalia Subaccount

Consistent with paragraph 2(a) of the Instrument to Establish the Framework Interim Account, the terms and conditions of the Interim Somalia Subaccount shall be as follows:

- 1.. The purpose of the Interim Somalia Subaccount is to serve as an interim vehicle for the holding and administration of any SCA-1 balances and proceeds of deferred charges adjustments that Participants may wish to transfer to the Interim Somalia Subaccount in light of Decision No, _____, pending instruction from each Participant as to the deposition of its share of such resources, together with the earnings that accrue as a result of the investment of amounts held in the Interim Somalia Subaccount (net of any costs associated with such investments).
2. Upon the instruction of a Participant, the Fund shall transfer all or part of the resources in the Interim Somalia Subaccount that are attributable to the Participant, including the participant's pro rata share of any investment returns, to the Somalia Administered Account, or as otherwise specified by the Participant.
3. The Interim Somalia Subaccount shall be terminated by the Fund: (a) as determined by the Fund upon the request of the Managing Director; (b) upon the request of a Participant and with the concurrence of all other Participants contributing to the subaccount at the time of termination; or (c) as promptly as practicable following the receipt of instructions from every Participant regarding the disposition of its resources in the Interim Somalia Subaccount; whichever is earlier. In the event of termination pursuant to (a) or (b) above, each Participant with resources remaining in the Interim Somalia Subaccount at the time of termination shall have paid in full to it the amount of such resources, together with its net pro rata share of any investment returns.
4. Any amendment to the terms and conditions of the Interim Somalia Subaccount requires approval of the Executive Board as well as the concurrence of each Participant with resources held in the Interim Somalia Subaccount at the time at which such amendment is proposed. Such concurrence for any proposed amendment of this Instrument may be presumed if Participants do not object within thirty days after the issuance of the proposed amendment to Participants.

Attachment IV. Existing Decisions on the First Special Contingent Account (SCA-1)

Decision No. 8619-(87/90), adopted June 17, 1987
Decision No. 8780-(88/12), adopted January 29, 1988
Decision No. 8861-(88/67), adopted April 27, 1988
Decision No. 8936-(88/118), adopted July 29, 1988
Decision No. 9135-(89/46), adopted April 26, 1989
Decision No. 9410-(90/62), adopted April 20, 1990
Decision No. 9471-(90/98), adopted June 20, 1990
Decision No. 9696-(91/49), adopted April 5, 1991
Decision No. 9997-(92/57), adopted April 17, 1992
Decision No. 10340-(93/54), adopted April 14, 1993
Decision No. 10549-(94/1), adopted January 7, 1994
Decision No. 10660-(94/38), adopted April 29, 1994
Decision No. 10706-(94/52), adopted June 8, 1994
Decision No. 10958-(95/40), adopted April 14, 1995
Decision No. 11249-(96/39), adopted April 18, 1996
Decision No. 11712-(98/49), adopted April 28, 1998
Decision No. 11945-(99/49), adopted April 30, 1999
Decision No. 12189-(00/45), adopted April 28, 2000
Decision No. 12465-(01/39), adopted April 16, 2001
Decision No. 12731-(02/43), adopted April 26, 2002
Decision No. 12989-(03/36), adopted April 21, 2003
Decision No. 13237-(04/42), adopted April 30, 2004
Decision No. 13484-(05/37), adopted April 22, 2005
Decision No. 13707-(06/40), adopted April 28, 2006
Decision No. 13858-(07/1), adopted January 3, 2007

