

**EXECUTIVE
BOARD
MEETING**

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November 4, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Somalia—First Review Under the Extended Credit Facility Arrangement, Request for Waiver of Nonobservance of a Performance Criterion, and Request for Modification of Performance Criteria**

Board Action:	Executive Directors' consideration (Formal)
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Questions:	Ms. Holland, MCD (ext. 36358) Ms. Yang, MCD (ext. 38123)
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*The authorities have indicated that they consent to the Fund's publication of this paper.



SOMALIA

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

November 4, 2020

EXECUTIVE SUMMARY

Context. Soon after reaching the HIPC Decision Point and embarking on a new IMF-supported program aimed at supporting the implementation of the authorities' National Development Plan and lifting growth, Somalia was hit by a triple shock of flooding, desert locusts, and, importantly, the coronavirus pandemic. Prompt action by the authorities and support from the international community has helped mitigate the impact on peoples' lives and livelihoods, however, these shocks have had a significant impact on economic activity, exports, and domestic fiscal revenues.

Program performance. Despite the crisis, the authorities remain steadfast in their commitment to the program and performance is broadly satisfactory. All structural benchmarks (SBs), indicative targets (ITs) and all but one quantitative performance criterion (QPCs) for end-June 2020 were met, together with the SBs for end-September and end-October, and all but one IT for end-September. Nevertheless, COVID-19 negatively affected domestic revenues, resulting in a miss of the related end-June QPC and end-September IT, and the authorities are requesting a waiver for nonobservance based on their submission for cabinet approval of a 2021 budget that supports a recovery in domestic revenues. Moreover, given prevailing uncertainties, they are requesting a modification of the end-December 2020 QPC on domestic revenues to an IT, and a modification to the QPC on net foreign assets to include an adjustor but also to take due account of their over-performance through June. The authorities are also requesting to reset the target date for enacting the Targeted Financial Sanctions Law to June 2021 given COVID-19 related delays and the upcoming election schedule.

Program and other risks. Somalia's vulnerability to security, political and climate risks have not fundamentally changed since the program request. However, uncertainties surrounding the potential path of the COVID-19 pandemic imply the near-term economic outlook is more uncertain. Risks continue to be mitigated by the authorities' strong track record of reform and donor support.

Staff views. Staff supports the completion of the first review under the ECF arrangement, which will make available SDR 7 million.

Approved By
Thanos Arvanitis
(MCD) and Gavin
Gray (SPR)

Discussions were held virtually from September 12–22, 2020. The staff team consisted of A. Holland (Head), P. de Imus, A. Chaudry, L. Agoumi (all MCD), G. Kalyandu (FAD), T. Orav (SPR), I. Samake (Resident Representative), W. Irungu (Economist, IMF Office, Somalia), and P. Muir (FAD consultant). The mission met with the Finance Minister, Dr. Abdirahman Beileh; Minister of Constitutional Affairs, Salah Ahmed Jama; Minister of Justice, Hassan Hussein Haji; Minister of Petroleum and Mineral Resources, Abdirashiid Mohamed Ahmed; Minister of Post, Telecommunication and Technology, Abdi Ashur Hassan; Central Bank Governor, Abdirahman Mohamed Abdullahi; and other senior officials. Mr. Abdulqafar Abdullahi (OED) participated in key policy meetings, and the Executive Director, Mr. Dumisani H. Mahlinza and the Alternate Executive Director, Ms. Ita Mary Mannathoko, attended the concluding meeting. The mission also met with representatives of bilateral and multilateral donors.

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BACKGROUND AND CONTEXT

1. The first half of 2020 has been very challenging for Somalia given the unprecedented triple shock of flooding, desert locusts, and the global coronavirus pandemic. This has led to increased displacement of thousands of people, increased food insecurity and increased vulnerability to disease. Security issues also remain a persistent problem.

2. In response to the COVID-19 pandemic, the authorities are implementing a Country Preparedness and Response Plan (CPRP) with the support of international partners.

Complementing the CPRP, the authorities introduced various containment measures, and intensified public health communication. Official numbers indicate the infection rate slowed through the summer, but there are signs it is increasing again, particularly in Puntland and Somaliland, as containment measures have been relaxed—schools reopened (August 15) and flights resumed (July 5 for domestic and August 3 for international) (Figure 1). Within the authorities' limited policy space and resources, some fiscal and financial support measures were also implemented, including: (i) temporary tax relief on some basic food commodities (partly offset by a permanent tax increase on some other products); (ii) donor-funded expansion of the social safety net; (iii) donor-funded lending-support to small and medium-sized enterprises; and (iv) additional donor-funded transfers to federal member states (FMS).

3. The upcoming national elections add political uncertainty. A new Prime Minister (PM) was approved on September 18, following the resignation of the former PM after a no confidence vote in parliament on July 25. Following protracted negotiations with the FMS, the model for the upcoming national and Presidential elections has been agreed. Parliamentary elections will take place in December, and the new President is expected to be elected in February 2021 by the new members of the House of the People ("Lower House"). The agreed model modestly expands suffrage relative to the 2016/17 elections but falls short of the original goal of a "one-person, one-vote" system.

4. Despite these challenges, the authorities continue to make progress towards the HIPC Completion Point (CP) and debt relief. On March 31, an umbrella restructuring agreement was reached with the Paris Club, and on October 5 the authorities submitted to the Paris Club an initial semi-annual progress report on the status of discussions with creditors. This indicates negotiations with Paris Club members are advancing, with agreements reached with Spain and the U.S., and are underway with a number of non-Paris Club creditors, notably Arab bilateral and plurilateral creditors.

RECENT DEVELOPMENTS

5. Despite the triple shock, recent data indicates some economic resilience. Relative to the ECF-request projections of 3.2 percent growth in 2020, staff now project a contraction of 1.5 percent, implying a contraction of about 4.4 percent in real per-capita-incomes. While this is considerably worse than in the program request (Text Table 1, Table 1), it is more optimistic than the

authorities' projection (-5 percent) in April. This smaller contraction is supported by recent data on imports, which, together with stronger-than-anticipated remittance flows, point to some resilience in domestic demand (Figure 1). A new World Bank-funded social safety-net program ("Baxnaano") and a subsequent emergency locust response are also supporting demand through cash transfers to poor and vulnerable households (Annex I). However, exports have been hit hard, partly reflecting the cancellation of the Hajj, a large export market for Somali livestock, together with the airline and hospitality sectors.

6. Data through September suggest the pressures on the financial sector have eased since the Spring (Table 4).

- a. Remittance inflows to Money Transfer Businesses (MTBs) initially dropped significantly, but inflows increased 2.3 percent in Q2 compared to Q1 and

preliminary data for Q3 suggest this trend has been sustained (Figure 1).¹ Businesses' payments abroad to purchase imports have also held up, suggesting continued activity in the informal trading sector during the lockdown.

- b. Bank deposits experienced outflows in March and April, but have since rebounded and are only slightly down from Dec-2019 levels, reducing immediate liquidity pressures.² However, formal credit to the private sector has slowed, driven mainly by a slowdown in trade financing and construction loans.

