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February 12, 2020

The Chair's Summing Up
Somalia—Enhanced Heavily Indebted Poor Countries Initiative—
Preliminary Document
Executive Board Meeting 20/17
February 12, 2020

Executive Directors agreed that Somalia is eligible for debt relief under the Enhanced HIPC Initiative in view of its status as a PRGT-eligible and IDA-only country. They also agreed that the country's external debt burden is unsustainable and that it has demonstrated strong performance under the current Fund's staff-monitored program (SMP), which meets the standards of an Upper Credit Tranche arrangement.

Directors commended the authorities for their continued strong record in reform implementation. They recognized the continuing security, political, and climate challenges, and welcomed the authorities' ongoing efforts to progress on political reforms, and to increase economic resilience and inclusive growth.

Directors noted the progress in securing the necessary resources to finance the IMF's share of debt relief to Somalia and encouraged timely and broad participation from the membership in this exercise. They also noted plans to clear arrears to the International Development Association, and the African Development Bank. Directors encouraged the authorities to continue efforts to regularize relations with their remaining multilateral and bilateral creditors consistent with appropriate burden-sharing in the context of the HIPC Initiative. They acknowledged that restoring Somalia's debt sustainability would require significant debt relief by all creditors on a comparable basis, including beyond-HIPC relief.

Directors agreed that Somalia could reach its HIPC Decision Point in late March 2020, together with the approval of an ECF/EFF-supported program, provided that (i) performance under the second review of the current SMP is confirmed as satisfactory by IMF Management; (ii) the authorities clear their arrears to multilateral creditors or agree on a strategy to clear them; and (iii) agreement is reached with the authorities on appropriate completion point triggers. Directors also noted that sufficient financing assurances to cover the costs of IMF's share of HIPC debt relief would be needed before the Decision Point.

Directors broadly agreed with the suggested triggers for the floating completion point, noting that they strike an appropriate balance between credible reforms and achievable objectives. They encouraged all partners to ensure that their conditions, and supportive capacity building efforts, are effectively coordinated and sequenced. Directors emphasized

that effective implementation of triggers in the areas of governance, revenue mobilization, public financial management, social sectors, and public debt is important.

Directors emphasized that the Fund's program design should incorporate lessons learned from previous HIPC cases, and promote long-term debt sustainability. They also emphasized that the new program should support greater cooperation between the Federal Government of Somalia and the Federal Member States on fiscal issues.