Attachment V. Existing Decisions on Deferred Charges Adjustments

Decision No. 8348-(86/122), adopted July 25, 1986
Decision No. 8481-(86/202), adopted December 17, 1986
Decision No. 8482-(86/202), adopted December 17, 1986
Decision No. 8515-(87/23), adopted February 6, 1987
Decision No. 8861-(88/67), adopted April 27, 1988
Decision No. 8936-(88/118), adopted July 29, 1988
Decision No. 9135-(89/46), adopted April 26, 1989
Decision No. 9410(90/62), adopted April 20, 1990
Decision No. 9696-(91/49), adopted April 5, 1991
Decision No. 9997-(92/57), adopted April 17, 1992
Decision No. 10340-(93/54), adopted April 14, 1993
Decision No. 10549-(94/1), adopted January 7, 1994
Decision No. 10660-(94/38), adopted April 29, 1994
Decision No. 10706-(94/52), adopted June 8, 1994
Decision No. 10958-(95/40), adopted April 14, 1995
Decision No. 11249-(96/39), adopted April 18, 1996
Decision No. 11480-(97/42), adopted April 21, 1997
Decision No. 11482-(97/42), adopted April 21, 1997
Decision No. 11711-(98/49), adopted April 28, 1998
Decision No. 11712-(98/49), adopted April 28, 1998
Decision No. 11945-(99/49), adopted April 30, 1999
Decision No. 12189-(00/45), adopted April 28, 2000
Decision No. 12465-(01/39), adopted April 16, 2001
Decision No. 12731-(02/43), adopted April 26, 2002
Decision No. 12989-(03/36), adopted April 21, 2003
Decision No. 13237-(04/42), adopted April 30, 2004
Decision No. 13484-(05/37), adopted April 22, 2005
Decision No. 13707-(06/40), adopted April 28, 2006
Decision No. 13858-(07/1), adopted January 3, 2007
Decision No. 13911-(07/35), adopted April 25, 2007

Appendix I. Country Shares of Somalia's Deferred Charges and SCA-1

Table 1. Country Shares of Somalia's Deferred Charges and SCA-1¹
(In millions of SDRs)

| Countries | Quotas (as of October 2019) | Share of Deferred Charges (as of October 31, 2019) ³ | Assumed SCA-1 Distributions ⁴ | Total Distributions |
|--|-----------------------------------|---|---|------------------------|
| Total | 474,827.9 | 119.44 | 122.00 | 241.44 |
| G-7 countries | 206,853.2 | 37.87 | 39.37 | 77.24 |
| Canada | 11,023.9 | 1.22 | 1.47 | 2.69 |
| France | 20,155.1 | 3.20 | 3.44 | 6.64 |
| Germany | 26,634.4 | 6.00 | 6.07 | 12.07 |