Text Table 1. Somalia: Revised Projections for 2020 and 2021

	Est 2019	Proj.			
		2020		2021	
		ECF	1st Review	ECF	1st Review
National income and prices					
Real GDP, annual percentage change	2.9	3.2	-1.5	3.5	2.9
Consumer prices (e.o.p., percent change)	3.1	3.0	3.0	2.5	2.5
(Millions of U.S. dollars)					
Central government finances 1/					
Revenue and grants	338.3	493.2	617.7	595.3	537.4
Domestic revenue	229.7	234.4	194.0	266.9	260.0
Grants	108.6	258.8	423.7	328.4	277.4
Expenditure (FGS)	314.5	474.6	628.3	520.6	515.4
Overall balance	23.9	18.5	-10.6	74.7	22.0
(Percent of GDP)					
Revenue and grants	6.8	9.5	12.6	10.8	10.0
Domestic revenue	4.6	4.5	3.9	4.8	4.8
Grants	2.2	5.0	8.6	6.0	5.2
Expenditure (FGS)	6.4	9.1	12.8	9.5	9.6
Overall balance	0.5	0.4	-0.2	1.4	0.4
(Millions of U.S. dollars)					
Balance of payments					
Exports of goods and services	1,120	1,178	702	1,230	1,170
Imports of goods and services	5,224	5,817	5,184	6,148	5,830
Remittances	1,578	1,690	1,543	1,801	1,662
Grants	2,043	2,345	2,344	2,471	2,343
(Percent of GDP)					
Exports of goods and services	22.7	22.6	14.3	22.3	21.8
Imports of goods and services	105.7	111.5	105.4	111.6	108.7
Remittances	31.9	32.4	31.4	32.7	31.0
Grants	41.3	44.9	47.7	44.9	43.7

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Budget data for the Federal Government of Somalia. Fiscal operations are recorded on a cash basis. GDP data cover the entire territory of Somalia.

¹ This is somewhat due to surge in inflows to non-governmental organizations through which a large portion of humanitarian support is channeled. Anecdotal evidence suggests that flows were sustained by the Somali diaspora's solidarity with friends and family, with an increase in digitalization helping resolve initial operational challenges due to travel restrictions.

² Banks' liquidity conditions are tied to the flow of remittances.

7. Fiscal revenues have been negatively impacted by COVID-19. Although Q1 domestic revenues were consistent with expectations, disruptions to international trade and commercial activity hit trade and sales taxes in Q2, especially lucrative khat receipts (Figure 1). In addition, non-tax revenues have been hit by the drop in international travel, and delays in implementing the new licensing and regulatory framework for the telecommunications industry. Sub-national governments, including the FMS and Somaliland, have also seen their revenues fall given the impact of COVID-19.

8. A 2020 supplementary budget was approved and adopted on August 3 (Table 2a).

Relative to the original budget, estimated Federal Government of Somalia (FGS) domestic revenues have been reduced by \$67 million and grants increased by \$179 million, including additional World Bank support (\$55 million), front-loading of EU budget support and anticipated African Development Bank (AfDB) support (\$13 million). This has allowed the authorities increase expenditures (to \$685 million from \$476 million), driven by project-specific activities, including a significant increase in donor-financed social spending (to \$93 million) and provision for increased transfers to sub-national governments (\$104 million) to mitigate their loss of revenues.³ While the supplementary budget indicates unfunded contingent expenditures of \$74 million, given Somalia's financing constraints and limited cash balances, the authorities will prioritize expenditures according to their sequestration rule to match available resources.

OUTLOOK AND RISKS

9. While the crisis is expected to lead to lower near-term growth, the medium and long-term goals of the program are still achievable (Table 1). Reaching the HIPC DP and the related improvement in access to development grants was expected to result in a higher trajectory for growth from 2020 but this has now been delayed. Nevertheless, a recovery is anticipated in 2021, with growth reaching about 3 percent, assuming the impact of the pandemic continues to abate. Growth would then gradually accelerate to a long-term average of 4.75 percent as expected pay-offs from physical and human capital investment materialize. This implies positive real per-capita GDP growth of close to 2 percent over the long run.

10. Although the nature of risks to the program remain as outlined in the ECF-request,⁴ the outlook is more uncertain. In particular, the duration and impact of the COVID-19 crisis remains uncertain. While the clarity on the election model and timing is helpful, there remains a risk that the election will lead to delays in progressing key legislation and temporarily diminish focus on

³ The level of transfers agreed between the FGS and FMS Ministers of Finance reflect the projected loss of domestic revenues of each sub-national government. Utilization of resources can be monitored through a number of channels, including the continued reporting by the FMS to the FGS on the utilization of FGS transfers, the quarterly publication by each FMS of its respective fiscal outturn, and the monthly reporting of fiscal outturns to the FGS and international partners in the current COVID context.

⁴ [Somalia : Second Review Under the Staff-Monitored Program and Request for Three-Year Arrangements Under the Extended Credit and The Extended Fund Facilities.](#)

reforms. The authorities' continued reform commitment, together with the committed support for the HIPC process from regional leaders,⁵ coupled with ongoing partner support, mitigate the risks.

11. In the near term, financing risks to the program are mitigated by current grant commitments, FGS fiscal savings, and the authorities' continued fiscal discipline. An adverse scenario could materialize if the downward trajectory in COVID-19 infections reverses and/or another climate shock hits. And the impact of such shocks could be more persistent than currently projected. If remittances and grants were not to increase further—for instance, given competing demands on donors, or if stimulus measures in remittance source countries wane, then economic growth and domestic revenues would be lower, increasing financing needs. While the sequestration rule and other buffers help mitigate some risk, the authorities would need additional support from the international community to address a significant adverse scenario.

PROGRAM PERFORMANCE

12. Program performance is broadly satisfactory. All structural benchmarks (SBs), indicative targets (ITs) and all but one quantitative performance criterion (QPCs) for end-June were met, together with the SBs for September and October, and all but one IT for end-September (Memorandum of Economic and Financial Policies (MEFP) Tables 1 and 2). Specifically, the impact of the pandemic on trade and sales tax revenues has resulted in the floor on FGS domestic revenues being missed (QPC#1, Figure 1, MEFP Table 1) by \$10 million and the related IT by \$14 million in September. Strong grant receipts have ameliorated the cashflow situation, and the authorities did not incur any new external debt (QPC #4 and #5; IT #3).

13. Although expenditures have increased in some key areas, FGS-spending has been contained within agreed levels. FGS spending on compensation, goods and services, and contingency was \$136.5 million within the June program ceiling of \$154 million (QPC #2), and the authorities also met the fiscal balance IT for June (IT #1). Moreover, no new domestic arrears were accumulated (ITs #2). The Central Bank of Somalia (CBS) met the floor on net foreign assets (NFA) with \$71 million (QPC #3) reflecting commissions earned on increased donor support.

14. The authorities are requesting a waiver for nonobservance of the missed QPC. This is based on their submission for cabinet approval of a 2021 budget that ensures domestic revenues recover consistent with the economic outlook and the program objectives. However, they are also requesting a modification of the December QPC to an IT given the continued uncertainty surrounding 2020 revenues⁶ and to the QPC on NFA to include an adjustor. The adjustor would

⁵ In September 2019, Presidents of the FMS explicitly confirmed their support for the HIPC process, which implicitly binds support for the ECF-supported program given it is necessary for the program to remain on track for Somalia to reach the HIPC CP.

⁶ In line with the discussion on review-centric monitoring of quantitative conditionality in "Fund's Pandemic Response Lending Options to Support Members During the Next Stage of the Crisis" (September 3, 2020; SM/20/141).

allow reserves to be drawn as a last resort should fiscal revenues underperform the program baseline due to Covid-19, subject to limits. The authorities are also requesting the December QPC on NFA be increased to take account of the overperformance through June and support the program's objective of reserves accumulation.

15. QPCs and ITs have been set through September 2021. The proposed fiscal targets (MEFP Table 1) have been established taking account of discussions on the outlook for the remainder of 2020, the draft 2021 budget and updated medium-term fiscal framework (MTFF). The NFA QPC for June 2021 was also established with the central bank.

16. Understandings have been reached with the authorities on two new SBs (MEFP Table 2). SB #8, due June 2021, is aimed at improving fiscal transparency and accountability at the general government level, a process begun under the fourth Staff Monitored Program. SB #9, due March 2021, is aimed at improving transparency and governance around the nascent regulatory regime for telecommunications, a key industry. Both SBs are discussed in further detail below. The draft Targeted Financial Sanctions Law has now been revised, but an extension in the timeframe for enacting the law to June 2021 (SB# 7) was agreed given COVID-19 related delays in parliamentary outreach and the elections timetable (see paragraph 29). The program is expected to revert to the standard of setting SBs for a 12-month ahead period at the next review.

