

SU/20/38

CONFIDENTIAL

March 26, 2020

The Chair's Summing Up
Somalia—Request for Three-Year Arrangements Under the Extended Credit Facility
and the Extended Fund Facility; Enhanced Initiative for Heavily Indebted Poor
Countries—Decision Point Document; Termination of Ineligibility to
Use the General Resources of the Fund
Executive Board Meeting 20/29
March 24, 2020

Executive Directors welcomed Somalia's clearance of its long-standing arrears to the Fund, and the consequent restoration of the country's eligibility to use the Fund's general resources.

Directors congratulated the authorities for reaching the HIPC Decision Point and commended their sustained commitment to reform in a challenging political, security and climate environment. They welcomed the completion of the second review of the staff-monitored program, which has been endorsed as meeting the standards of upper credit tranche conditionality.

Directors considered the authorities' new three-year economic program to be an ambitious and appropriate response to Somalia's macroeconomic challenges. They stressed that continued reform commitment, supported by capacity development from partners, will be critical to achieve the program's objectives, as well as to secure higher and more inclusive growth. Directors also encouraged the authorities to continue strengthening the cooperation between the Federal Government of Somalia and Federal Member States.

Directors noted that the medium-term fiscal framework under the program appropriately balances the need to contain recurrent spending while channeling new resources toward Somalia's development plan. They emphasized the importance of strengthening fiscal federalism and revenue mobilization, and building social protection mechanisms. Directors welcomed Somalia's comprehensive public financial management law and urged its swift implementation. They also encouraged efforts to strengthen debt management and take a conservative approach to any future borrowing to minimize the risk of falling back into debt distress.

Directors welcomed the central bank's efforts to strengthen its organizational capacity and enhance regulation and supervision, which is critical for a robust and sustainable financial sector. They supported continued capacity building efforts to improve AML/CFT compliance

and recommended quick completion of the national risk assessment. Directors also stressed the importance of advancing with reforms to promote good governance.

Directors emphasized the need to improve macroeconomic statistics, particularly GDP and balance of payments data. They encouraged the authorities to create an independent national statistics office and implement the macroeconomic statistics action plan.

Directors commended the consultative process that accompanied the drafting of the Ninth National Development Plan (NDP9) and recommended that the authorities update the underlying macroeconomic policy framework and complete its costing exercise. They called on the international community to continue providing financial and technical assistance to support the authorities' reforms and the implementation of the NDP9.

Directors supported Somalia's request for interim assistance under the HIPC Initiative on its debt service obligations falling due to the Fund over the next 12 months. They welcomed the progress made in securing commitments from other creditors to provide debt relief in the context of the HIPC Initiative and emphasized the need for equitable burden-sharing across all creditors. Directors supported the coverage and content of the HIPC Completion Point triggers, which focus on growth, public financial management, debt management, governance, domestic revenue mobilization, and statistics.

Directors recognized the emerging risks to the outlook and program given the global COVID-19 pandemic and regional desert locust swarm. They urged staff to remain vigilant and adjust the program if needed, and agreed that continued support from the international community will be critical going forward.