| Italy | 15,070.0 | 2.83 | 2.89 | 5.72 |
| Japan | 30,820.5 | 6.38 | 6.62 | 13.00 |
| United Kingdom | 20,155.1 | 2.34 | 2.66 | 4.99 |
| United States | 82,994.2 | 15.91 | 16.22 | 32.13 |
| Other FTP countries² | 193,214.0 | 42.59 | 48.99 | 91.57 |
| Algeria | 1,959.9 | 1.22 | 1.40 | 2.62 |
| Australia | 6,572.4 | 0.58 | 0.72 | 1.30 |
| Austria | 3,932.0 | 0.74 | 0.78 | 1.52 |
| Belgium | 6,410.7 | 1.10 | 1.27 | 2.36 |
| Botswana | 197.2 | 0.04 | 0.04 | 0.07 |
| Brazil | 11,042.0 | 3.70 | 5.89 | 9.59 |
| Brunei Darussalam | 301.3 | 0.02 | 0.03 | 0.05 |
| Chile | 1,744.3 | 0.84 | 0.75 | 1.59 |
| China | 30,482.9 | 2.25 | 2.02 | 4.28 |
| Colombia | 2,044.5 | 0.32 | 0.23 | 0.55 |
| Czech Republic | 2,180.2 | 0.40 | 0.34 | 0.74 |
| Denmark | 3,439.4 | 0.57 | 0.63 | 1.20 |
| Estonia | 243.6 | 0.02 | 0.03 | 0.05 |
| Finland | 2,410.6 | 0.44 | 0.47 | 0.91 |
| India | 13,114.4 | 3.64 | 3.27 | 6.92 |
| Israel | 1,920.9 | 0.18 | 0.18 | 0.35 |
| Korea | 8,582.7 | 1.90 | 2.53 | 4.43 |
| Kuwait | 1,933.5 | 0.45 | 0.43 | 0.88 |
| Luxembourg | 1,321.8 | 0.07 | 0.06 | 0.13 |
| Lithuania | 441.6 | 0.08 | 0.13 | 0.21 |
| Malaysia | 3,633.8 | 0.57 | 0.60 | 1.16 |
| Malta | 168.3 | 0.08 | 0.06 | 0.13 |
| Mauritius | 142.2 | 0.03 | 0.02 | 0.05 |
| Mexico | 8,912.7 | 5.54 | 5.98 | 11.52 |
| Netherlands | 8,736.5 | 1.62 | 1.81 | 3.43 |
| New Zealand | 1,252.1 | 0.14 | 0.19 | 0.33 |
| Norway | 3,754.7 | 0.94 | 0.94 | 1.88 |
| Oman | 544.4 | 0.08 | 0.08 | 0.16 |
| Peru | 1,334.5 | 0.97 | 0.97 | 1.94 |
| Philippines | 2,042.9 | 1.40 | 1.54 | 2.94 |
| Poland | 4,095.4 | 0.63 | 0.58 | 1.21 |
| Qatar | 735.1 | 0.08 | 0.07 | 0.14 |
| Russian Federation | 12,903.7 | 4.04 | 6.36 | 10.39 |
| Saudi Arabia | 9,992.6 | 1.86 | 1.75 | 3.61 |
| Singapore | 3,891.9 | 0.35 | 0.33 | 0.68 |
| Slovak Republic | 1,001.0 | 0.25 | 0.26 | 0.51 |
| Slovenia | 586.5 | 0.09 | 0.08 | 0.17 |
| South Africa | 3,051.2 | 0.21 | 0.30 | 0.51 |
| Spain | 9,535.5 | 1.73 | 1.68 | 3.41 |
| Sweden | 4,430.0 | 0.76 | 0.84 | 1.60 |
| Switzerland | 5,771.1 | 0.79 | 1.11 | 1.91 |
| Thailand | 3,211.9 | 0.86 | 1.13 | 1.99 |
| Trinidad and Tobago | 469.8 | 0.25 | 0.18 | 0.43 |
| United Arab Emirates | 2,311.2 | 0.37 | 0.34 | 0.71 |
| Uruguay | 429.1 | 0.41 | 0.60 | 1.01 |