POLICY DISCUSSIONS

A. Recovering Revenues and Sustaining Fiscal Reform Momentum

17. Staff projects a small deficit of about \$11 million in 2020 (Table 2a). Despite corrective measures, including efforts to strengthen tax compliance, the target for domestic revenue has been revised down to \$189 million (December IT) for 2020, given continued crisis-induced uncertainty in revenue collection. Staff encouraged close monitoring of revenue developments and a readiness to defer lower priority Q4-spending if further revenue shortfalls materialize. Overall, staff and the authorities view that, depending on the prioritization and evolution of actual expenditures, a small deficit could be absorbed by the authorities' cash balances if necessary.⁷

18. The authorities are committed to implementing a 2021 budget consistent with the ECF-supported program objectives and MTFF. They plan to continue strengthening domestic revenue mobilization to create fiscal space for priority spending under the ninth National Development Plan (NDP9) and tightly control operational expenditures to safeguard fiscal buffers. In this regard, the draft 2021 budget targets a substantial increase in domestic revenues to \$260 million.

⁷ Spending reprioritization would not affect social spending as this is donor-financed.

- a. The 2021 draft budget was approved by Cabinet on October 29 and has been submitted to Parliament for approval and adoption. The draft budget is in line with program projections (Table 2a) and is anchored on the 2021-24 MTFF.⁸ It reflects the increase in the tax rate on Khat, the proposed introduction of turnover taxes as recommended by recent tax policy TA in 2021,⁹ together with the resumption of positive trends in underlying revenue collection (Text Table 2). The MTFF also reflects the potential impact of introducing the single customs tariff from 2021, though this is intended to be revenue neutral for the first year, and an anticipated broadening of the tax base with the gradual rollout of instruments under the Revenue Act. Staff also discussed the scope to increase duties/taxes on selected luxury goods; however, the authorities' experience with this in 2020 suggests a high elasticity of demand would likely offset any revenue gains.

Text Table 2. Revenue Projections, 2021

Revenues	US\$ millions
<i>Projected increase in domestic revenues in 2021</i>	66.1
<i>New measures</i>	34.2
Introduction of turnover taxes	2.0
Increase in tax rate on Khat 1/	32.2
<i>Ongoing measures</i>	
<i>Recovery from COVID-19 reflecting post-June 2020 performa</i>	31.9
Income taxes	1.1
Taxes on goods and services	8.0
Taxes on international trade	8.5
Other taxes	1.3
Non-tax revenues 2/	13.0
1/ Tax rate on Khat increased from \$2.50 to \$4.00 per kg	
2/ Increased telecommunication spectrum license fees contribute \$9.7 million	

- b. The draft budget also maintains reasonable levels of social spending, supported by donor grants, including a carryover of the residual social spending planned for 2020, and identifies and costs spending on select NDP9 priorities (SB#5), including about \$38 million discretionary activities of the FGS with the rest reflecting ongoing multi-year donor-funded projects. Going forward, the authorities' discretionary expenditures on NDP9 priorities will be guided by the MTFF; this will identify any additional space to support such spending over and above what is already programmed in the budget baseline and taking account of debt amortization falling due. This helped identify about \$26 million of the now allocated spending in the draft 2021 budget.

19. A tax audit strategy has been prepared and is being implemented (SB #1). Initial audits covered 35 companies and 100 tax returns spanning personal and corporate income, and sales tax.

⁸ The MTFF is approved by the cabinet and provides a guide to the expenditure limits outlined in the Budget Call circular sent to Ministries, Departments and Administrations (MDAs). The Staff Report for the 2019 Article IV Consultation (Country Report No. 19/256) provides more background information on Somalia's MTFF.

⁹ Potential implementation risks reflect the extent of informality and lack of proper documentation of potential taxpayers. However, these are mitigated by the financial police unit that monitors the informal sector and helps in tax collection.

The experience highlighted the need for more audit personnel and greater clarity in the regulations. Staff encouraged a sustained effort on strengthening tax administration and compliance.

20. The customs modernization project is progressing. Modeling work on the ad valorem schedule was completed, and HS codes were introduced at Bossaso and Kismayo (in addition to Mogadishu) at the end of August (SB#4). Capacity building across both customs administration and the private sector will be needed to support the transition from the current system to the ad valorem tariff and to mitigate governance risks.

21. Following the enactment of the Petroleum Law in February, the authorities have launched the petroleum exploration licensing round. Drafting of the Extractive Industry Tax law (EIT; HIPC CPT) and revised model Petroleum Sharing Agreement (PSA) has progressed, and the authorities have committed to having a coherent framework comprising Petroleum Act, model PSA and EIT law in place before issuing any licenses. This will require further work on the PSA and EIT law to reflect staff comments and ensure their consistency.

22. While uneven, cooperation on fiscal federalism appears to be improving (Annex II). FGS and FMS Ministers of Finance are meeting monthly to discuss the fiscal consequences of the crisis and, to enhance intergovernmental fiscal relations and transparency. In this regard, the FGS and FMS signed a memorandum of understanding (MOU) to facilitate data sharing and reporting. In addition, in August, substantive agreements were reached on: (i) sharing the proceeds of the World Bank supplementary development policy operation (DPO); (ii) appointing a committee to propose a more systematic basis for sharing common resources; (iii) the proposed ad valorem tariff schedule; and (iv) presentation of an aggregation of FGS and FMS budgets for 2021.

23. Staff recommended a continued focus on fiscal structural reforms and expediting efforts on customs reforms. Staff proposed a new SB (#8) to support stronger monitoring of the additional spending, particularly transfers to the subnational governments, associated with additional grants. This has focused on enhanced reporting of FMS budgets and outturns. Staff conferred with the authorities and development partners in specifying the exact benchmark to ensure it is feasible within the Somali context and consistent partners' programs.

B. Improving Debt Management Capacity

24. Despite the worse economic outlook, the assessment of debt sustainability is broadly unchanged (see DSA). Somalia is in debt distress and needs to secure the debt relief that will be provided at the CP to restore debt sustainability. At that point, and assuming post-CP borrowing is contracted on highly concessional terms,¹⁰ all debt burden indicators would be significantly below their respective thresholds in 2023, and Somalia would be expected to achieve a moderate risk rating.

¹⁰ Somalia would be expected to be still considered a fragile state and staff would expect a significant share of financing would have a grant element exceeding the minimum 35 percent.

25. Good progress is being made on putting in place the building blocks for stronger debt management. The authorities expect to acquire the Commonwealth Secretariat Meridian debt recording and management system in October, with financial assistance from the African Development Bank. World Bank and IMF TA on preparation of a debt bulletin, the regular publication of which is a HIPC CP trigger (CPT), is underway. Given critical capacity constraints, staff encouraged the authorities to secure further advisory services, with the support of partners, to advance the debt restructuring negotiations,

C. Financial and Monetary Policies and Reforms

26. The CBS is making headway on implementing its restructuring plan. A new Board of Directors, three new senior managers, a Human Resource Advisor, and a Legal Advisor, were appointed, and a transition team has been established. A broad-based capacity development program will be underpinned by a skills gap analysis to feed into the recently approved human resources policy.¹¹ CBS is preparing its first operational budget in nearly three decades for 2021. These steps will underpin CBS' medium-term business plan and considerations on a future income model.

27. There has been some progress on the currency exchange project. The World Bank is supporting an updated survey to estimate the Shillings in circulation that would be eligible for exchange. The authorities have developed a plan for the project's oversight and its coordination with all levels of government, and are working to close the project financing gap.¹² Measures will also be needed to strengthen the CBS balance sheet and ensure sufficient assets are available to backstop the new currency, before the exchange can be implemented.

