

**EXECUTIVE
BOARD
MEETING**

EBS/20/17
Correction 2

March 24, 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 correction to EBS/20/17 (3/11/20) has been provided by the staff:

Evident Ambiguity

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

humanitarian assistance facilitated higher food imports, mitigating the impact on food insecurity and growth. Fall rains suggested improved conditions for early 2020, but the impact of the recent locust invasion makes the near-term outlook less certain. Inflation was 3.1 percent for 2019 as better food supply and lower transport costs eased pressures on food prices in the second half of the year. The current account deficit widened to 12 percent of GDP from 10 percent, partly reflecting the increase in humanitarian supported imports.

6. Management has approved the completion of the second review of SMP IV. All end-September, October, and December indicative targets (ITs) were met and all structural benchmarks (SBs) except one were also met. Despite a significant increase in the use of commitment controls, SB#4 was narrowly missed given the value of payments subject to commitment controls only increased to 74 percent, narrowly missing the 75 percent target. Progress is well advanced on the February 2020 SBs (Tables 1 and 2).

7. Fiscal data reflects continued strong performance in 2019 (Table 4a and 4b). FGS domestic revenue for 2019 reached \$230 million compared to \$183 million in 2018 and the IT of \$196 million. This reflected both an increase in tax revenues (of US\$16 million or 11 percent relative to 2018) due to the ongoing payoffs of earlier reforms, and a sharper increase in non-tax revenues (US\$31 million or 68 percent), including due to the commencement of regular payments by the International Air Transport Association of over-flight fees but also reflecting two one-off receipts for the payment of telecommunications licenses (\$8.5 million) and a recovery from the International Civil Aviation Organization of back payment of overflight fees (\$6.5 million). Expenditures came in below projections (US\$315 million relative to US\$341 million), resulting in an estimated fiscal surplus for 2019 of US\$24 million. The surplus includes US\$10 million which is earmarked for use in 2020 and about US\$0.5 million for paying down the stock of domestic arrears.

Text Table 1. Selected Economic Indicators, 2016-23

(Percent of GDP, unless otherwise indicated)

	Est.				Proj.			
	2016	2017	2018	2019	2020	2021	2022	2023
National income and CPI								
	(Percent)							
Real GDP growth	2.9	1.4	2.8	2.9	3.2	3.5	3.7	3.9
Inflation (CPI, e.o.p.)	1.2	6.1	3.2	3.1	3.0	2.5	2.2	2.2
Fiscal 1/								
Revenue and grants	4.1	6.0	5.7	6.8	9.5	10.8	12.4	13.6
of which: grants	1.4	2.8	1.8	2.2	5.0	6.0	7.2	7.7
Total expenditure	3.3	5.3	5.7	6.3	9.1	9.5	10.4	11.7
of which: Comp. of employees 2/	1.3	2.8	3.0	3.3	4.2	4.3	4.7	5.0
Overall balance	0.8	0.7	0.1	0.5	0.4	1.4	2.0	1.8
Overall balance, net	0.0	0.0	0.0	0.6	0.0	1.0	1.7	1.7
External sector and debt								
Current account balance	-9.4	-9.8	-10.3	-11.9	-12.3	-12.5	-12.5	-12.7
Trade balance	-74.4	-86.7	-84.8	-86.6	-88.9	-89.3	-90.2	-86.6
Remittances	32.5	31.5	31.3	31.9	32.4	32.7	32.9	32.1
Grants	33.3	46.1	43.9	43.5	44.9	44.9	45.6	42.4
External debt 3/	121.1	115.1	111.3	106.0	73.3	70.1	66.8	9.4
Memorandum items								
	(U.S. dollar, million)							
Stock of domestic arrears	76.5	68.8	68.8	68.2	66.7	65.0	62.2	59.2

Sources: Somali authorities; and IMF staff estimates.

1/ Cash basis. Budget data for the Federal Government of Somalia (FGS); GDP data covers all of Somalia.

2/ Increase in compensation of employees in 2017 reflects bringing onto budget military spending related to the loss of an off-budget grant. The increase in 2020 reflects a reallocation of allowances from G&S to compensation in the context of Somali National Army reform.

3/ Assumes full application of traditional debt relief, multilateral arrears clearance, and interim HIPC assistance as of 2020.