Table 1. Country Shares of Somalia's Deferred Charges and SCA-1¹ (continued)
(In millions of SDRs)

| Countries | Quotas (as of October 2019) | Share of Deferred Charges (as of October 31, 2019)³ | Assumed SCA-1 Distributions⁴ | Total Distributions |
|--------------------------|--|---|--|--------------------------------|
| Non-FTP countries | 74,760.7 | 38.98 | 33.64 | 72.62 |
| Albania | 139.3 | 0.03 | 0.01 | 0.04 |
| Angola | 740.1 | 0.05 | 0.00 | 0.05 |
| Antigua and Barbuda | 20.0 | 0.00 | 0.00 | 0.00 |
| Argentina | 3,187.3 | 5.10 | 6.65 | 11.75 |
| Armenia | 128.8 | 0.05 | 0.02 | 0.07 |
| Azerbaijan, Rep. of | 391.7 | 0.06 | 0.10 | 0.16 |
| Bahamas, The | 182.4 | 0.01 | 0.00 | 0.01 |
| Bahrain, Kingdom of | 395.0 | 0.13 | 0.09 | 0.23 |
| Bangladesh | 1,066.6 | 0.41 | 0.30 | 0.70 |
| Barbados | 94.5 | 0.02 | 0.02 | 0.04 |
| Belarus | 681.5 | 0.18 | 0.10 | 0.29 |
| Belize | 26.7 | 0.01 | 0.01 | 0.02 |
| Benin | 123.8 | 0.00 | 0.00 | 0.00 |
| Bhutan | 20.4 | 0.00 | 0.00 | 0.00 |
| Bolivia | 240.1 | 0.12 | 0.09 | 0.21 |
| Bosnia and Herzegovina | 265.2 | 0.10 | 0.09 | 0.19 |
| Bulgaria | 896.3 | 0.63 | 0.85 | 1.48 |
| Burkina Faso | 120.4 | 0.01 | 0.01 | 0.02 |
| Burundi | 154.0 | 0.01 | 0.00 | 0.01 |
| Cambodia | 175.0 | 0.00 | 0.00 | 0.01 |
| Cameroon | 276.0 | 0.10 | 0.08 | 0.18 |
| Cape Verde | 23.7 | 0.00 | 0.00 | 0.00 |
| Central African Republic | 111.4 | 0.02 | 0.01 | 0.03 |
| Chad | 140.2 | 0.01 | 0.01 | 0.01 |
| Comoros | 17.8 | 0.00 | 0.00 | 0.00 |
| Congo, Dem. Rep. of | 1,066.0 | 0.42 | 0.40 | 0.82 |
| Congo, Republic of | 162.0 | 0.02 | 0.02 | 0.03 |
| Costa Rica | 369.4 | 0.07 | 0.06 | 0.13 |
| Côte d'Ivoire | 650.4 | 0.33 | 0.24 | 0.57 |
| Croatia | 717.4 | 0.14 | 0.16 | 0.30 |
| Cyprus | 303.8 | 0.07 | 0.04 | 0.11 |
| Djibouti | 31.8 | 0.00 | 0.00 | 0.01 |
| Dominica | 11.5 | 0.00 | 0.00 | 0.01 |
| Dominican Republic | 477.4 | 0.48 | 0.22 | 0.70 |
| Ecuador | 697.7 | 0.29 | 0.28 | 0.57 |
| Egypt | 2,037.1 | 0.46 | 0.18 | 0.63 |
| El Salvador | 287.2 | 0.00 | 0.01 | 0.01 |
| Equatorial Guinea | 157.5 | 0.00 | 0.00 | 0.01 |
| Eswatini | 78.5 | 0.01 | 0.00 | 0.01 |
| Ethiopia | 300.7 | 0.02 | 0.02 | 0.04 |
| Fiji | 98.4 | 0.02 | 0.02 | 0.04 |
| Gabon | 216.0 | 0.11 | 0.10 | 0.21 |
| Gambia, The | 62.2 | 0.01 | 0.01 | 0.02 |
| Georgia | 210.4 | 0.07 | 0.04 | 0.11 |
| Ghana | 738.0 | 0.19 | 0.19 | 0.38 |
| Greece | 2,428.9 | 1.38 | 0.22 | 1.60 |
| Grenada | 16.4 | 0.00 | 0.00 | 0.00 |
| Guatemala | 428.6 | 0.05 | 0.04 | 0.09 |
| Guinea | 214.2 | 0.02 | 0.01 | 0.03 |
| Guinea-Bissau | 28.4 | 0.00 | 0.00 | 0.00 |
| Guyana | 181.8 | 0.05 | 0.05 | 0.10 |
| Haiti | 163.8 | 0.03 | 0.03 | 0.06 |
| Honduras | 249.8 | 0.06 | 0.07 | 0.13 |
| Hungary | 1,940.0 | 1.36 | 0.84 | 2.20 |

Table 1. Country Shares of Somalia's Deferred Charges and SCA-1¹ (continued)
(In millions of SDRs)