28. Financial reforms are advancing in line with the Financial Sector Reform Road Map.

- a. As the delays in issuing the underlying telecommunications licenses are being resolved, the licensing of mobile money operators (MMOs) is beginning and the authorities expect to have issued licenses to the two main MMOs by end-2020. The authorities plan to sign an MOU with the National Communications Authority (NCA) and the Financial Reporting Center (FRC) to support greater coordination across the CBS, FRC, and NCA in the oversight of the sector, and facilitate adequate data sharing and a timely licensing process.
- b. Progress is being made on developing the guidance on financial reporting and accounting standards, and on developing a governance framework for Islamic banks (SB #6).

¹¹ These steps will be completed in a near future with the recruitment of a Restructuring Project Manager and a Communications Advisor.

¹² The currency exchange project costing would address the printing of new banknotes, including counterfeiting measures, accounting, and transportation and distribution of the new notes.

- c. The authorities continue to strengthen their supervision capacity consistent with their Supervision Action Plan, but intend to re-introduce a moratorium on licensing additional banks until capacity deficiencies are more fully addressed.
- d. Over the medium term, the CBS is committed to enhance the prudential regulations for the banking sector, adopt a revised regulation on capital adequacy, and introduce a reserve requirement for commercial banks. Furthermore, the authorities plan to complete the transition arrangements and fully apply the mobile money regulations by 2022.
- e. With World Bank assistance, the authorities have made significant progress toward the implementation of an Automated Transfer System (ATS) and the establishment of a National Switch to support the national payment system. In addition, draft bills for the National Payment System Law, revised Financial Institutions Law (FIL), and Insurance Law are under review.

29. Reforms on AML/CFT continue to gain momentum. The necessity of improving the AML/CFT environment to support remittances and correspondent banking relationships has been highlighted by the crisis,¹³ and the authorities continue to work with their partners through the Somalia Remittances Advisory Council to facilitate financial inflows. Reforms of the AML/CFT operational and legal framework are accelerating; these will be supported by the progress in advancing the national digital ID, which remains a key impediment.

- a. The capacity of the Financial Reporting Center (FRC) is improving (SB #2), with progress on building the necessary physical and IT-infrastructure, and strengthening capacity through on-the-job mentoring and tailored training on the new IT-system (go-AML) and related analytics. The FRC is also supporting capacity building on AML/CFT for stakeholders, including drafting guidelines for AML/CFT regulation for financial institutions, issuing AML/CFT compliance and risk assessment manuals, and initiating the drafting of guidance notes for commercial banks and MTBs on the AML/CFT regulations.
- b. The authorities remained committed to endorsing the National Anti-Money Laundering Committee (NAMLC), operationalizing the NAMLC Task Force, and resolving the overlap and inconsistencies between the new AML/CFT regulations for financial institutions and AML/CFT governance and compliance regulations. However, competing priorities in the COVID-19 context has delayed the anticipated NAMLC meeting.
- c. The long-standing challenge of enacting the Targeted Financial Sanctions Bill (SB#7) and issuing of the associated regulations persist. The authorities have revised the bill for re-submission to the Cabinet and then parliament. But progress has been delayed by political uncertainty over the summer, and will be further delayed by the election-related pause in parliamentary activity. Furthermore, the planned sensitization of parliamentarians by

¹³ Travel restrictions impeded flows of courier-transported cash.

Somalia's partners has been delayed, in part due to COVID-19. In light of this, staff has agreed an extension of the target date for the SB to June 2021.

- d. The authorities plan to complete a first draft of the National Risk Assessment (NRA) by end-2020 with a view to finalization in 2021 (CPT).

D. Governance, Economic Development, and Other Program Issues

30. The authorities have made progress on improving governance and fighting corruption.¹⁴ On-going improvements in and commitments to improve fiscal (e.g. general government reporting and transparency and PFM) and financial governance (e.g. central bank reorganization, financial regulation and supervision), and AML/CFT have been discussed earlier. Focusing on the fight against corruption and improvements to the rule of law, the National Anti-Corruption Strategy (NACS)¹⁵ was endorsed by the cabinet and published (SB #3) and the nomination of commissioners to establish the Anti-Corruption Commission is in train.¹⁶ The cabinet endorsed the UN, African Union, and Arab League conventions on combating corruption and will be submitting them to parliament for ratification. A program with UNDP to improve the integrity system has been signed, and a draft action plan has been started.

31. The NACS outlines the authorities' plan to tackle governance and corruption on multiple fronts. In the near-term, they have committed to enhance the understanding and definition of corrupt practices by putting together regulations that aggregate existing but disparate laws and codes, and to identify gaps in this area. Over the medium term, there are plans to introduce reforms under the *New Policing Model* to address the issue of financial/economic crimes, in addition to security. Moreover, the Ministry of Justice identified judicial reforms, including the development of codes of conduct for judicial officers and staff, as an important area of focus.

32. The authorities are committed to improving transparency in the nascent licensing framework for the telecommunications and mobile money sectors, and agreed a related SB (SB #9). Reforms in this area have been underpinned by support from the World Bank. By March 2021, together with information on the licensing process itself, the National Communications Authority (NCA) will publish the list of licensed mobile network operators and mobile virtual network operators, and the CBS will publish those of the mobile money operators. Staff expects this to help improve governance in the nascent regulatory process for this industry and send a signal on the need for transparency and public accountability in the awarding of licenses in other critical industries.

¹⁴ For a wider discussion of governance issues see Annex III of the Staff Report for the program request, [IMF Country Report No. 20/85](#).

¹⁵ See <https://moj.gov.so/news/approved-national-anti-corruption-strategy/>.

¹⁶ The nominees have been endorsed by the cabinet but their approval by the Parliament may be delayed until the new Parliament has been elected. In the interim, the authorities have advanced efforts to enhance public awareness on anti-corruption measures.

33. A new financial facility, Gargaara, was launched to improve access to financing for micro, small and medium-sized enterprises (MSMEs). This has been funded by the World Bank (US\$15 million). Gargaara will distribute the funds by on-lending to eligible bank and non-bank financial institutions who will then determine which MSMEs get financing. Gargaara is currently targeting funding of projects in the agriculture, energy, fishery, and livestock sectors. This new facility will complement the CBS' small, grant-funded facility that has been operational since 2017 and which has now reached the full US\$3 million of its endowment; the CBS does not plan to expand this program.

34. Following the passage of the amendments to the *Statistics Law*,¹⁷ the National Bureau of Statistics (SNBS) is operational and its Director General appointed. The SNBS noted that in the short run it will focus on institution building with the support of its international partners and implementing its strategic plan. It will also update the Economic Statistics Action Plan to reflect its short-term operational objectives to produce and disseminate specific economic and financial data in coordination with other government entities and the CBS, considering comments by the IMF, World Bank, and Statistics Sweden.

35. The authorities are making progress on fulfilling the HIPC CPTs (Annex III) and reaching the CP by March 2023 remains feasible. The authorities are in the process of implementing NDP9, their poverty reduction strategy, and completing the preliminary costing exercise. The 2021 budget will include the FGS' contribution to NDP9, and an annual performance report will be submitted to the Fund and World Bank at a future date. The approval of the first review by the IMF Board will confirm satisfactory implementation of the ECF program. There is also progress on the other CPTs, including the development of a national social registry. The authorities have launched the first social safety net scheme, Baxnaano, which provides cash transfers to target poor and vulnerable households and which promotes gender inclusion by making the head woman of the household the direct beneficiary. The scheme currently uses the systems of the World Food Program, but the aim of the registry is to create the building block for greater use and reliance on the FGS' own systems (Annex I).

36. Somalia will continue to need extensive capacity development support to meet the program's goals and to reach the HIPC CP. IMF TA will continue to be closely integrated with, and reflect the priorities of, Somalia's ECF-supported program, and be designed to complement the activities of Somalia's other TA providers. This has been underpinned by the resources from the Somalia Trust Fund, Phase I of which ends in October. Fundraising for Phase II, which is intended to support IMF TA delivery through FY2024, has been relatively slow, representing a risk to future IMF TA and the success of the ECF-supported program. Staff has been working to adapt and prioritize activities to maximize the impact of the available resources and to take account the logistical challenges implied by continued COVID-related travel restrictions.

