

**EXECUTIVE  
BOARD  
MEETING**

EBS/20/17  
Correction 1

March 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Somalia—Second Review Under the Staff-Monitored Program and Requests for Three-Year Arrangements Under the Extended Credit Facility and the Extended Fund Facility**

Board Action:

The attached corrections to EBS/20/17 (3/11/20) have been provided by the staff:

**Factual Errors Not Affecting the Presentation of Staff's Analysis or Views**

**Pages 13 and 20**

Questions:

Ms. Holland, MCD (ext. 36358)  
Mr. de Imus, MCD (ext. 36256)  
Mr. Kohler, MCD (ext. 34106)



### Box 1. Triggers for the Floating Completion Point

#### Poverty reduction strategy implementation

- Satisfactory implementation for at least one year of Somalia's full poverty reduction strategy, as evidenced by an Annual Progress Report on NDP9 implementation the implementation of the poverty reduction strategy submitted by the government to IDA and the IMF.

#### Macroeconomic stability

- Maintain macroeconomic stability as evidenced by satisfactory implementation of the 3-year ECF-supported program.

#### Public financial and expenditure management

- Publish at least two years of the audited financial accounts of the Federal Government of Somalia.
- Issue regulations to implement the Public Financial Management Act's provisions on debt, public investment, and natural resource revenue management.

#### Domestic revenue mobilization

- Adopt and apply a single import duty tariff schedule at all ports in the Federal Republic of Somalia (to also foster greater trade integration).

#### Governance, anti-corruption, and natural resource management

- Enact the Extractive Industry Income Tax Law.
- Ratify the United Nations Convention Against Corruption (UNCAC).

#### Debt management

- Publish at least four consecutive quarterly reports outlining the outstanding stock of general government debt; monthly debt-service projections for 12-months ahead; annual principal payment projections (for at least the next five years); and key portfolio risk indicators (including proportion of debt falling due in the next 12-months; proportion of variable rate debt; and projected debt service-to-revenues and debt service-to-exports for the next five years).

#### Social sectors

- Establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs.
- FGS and FMS Ministers of Health adopt a joint national health sector strategy.
- FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations.

#### Growth/structural

- Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector.
- Issue Company Act implementing regulations on minority shareholder protection (to encourage private sector investment).

#### Statistics

- Publish at least two editions of the "Somalia Annual Fact Book".

## PROGRAM MODALITIES AND FINANCING ASSURANCES

**39. To support their policy and development efforts, the authorities are cancelling the SMP and requesting three-year blended arrangements under Extended Credit and Extended Fund Facilities (ECF/EFF) in the total amount of ~~SDR 291~~ SDR 292.4 million (~~178-179~~ percent of quota<sup>11</sup>).** Reflecting annual PRGT access limits, such arrangements would involve access of SDR 253 million (155 percent of quota) under the Poverty Reduction and Growth Trust (PRGT) and SDR ~~38~~ 39.6 million (23 percent of quota) under the General Resources Account (GRA). This would be consistent with the principle that PRGT-eligible members that are not presumed to blend should first seek to meet their needs through the PRGT facilities. Phasing will be front-loaded given the large upfront balance of payments (BoP) need. The authorities have informed staff that they intend to use most of the proceeds of the initial disbursement to repay the bridge financing needed to clear arrears to the IMF. The full amount of the EFF arrangement will be available in the first purchase, and if drawn as expected, the EFF arrangement will lapse. This unusual structure reflects the up-front nature of Somalia's financing needs and is consistent with precedent; program monitoring will continue under the three-year ECF arrangement. Access under the ECF arrangement is expected to be evenly phased and to be used for CBS reserves accumulation (see Table 9). The latter will be monitored via a QPC on net foreign assets. The level of access is consistent with Somalia's BoP need.

**40. The program will be monitored by QPCs and ITs which are aimed at continuing to increase domestic revenues and create fiscal space for development spending, while maintaining fiscal discipline, and building reserves.** Quantitative anchors include fiscal cash balance, domestic revenue floor, ceiling on non-priority spending, and floor on net foreign assets of the central bank. In addition, the program includes limits on domestic arrears and public debt accumulation (see Attachment I). In line with IMF guidelines on engagement with fragile states, program conditionality is parsimonious and focused on macroeconomic criticality. The program will have semi-annual reviews, with QPCs, ITs, and SBs set for the first 12 months. Remaining SBs from SMP-IV will be carried into the new Fund-supported program. The program also aims to support the achievement of the complementary floating CP-triggers (Box 1), which focus on strengthening public financial and debt management, governance, and reforms to reduce poverty and improve social conditions.

<sup>11</sup> Based on Somalia's new quota of SDR 163.4 million.