| Countries | Quotas (as of October 2019) | Share of Deferred Charges (as of October 31, 2019)³ | Assumed SCA-1 Distributions⁴ | Total Distributions |
|----------------------------------|--|---|--|--------------------------------|
| Iceland | 321.8 | 0.08 | 0.01 | 0.09 |
| Indonesia | 4,648.4 | 2.92 | 4.52 | 7.44 |
| Iran, Islamic Republic of | 3,567.1 | 0.04 | 0.00 | 0.04 |
| Iraq | 1,663.8 | 0.45 | 0.10 | 0.55 |
| Ireland | 3,449.9 | 0.90 | 0.34 | 1.24 |
| Jamaica | 382.9 | 0.37 | 0.30 | 0.67 |
| Jordan | 343.1 | 0.33 | 0.32 | 0.65 |
| Kazakhstan | 1,158.4 | 0.12 | 0.18 | 0.30 |
| Kenya | 542.8 | 0.15 | 0.11 | 0.26 |
| Kiribati | 11.2 | 0.00 | 0.00 | 0.00 |
| Kosovo | 82.6 | 0.01 | 0.00 | 0.01 |
| Kyrgyz Republic | 177.6 | 0.02 | 0.03 | 0.04 |
| Lao People's Democratic Republic | 105.8 | 0.00 | 0.00 | 0.00 |
| Latvia | 332.3 | 0.09 | 0.06 | 0.15 |
| Lebanon | 633.5 | 0.09 | 0.04 | 0.12 |
| Lesotho | 69.8 | 0.00 | 0.00 | 0.01 |
| Liberia | 258.4 | 0.43 | 0.31 | 0.74 |
| Libya | 1,573.2 | 0.89 | 0.66 | 1.55 |
| North Macedonia, Republic of | 140.3 | 0.05 | 0.05 | 0.10 |
| Madagascar | 244.4 | 0.05 | 0.04 | 0.09 |
| Malawi | 138.8 | 0.04 | 0.03 | 0.07 |
| Maldives | 21.2 | 0.01 | 0.00 | 0.01 |
| Mali | 186.6 | 0.03 | 0.03 | 0.06 |
| Mauritania | 128.8 | 0.03 | 0.02 | 0.05 |
| Moldova | 172.5 | 0.09 | 0.11 | 0.21 |
| Mongolia | 72.3 | 0.02 | 0.01 | 0.03 |
| Montenegro | 60.5 | 0.00 | 0.00 | 0.00 |
| Morocco | 894.4 | 0.38 | 0.31 | 0.69 |
| Mozambique | 227.2 | 0.00 | 0.00 | 0.00 |
| Myanmar | 516.8 | 0.00 | 0.01 | 0.01 |
| Namibia | 191.1 | 0.00 | 0.00 | 0.00 |
| Nauru | 2.8 | 0.00 | 0.00 | 0.00 |
| Nepal | 156.9 | 0.02 | 0.02 | 0.04 |
| Nicaragua | 260.0 | 0.01 | 0.01 | 0.02 |
| Niger | 131.6 | 0.04 | 0.03 | 0.07 |
| Nigeria | 2,454.5 | 0.01 | 0.00 | 0.01 |
| Pakistan | 2,031.0 | 1.38 | 0.96 | 2.34 |
| Panama | 376.8 | 0.16 | 0.16 | 0.32 |
| Papua New Guinea | 131.6 | 0.05 | 0.06 | 0.11 |
| Paraguay | 201.4 | 0.04 | 0.03 | 0.06 |
| Portugal | 2,060.1 | 1.16 | 0.47 | 1.63 |
| Romania | 1,811.4 | 1.14 | 0.76 | 1.89 |
| Rwanda | 160.2 | 0.01 | 0.01 | 0.02 |
| Samoa | 16.2 | 0.00 | 0.00 | 0.00 |
| San Marino | 49.2 | 0.01 | 0.00 | 0.01 |
| Sao Tome & Principe | 14.8 | 0.00 | 0.00 | 0.00 |
| Senegal | 323.6 | 0.07 | 0.06 | 0.12 |
| Serbia | 654.8 | 0.35 | 0.33 | 0.68 |
| Seychelles | 22.9 | 0.00 | 0.00 | 0.00 |
| Sierra Leone | 207.4 | 0.06 | 0.05 | 0.12 |
| Solomon Islands | 20.8 | 0.00 | 0.00 | 0.00 |
| Somalia | 44.2 | 0.20 | 0.16 | 0.36 |
| South Sudan | 246.0 | 0.00 | 0.00 | 0.00 |
| Sri Lanka | 578.8 | 0.41 | 0.23 | 0.65 |

Table 1. Country Shares of Somalia's Deferred Charges and SCA-1¹ (concluded)
(In millions of SDRs)