¹⁷ The President signed the amendments in February 2020.

PROGRAM ISSUES, FINANCING NEEDS, FINANCING ASSURANCES, AND CAPACITY TO REPAY

- 37. Staff supports the authorities' request for a waiver of nonobservance for QPC on revenue that reflected the impact of the triple shock of COVID-19, locusts and flooding.** Staff also supports the requested modifications to the end-December QPCs given the potential for a protracted impact of these shocks on revenue.
- 38. Understandings have been reached with the authorities on newly proposed SBs and revised December 2020 and June 2021 program targets, and are presented in the MEFP.** To support the program objective of building reserves, the QPC on NFA for end-December is proposed to be increased by \$0.5 million to take account of the over-performance achieved through end-June.
- 39. Despite the temporary increase in annual access limits under the PRGT, Somalia is not seeking an augmentation of the ECF.** Even though the increased access would deliver modest scope to tap concessional resources, the authorities are reluctant to incur any new debt and are prioritizing grant financing. Staff's ongoing and frequent dialogue with the authorities will facilitate discussions if conditions change.
- 40. The program remains fully financed.** The FGS has received additional grant funding from the World Bank, AfDB and EU, and work is underway on a new World Bank DPO. Moreover, the financing gap falls considerably in 2021, so there are firm financing assurances through October 2021, and staff expects the continued engagement of international donors indicates good prospects for full financing thereafter (Table 8). The umbrella restructuring agreement with the Paris Club covers the majority of Somalia's creditors and remains adequately representative. Staff confirmed that, as of October 2020, the authorities are actively engaged with several key non-Paris Club creditors on resolving their arrears and restructuring their debt. Consequently, arrears to non-Paris Club creditors can be deemed away under the Fund's policy on Non-Toleration of Arrears to Official Creditors.
- 41. Somalia's capacity to repay the Fund is adequate, albeit subject to higher-than-usual risks due to its fragility.** With this ECF-disbursement, outstanding credit from the Poverty Reduction and Growth Trust (PRGT) would reach 166 percent of quota and total PRGT-disbursements over a twelve month-period would reach 0.3 percent of quota (Table 9). To mitigate debt servicing risks, staff will continue emphasizing the need to anchor fiscal policy on ensuring debt sustainability and, encouraging limiting any future borrowing (subsequent to this program) to concessional sources as much as possible.
- 42. CBS has made progress implementing Safeguards Assessment' recommendations.** The CBS has improved procedures to compile its NFA and undertake periodic reconciliations between its accounting records and the monetary data tables. The audited CBS financial statements for 2017 and 2018 have been published, and the IMF positions have been reflected on the balance sheet. The

authorities are aiming to complete the 2019 audit by end-December 2020. The CBS has activated some additional external accounts (including its Federal Reserve Bank of New York account), endorsed its Foreign Exchange Account Policy, and introduced quarterly reporting by the internal audit department to the Audit Committee. Key remaining recommendations include the adoption of an external audit selection and rotation policy and month-end closing procedures for accounting, and reviewing currency operations ahead of the currency exchange.

STAFF APPRAISAL

43. The authorities' prompt actions have mitigated the impact of unexpected external and domestic shocks on the Somali people and the economy. The global pandemic along with the impact of floods and locust depressed economic activity and aggravated the humanitarian challenges. Notwithstanding the limited policy space, the authorities' adopted a number of measures, underpinned by critical support from the international community, including a temporary tax relief on some basic food commodities; the introduction of a cash transfer system for the most vulnerable, Baxnaano; and the launch of a credit facility, Gargaara, for micro-, small-and-medium-sized enterprises.

44. Moreover, and despite the crisis, the authorities have sustained their strong commitment to economic reforms and have made satisfactory progress in implementing key reforms under the program. All structural benchmarks, indicative targets and all but one quantitative performance criterion (QPCs) for end-June and all but one indicative target for end-September were met, together with the structural benchmarks for September and October. Cumulative domestic revenues (per program definition) through June for the Federal Government of Somalia (FGS) reached US\$99 million against program target of US\$109 million and reached \$146 million through September against an indicative target of US\$160 million. The authorities have requested a waiver for the missed QPC based on the measures planned to ensure domestic revenues recover in 2021.

45. Staff commend the authorities on their continued progress on fiscal reforms, including in the areas of tax and customs administration, and ongoing efforts to enhance intergovernmental fiscal relations and transparency. To underpin the ECF-supported program objectives, the authorities need to implement a 2021 budget that underpins greater domestic revenue mobilization and continued control on operating expenditures to create fiscal space for spending on priorities identified in the authorities' Ninth National Development Plan (NDP9). Further improvements in general government fiscal reporting will improve transparency and accountability.

46. The appointment of the new senior management of the Central Bank of Somalia and the ongoing progress on reorganizing the institution is welcome. And the further progress on AML/CFT issues, including the ongoing work on the National Risk Assessment and efforts to build capacity at the Financial Reporting Center is commendable. It will be critical to expedite the licensing of the mobile money operators (MMOs) to advance the implementation of the mobile

money regulatory regime, which will be supported by a new structural benchmark that will ensure greater transparency in this process and the issuance of the underlying telecommunications licenses.

47. Staff are encouraged by the approval by the Council of Ministers of the National Anti-Corruption Strategy and its endorsement of the UN, African Union, and Arab League conventions against corruption. Swift Parliamentary ratification of these conventions will be important to signal the Somalia's commitment to improving governance and fighting corruption.

48. The authorities' have made significant efforts to reach agreement with their external creditors on debt relief consistent with the HIPC framework. Sustained efforts, together with support from their creditors, will be needed to fully secure the required level of debt relief and ensure Somalia's debt sustainability on reaching the HIPC Completion Point.

49. Staff supports the authorities' efforts to raise funds to support the second phase of Somalia Trust Fund and the related capacity development program. Despite COVID-19, delivery of key IMF TA has continued, and the authorities have maintained their strong absorption. Staff encourages Somalia's partners to accelerate their pledges to ensure a continued smooth delivery of IMF TA to support the goals of the ECF.

50. Staff supports the authorities' request for a waiver and modification of performance criteria, and the completion of the first review and disbursement of SDR 7 million under the ECF. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) sets out appropriate policies that meet the program's objectives. Despite uncertainties, risks to program implementation remain mitigated by the authorities' strong track record of reform and continued donor support.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Somalia has consulted with the Fund in accordance with paragraph 4(b) of the arrangement for Somalia under the Extended Credit Facility (the "Arrangement") (EBS/20/17, 03/11/2020) to review program implementation and to reach understandings regarding the conditions for further disbursements under the Arrangement.

2. The letter dated November 4 2020 from the Minister of Finance of Somalia and the Governor of the Central Bank of Somalia (the "November 2020 Letter"), together with its attached Memorandum of Economic and Financial Policies (the "November 2020 MEFP") and Technical Memorandum of Understanding (the "November 2020 TMU"), shall be attached to the Arrangement, and the letter dated March 5, 2020 from the Minister of Finance of Somalia and the Governor of the Central Bank of Somalia, together with all of its attachments, shall be read as supplemented and modified by the November 2020 Letter and its attachments.

3. Accordingly, the Arrangement for Somalia shall be amended as follows:
 - a. A new paragraph 2(d) shall be included in the Arrangement to read as follows:

“(d) the fourth disbursement, in an amount equivalent to SDR 7 million, will be available on or after October 15, 2021 at the request of Somalia and subject to paragraphs 4 and 5 below”

b. Paragraph 4 shall be amended to read as follows:

“4. Somalia will not request the second disbursement under this arrangement specified in paragraph 2(b) above:

(a) if the Managing Director of the Trustee finds that the data as of June 30, 2020 indicate

that:

- (i) the floor on the domestic revenue of the Federal Government of Somalia (FGS);
- (ii) the ceiling on spending on FGS public compensation, goods and services, and contingency; or
- (iii) the floor on net foreign assets of the central bank;

as set out in Table 1 of the MEFP and as further specified in the TMU was not observed; or

(b) until the Trustee has determined that the first program review, as referred to in the MEFP has been completed.”

c. A new paragraph 4.A of the Arrangement shall be inserted to read as follows:

“4.A. Somalia will not request the third disbursement under this arrangement specified in paragraph 2(c) above:

(a) if the Managing Director of the Trustee finds that the data as of December 31, 2020,

indicate that:

(i) the ceiling on spending on FGS public compensation, goods and services, and contingency; or

(ii) the floor on net foreign assets of the central bank;

as set out in Table 1 of the November 2020 MEFP and further specified in the November

2020 TMU was not observed; or

(b) until the Trustee has determined that the second program review, as referred to in the November 2020 MEFP has been completed.”

d. A new paragraph 4.B of the Arrangement shall be inserted to read as follows:

“4.B. Somalia will not request the fourth disbursement under this arrangement as specified in

paragraph 2(d) above:

(a) if the Managing Director of the Trustee finds that the data as of June 30, 2021 indicate

that:

(i) the floor on the domestic revenue of the FGS;

(ii) the ceiling on spending on FGS public compensation, goods and services, and contingency; or

(iii) the floor on net foreign assets of the central bank;

as set out in Table 1 of the November 2020 MEFP and further specified in the November 2020 TMU was not observed; or

(b) until the Trustee has determined that the third program review, as referred to in the November 2020 MEFP has been completed.”

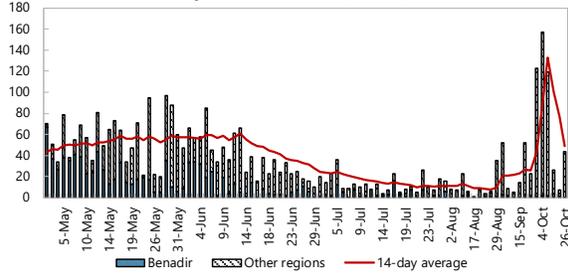
e. The continuous performance criteria set forth in paragraphs 5(a), 5(b) and 5(c) shall be as specified in Table 1 of the November 2020 MEFP and further specified in the November 2020 TMU.

4. The Fund decides that the first review specified in paragraph 4(b) of the Arrangement is completed, and that Somalia may request the second disbursement referred to in paragraph 2(b) of the Arrangement, notwithstanding the nonobservance of the end-June 2020 performance criterion on the floor on the domestic revenue of the FGS, specified in paragraph 4(a)(i) of the Arrangement, on the condition that the information provided by Somalia on the performance under this criterion is accurate.

Figure 1. Somalia: High Frequency Indicators, 2019–2020

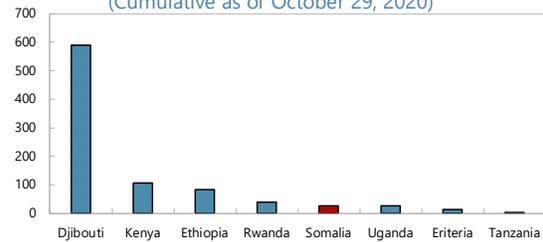
After falling since June, new Covid-19 cases appear to be picking up again.

Daily New Cases Banadir and Other Regions
(May 2 - October 29, 2020)



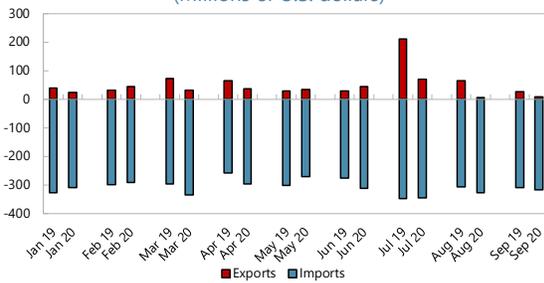
While Somalia's infection rate is not high for the region, its health infrastructure is among the weakest.

Confirmed Cases per 100,000 population
Regional Comparison
(Cumulative as of October 29, 2020)



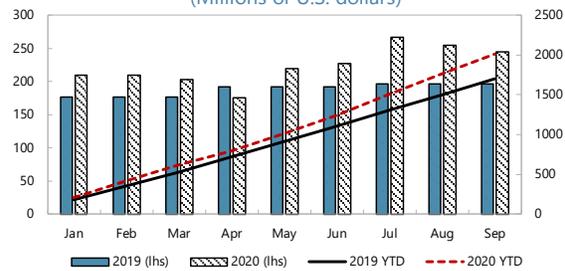
While imports held up, exports have taken a hit especially with a reduced Hajj attendance.

Exports and Imports
(Millions of U.S. dollars)



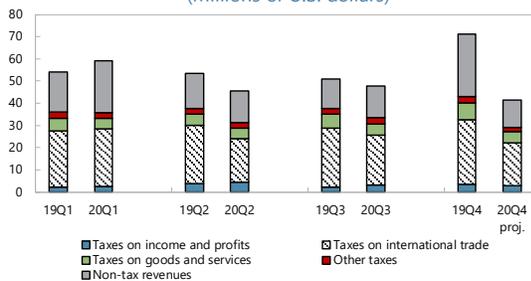
Remittances took a temporary hit in April, but have recovered.

Remittances
(Millions of U.S. dollars)



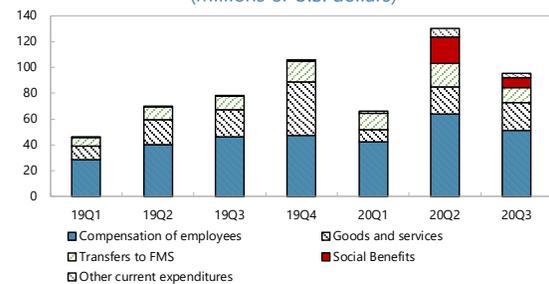
Domestic revenues were negatively affected, but not as badly as anticipated.

Quarterly Domestic Revenues
(Millions of U.S. dollars)



Expenditures have increased in 2020, especially social benefits.

Current expenditures per quarter
(Millions of U.S. dollars)



Sources: Somali authorities, IMF staff calculations, and Johns Hopkins University