| Countries | Quotas (as of October 2019) | Share of Deferred Charges (as of October 31, 2019)³ | Assumed SCA-1 Distributions⁴ | Total Distributions |
|---|--|---|--|--------------------------------|
| St. Kitts and Nevis | 12.5 | 0.00 | 0.00 | 0.00 |
| St. Lucia | 21.4 | 0.00 | 0.00 | 0.00 |
| St. Vincent and the Grenadines | 11.7 | 0.00 | 0.00 | 0.00 |
| Sudan | 169.7 | 0.95 | 0.85 | 1.80 |
| Suriname | 128.9 | 0.00 | 0.00 | 0.00 |
| Tajikistan | 174.0 | 0.01 | 0.01 | 0.02 |
| Tanzania | 397.8 | 0.04 | 0.03 | 0.07 |
| Timor-Leste, The Democratic Republic of | 25.6 | 0.00 | 0.00 | 0.00 |
| Togo | 146.8 | 0.02 | 0.02 | 0.04 |
| Tonga | 13.8 | 0.00 | 0.00 | 0.00 |
| Tunisia | 545.2 | 0.41 | 0.29 | 0.70 |
| Turkey | 4,658.6 | 6.63 | 5.28 | 11.91 |
| Turkmenistan, Republic of | 238.6 | 0.00 | 0.00 | 0.00 |
| Tuvalu | 2.5 | 0.00 | 0.00 | 0.00 |
| Uganda | 361.0 | 0.05 | 0.03 | 0.08 |
| Ukraine | 2,011.8 | 1.90 | 1.25 | 3.15 |
| Uzbekistan | 551.2 | 0.05 | 0.08 | 0.13 |
| Vanuatu | 23.8 | 0.00 | 0.00 | 0.01 |
| Venezuela, República Bolivariana de | 3,722.7 | 2.57 | 2.28 | 4.85 |
| Vietnam | 1,153.1 | 0.08 | 0.09 | 0.17 |
| Yemen, Republic of | 487.0 | 0.05 | 0.07 | 0.11 |
| Zambia | 978.2 | 0.66 | 0.57 | 1.23 |
| Zimbabwe | 706.8 | 0.11 | 0.17 | 0.28 |

Source: Finance Department.

¹ Amounts less than SDR 5,000 are rounded to "0.00."

² The Fund's Financial Transactions Plan (FTP).

³ Distributions based on countries' shares of deferred charges that will be refunded once Somalia clears its arrears to the Fund, based on current data. Deferred charges continue to accumulate and are expected to reach about SDR 120 million in early 2020.

⁴ Countries' contributions to the SCA-1 account. Accumulations in the account were suspended effective November 1, 2006.

Appendix II. Sample Communications from Participants

Sample Communication No. 1

(To be sent by a member who wishes to transfer its share of SCA-1 balances and proceeds of deferred charges adjustments to the Somalia Administered Account contemplated in the proposed decision)

Pursuant to the decision set forth in EBS/19/---, [Member] hereby consents to the transfer to the Somalia Administered Account of its interest in the SCA-1 balances and proceeds of deferred charges adjustments that are covered by the terms of that decision.

Sample Communication No. 2

(To be sent by a member who wishes to transfer its share of SCA-1 balances and proceeds of deferred charges adjustments to an account other than the Somalia Administered Account)

- (a) When the decision set forth in EBS/19/--- becomes effective, please transfer to the PRG-HIPC Trust the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision; or
- (b) When the decision set forth in EBS/19/--- becomes effective, please transfer to the Interim Somalia Subaccount the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision; or
- (c) When the decision set forth in EBS/19/--- becomes effective, please transfer to [name of the account] the equivalent amount of SDRs of the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision.

Sample Communication No. 3

(To be sent by a member who wishes to transfer its share of SCA-1 balances and proceeds of deferred charges adjustments to more than one account)

Pursuant to the decision set forth in EBS/19/---, [Member] hereby consents to the transfer to the Somalia Administered Account of the equivalent of SDR[---] million of its interest in the SCA-1 balances and proceeds of deferred charges adjustments that are covered by the terms of that decision. Further, when the decision set forth in EBS/19/--- becomes effective, please transfer to (i) the PRG-HIPC Trust the equivalent of SDR [---] of the SCA-1 balances and proceeds of deferred charges adjustments that are distributable to [Member] pursuant to paragraphs 6(c) and 6(f) of that decision, and (ii) transfer to [name of the account] the equivalent amount of SDRs for the remaining

interest in the SCA-1 balances and proceeds of deferred charges adjustments that are covered by the terms of that decision.

Sample Communication No. 4

(To be sent by a member or other donor who wishes to provide assurances of NEW CASH CONTRIBUTIONS)

This is to confirm that [Member/Donor] commits to contribute a grant in an amount equivalent to SDR [---] million to the Somalia Administered Account [or the PRG-HIPC Trust or to a subaccount under the FIA]. It is our intention that we will disburse this contribution to the Somalia Administered Account [or PRG-HIPC Trust] within [---] months.