Table 1. Selected Economic and Financial Indicators, 2018–2025

	(Population: 14 million, 2018 estimate)							
	Est.		Proj.					
	2018	2019	2020	2021	2022	2023	2024	2025
National income and prices								
Nominal GDP in millions of U.S. dollars	4,721	4,942	4,918	5,365	5,651	5,964	6,306	6,687
Real GDP in millions of U.S. dollars	4,420	4,548	4,480	4,610	4,758	4,919	5,097	5,295
Real GDP, annual percentage change	2.8	2.9	-1.5	2.9	3.2	3.4	3.6	3.9
Real GDP per capita in U.S. dollars	311	311	298	299	301	304	307	311
Consumer prices (e.o.p., percent change)	3.2	3.1	3.0	2.5	2.2	2.2	2.2	2.2
(Percent of GDP)								
Central government finances 1/								
Revenue and grants	5.7	6.8	12.6	10.0	11.5	12.5	10.2	10.9
<i>of which:</i>								
Grants	1.8	2.2	8.6	5.2	6.2	6.7	3.7	3.6
Expenditure (FGS)	5.7	6.4	12.8	9.6	10.8	11.9	12.0	12.2
Compensation of employees 2/	3.0	3.3	4.7	4.8	5.2	5.5	5.4	5.6
Purchase of non-financial assets	0.2	0.3	0.9	0.6	1.0	1.0	1.0	0.9
Overall balance	0.1	0.5	-0.2	0.4	0.6	0.6	-1.8	-1.4
Net change in the stock of cash	0.1	0.5	-0.5	0.2	0.3	0.3	-1.8	-1.4
Stock of domestic arrears	1.5	1.4	1.4	1.2	1.1	1.0	0.9	0.8
Public debt 3/	112.8	108.8	40.7	37.9	36.6	30.3	12.4	13.3
(Millions of U.S. Dollars)								
Monetary Sector								
Net Foreign Assets	-258	-212	-170	-175	-164	189	172	176
Central Bank claims on non-res 4/	122	148	208	219	247	263	243	244
Net Domestic Assets	697	735	717	794	851	574	685	817
Credit to the private Sector	184	206	219	263	313	383	482	623
Broad Money 5/	440	523	547	620	687	763	857	993
(Percent of GDP)								
Balance of payments								
Current account balance	-7.5	-10.5	-12.8	-12.9	-12.9	-13.2	-14.9	-14.6
Trade balance	-84.8	-83.0	-91.1	-86.8	-88.2	-85.0	-79.9	-76.4
Exports of goods and services	23.7	22.7	14.3	21.8	22.0	22.1	22.2	22.1
Imports of goods and services	108.5	105.7	105.4	108.7	110.2	107.1	102.1	98.5
Remittances	31.4	31.9	31.4	31.0	31.4	30.8	30.2	29.5
Grants	46.6	41.3	47.7	43.7	44.6	41.6	35.3	32.8
Foreign Direct Investment	8.6	9.1	9.4	9.2	9.3	9.6	10.0	10.2
External debt 3/	111.3	107.5	39.4	36.7	35.4	29.3	11.5	12.4
Market exchange rate (SOS/USD, e.o.p.)	24,475	26,015	...	...	...	...	...	...

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Budget data for the Federal Government of Somalia. Fiscal operations are recorded on a cash basis. GDP data cover the entire territory 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 application of HIPC debt relief and interim HIPC assistance from the Decision Point, and MDRI and "beyond-HIPC" relief at Completion Point.

4/ Includes FGS grants held abroad.

5/ Primarily deposits at commercial banks. Data does not yet include balances held with MNOs.

Table 2a. Federal Government Operations, 2018–23 1/

	(Millions of U.S. Dollars)												
	2018	2019				2020				2021		2022	2023
	Dec.	Dec.		Sep.	Dec.			Dec.		Dec.	Dec.		
	Est.	Rev. Budg.	Prog.	Est.	Prel.	Budg.	Rev. Budg.	Prog.	Proj.	Proj.	Proj.	Proj.	
							ECF	1st Rev.	ECF	1st Rev.			
Revenue and grants	270.2	390.2	344.2	338.3	346.0	466.2	578.1	493.2	617.7	595.3	537.4	647.2	746.0
Revenue	183.4	221.4	196.3	229.7	152.6	234.4	167.5	234.4	194.0	266.9	260.0	295.5	346.0
Tax revenue	138.9	146.1	137.7	154.8	100.6	155.5	107.0	155.5	129.8	177.0	184.3	209.5	238.3
Tax on income, profit, and capital gains	8.6	9.8	9.1	11.7	9.9	11.3	8.7	11.3	12.7	12.9	15.0	17.0	21.3
Taxes on goods and services	22.1	22.8	23.5	25.0	15.0	27.1	17.8	27.1	20.0	30.8	28.1	32.0	36.1
Taxes on international trade and transactions	100.3	103.4	98.0	107.0	67.9	106.0	74.8	106.0	87.4	120.7	127.9	145.3	163.8
Other taxes	7.9	10.1	7.1	11.1	7.8	11.1	5.7	11.1	9.7	12.6	13.4	15.2	17.2
Non-tax revenue	44.5	75.2	58.6	74.9	52.0	78.9	60.5	78.9	64.3	89.9	75.6	86.0	107.7
Grants 2/	86.7	168.8	147.9	108.6	193.4	231.8	410.6	258.8	423.7	328.4	277.4	351.7	400.0
Bilateral 3/	23.5	35.1	30.0	36.4	7.5	30.0	30.0	30.0	30.0	31.0	30.0	30.0	30.0
Multilateral	63.3	133.7	117.9	72.2	185.9	201.8	380.6	228.8	393.7	297.4	247.4	321.7	369.9
<i>of which projects</i>	18.2	63.8		63.8		127.6	206.9		220.0	167.7	190.0	280.0	
Total expenditure 4/	267.8	387.5	338.0	314.5	303.2	473.7	682.7	474.6	628.3	520.6	515.4	610.7	710.5
Current	257.9	349.1	312.8	300.3	291.6	433.1	638.4	433.9	584.1	469.5	482.2	554.2	652.7
Compensation of employees 5/	143.1	165.3	157.4	162.3	157.8	220.3	229.9	220.3	229.9	238.3	256.7	291.0	330.6
Use of goods and services	80.6	137.2	117.1	92.7	51.6	132.2	153.0	132.2	122.7	143.0	137.2	155.5	176.6
Interest and other charges	0.0	0.0	0.0	0.0	9.0	0.3	2.6	1.3	0.9	1.2	1.1	1.1	9.4
Subsidies	0.0	2.0	0.0	0.0	1.5	10.1	2.0	10.1	2.0	10.9	2.2	2.5	2.7
Transfers to sub-national governments & Banadir Region	30.1	43.2	35.3	43.5	42.8	42.7	155.0	42.6	132.6	46.3	50.3	62.9	86.6
Social benefits	0.0	0.0	0.0	0.0	27.9	25.0	93.4	25.0	93.4	27.0	31.9	38.0	43.2
Other expenses 6/	0.0	0.0	0.0	0.7	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingency	4.1	1.4	2.3	0.4	0.0	2.5	2.5	2.5	2.5	2.7	2.8	3.2	3.6
Purchase of non-financial assets	9.9	38.4	25.2	14.1	11.6	40.6	44.3	40.7	44.2	51.1	33.2	56.5	57.9
Overall fiscal balance	2.4	2.6	6.2	23.9	42.8	-7.5	-104.7	18.5	-10.6	74.7	22.0	36.5	35.4
Net cash inflow from financing activities	0.0	-2.6	-2.5	-0.5	...	-2.5	-14.3	-17.2	-11.8	-17.4	-13.6	-17.2	-18.3
Net accumulation of domestic debt	0.0	-2.6	-2.5	-0.5	...	-2.5	-2.5	-1.5	0.0	-1.8	-1.8	-2.8	-3.0
New domestic debt (+)	0.0	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears and advances (-)	0.0	-2.6	-2.5	-0.5	...	-2.5	-2.5	-1.5	0.0	-1.8	-1.8	-2.8	-3.0
Net accumulation of external debt	0.0	0.0	0.0	0.0	...	0.0	-11.8	-15.7	-11.8	-15.6	-11.8	-14.4	-15.3
New external borrowing (+)	0.0	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of external debt (-)	0.0	0.0	0.0	0.0	...	0.0	-11.8	-15.7	-11.8	-15.6	-11.8	-14.4	-15.3
Net change in the stock of cash	2.4	0.0	3.7	23.3	...	-10.0	-119.0	1.3	-22.4	57.3	8.4	19.3	17.1
Memorandum items													
Public debt	5,324	5,375	5,374	5,379	...	2,001	2,001	2,002	2,004	3,925	2,035	2,066	1,808
Accumulation of domestic arrears 7/	0.0	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of domestic arrears 7/	68.8	64.6	63.5	68.2	...	65.7	65.7	66.7	68.2	65.0	66.5	63.7	60.7
Stock of cash and other balances 8/	25.5	25.5	29.2	48.8	...	38.8	-70.1	50.2	26.5	48.8	34.8	54.1	71.2

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Fiscal operations are recorded on a cash basis. Positions shown are cumulative year to date.

2/ Includes only donor support provided to the federal government through treasury accounts at the Central Bank of Somalia.

3/ Bilateral grants revenue for 2017 includes US\$50 million later transferred to create Government deposits held abroad.

4/ Advances and transfers to MDAs, and grants to other organizations not expensed are not included.

5/ 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 SNA reform.

6/ Other expenses line reflects contingent expense items that will only be incurred once relevant donor grants materialize (grant recorded under multilateral grants)

7/ The figure includes only wages, salaries, and allowances.

8/ Includes resources in the formal fiscal buffer which is available to meet priority expenditure needs in the event of a shortfall in revenue. Goal is to maintain a minimum of 1-month total FGS compensation plus food component for the Somalia National Army, consistent with the guidelines on the use of the fiscal buffer.

Table 2b. Federal Government Operations, 2018–23 1/

	(Percent of GDP)							
	2018	2019	2020		2021		2022	2023
	Est.	Est.	Proj.		Proj.		Proj.	Proj.
			ECF	1st Rev.	ECF	1st Rev.		
Revenue and grants	5.7	6.8	9.5	12.6	10.8	10.0	11.5	12.5
Revenue	3.9	4.6	4.5	3.9	4.8	4.8	5.2	5.8
Tax revenue	2.9	3.1	3.0	2.6	3.2	3.4	3.7	4.0
Tax on income, profit, and capital gains	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.4
Taxes on goods and services	0.5	0.5	0.5	0.4	0.6	0.5	0.6	0.6
Taxes on international trade and transactions	2.1	2.2	2.0	1.8	2.2	2.4	2.6	2.7
Other taxes	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Non-tax revenue	0.9	1.5	1.5	1.3	1.6	1.4	1.5	1.8
Grants 2/	1.8	2.2	5.0	8.6	6.0	5.2	6.2	6.7
Bilateral 3/	0.5	0.7	0.6	0.6	0.6	0.6	0.5	0.5
Multilateral	1.3	1.5	4.4	8.0	5.4	4.6	5.7	6.2
Total expenditure 4/	5.7	6.4	9.1	12.8	9.5	9.6	10.8	11.9
Current	5.5	6.1	8.3	11.9	8.5	9.0	9.8	10.9
Compensation of employees 5/	3.0	3.3	4.2	4.7	4.3	4.8	5.2	5.5
Use of goods and services	1.7	1.9	2.5	2.5	2.6	2.6	2.8	3.0
Interest and other charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Subsidies	0.0	0.0	0.2	0.0	0.2	0.0	0.0	0.0
Transfers to sub-national governments & Banadir Region	0.6	0.9	0.8	2.7	0.8	0.9	1.1	1.5
Social benefits	0.0	0.0	0.5	1.9	0.6	0.7	0.8	0.9
Other expenses 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingency	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Purchase of non-financial assets	0.2	0.3	0.8	0.9	0.9	0.6	1.0	1.0
Overall fiscal balance	0.1	0.5	0.4	-0.2	1.4	0.4	0.6	0.6
Net cash inflow from financing activities	0.0	0.0	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3
Net accumulation of domestic debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
New domestic debt (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears and advances (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Net accumulation of external debt	0.0	0.0	-0.3	-0.2	-0.3	-0.2	-0.3	-0.1
New external borrowing (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
Amortization of external debt (-)	0.0	0.0	-0.3	-0.2	-0.3	-0.2	-0.3	0.0
Net change in the stock of cash	0.1	0.5	0.0	-0.5	1.0	0.2	0.3	0.3
Memorandum items								
Public debt	112.8	108.8	74.6	40.7	71.3	37.9	36.6	30.3
Accumulation of domestic arrears 7/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of domestic arrears 7/	1.5	1.4	1.3	1.4	1.2	1.2	1.1	1.0
Stock of cash and other balances 8/	0.5	1.0	0.9	0.5	0.9	0.6	1.0	1.2

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Fiscal operations are recorded on a cash basis. Positions shown are cumulative year to date.

2/ Includes only donor support provided to the federal government through treasury accounts at the Central Bank of Somalia.

3/ Bilateral grants revenue for 2017 includes US\$50 million later transferred to create Government deposits held abroad.

4/ Advances and transfers to MDAs, and grants to other organizations not expensed are not included.

5/ 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 SNA reform.

6/ Other expenses line reflects contingent expense items that will only be incurred once relevant donor grants materialize (grant recorded under multilateral grants)

7/ The figure includes only wages, salaries, and allowances.

8/ Includes resources in the formal fiscal buffer which is available to meet priority expenditure needs in the event of a shortfall in revenue. Goal is to maintain a minimum of 1-month total FGS compensation plus food component for the Somalia National Army, consistent with the guidelines on the use of

Table 2c. General Government Operations, 2019 and 2020 Q2 1/

	(Millions of U.S. Dollars)							
	2019					2020		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Total
Revenue and grants	82.5	98.4	144.0	171.5	496.4	153.5	176.0	329.6
Revenue	72.4	74.8	76.0	100.5	323.7	80.2	64.4	144.7
Tax revenue	57.9	65.4	59.2	68.3	250.9	53.6	47.3	100.9
Tax on income, profit, and capital gains	2.4	3.9	2.4	3.6	12.3	2.3	3.2	5.5
Taxes on payroll and workforce 2/	n.a.	n.a.	n.a.	n.a.	0.0	1.5	2.6	4.1
Taxes on property 2/	n.a.	n.a.	n.a.	n.a.	0.0	0.2	0.2	0.4
Taxes on goods and services	18.0	21.6	13.4	16.1	69.1	12.4	11.2	23.5
Taxes on international trade and transactions	36.4	38.2	39.0	42.8	156.4	37.3	30.1	67.4
Other taxes	0.0	0.0	2.6	3.4	6.1	0.0	0.0	0.0
Non-tax revenue	36.4	19.9	34.6	37.9	128.9	26.6	17.2	43.8
Grants 3/	10.1	23.6	68.0	71.0	172.7	73.3	111.6	184.9
Bilateral	0.0	1.1	28.8	7.5	37.4	0.0	7.5	7.5
Multilateral	10.1	22.5	39.2	63.5	135.3	66.0	94.2	160.2
Total expenditure 4/	62.7	97.1	114.9	149.6	424.2	103.1	166.9	270.0
Current	59.8	93.3	106.4	139.5	399.0	100.9	158.2	259.1
Compensation of employees	40.8	58.5	70.5	81.2	251.1	65.5	79.7	145.3
Use of goods and services	16.6	27.6	29.7	51.9	125.8	17.9	29.2	47.0
Interest and other charges	0.0	0.0	0.0	0.0	0.0	1.5	5.6	7.1
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Transfers to sub-national governments & Banadir Region	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0
Social benefits	0.0	0.0	0.3	0.6	1.0	0.4	20.7	21.0
Other expenses	0.0	0.0	0.0	0.0	0.0	2.3	1.8	4.1
Contingency	0.1	0.2	0.4	0.3	1.0	0.0	0.0	0.0
Purchase of non-financial assets	3.0	3.7	8.4	8.5	23.6	2.2	8.7	10.9
Overall fiscal balance	19.8	1.4	29.1	21.9	72.2	50.4	9.2	59.6

Sources: Somali authorities; and Fund staff estimates and projections.

1/ The numbers are based on preliminary reports from FMS and are subject to revision. The fiscal operations are recorded on a

2/ Reporting on these categories commenced in 2020 reporting.

3/ Includes only donor support provided to the federal government through treasury accounts at the Central Bank of

4/ Advances and transfers to MDAs, and grants to other organizations not expensed are not included.

Table 2d. General Government Operations, 2019 and 2020 Q2 1/

	(Percent of GDP)							
	2019					2020		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Total
Revenue and grants	1.7	2.0	2.9	3.5	10.0	3.1	3.6	6.7
Revenue	1.5	1.5	1.5	2.0	6.6	1.6	1.3	2.9
Tax revenue	1.2	1.3	1.2	1.4	5.1	1.1	1.0	2.1
Tax on income, profit, and capital gains	0.0	0.1	0.0	0.1	0.2	0.0	0.1	0.1
Taxes on payroll and workforce 2/	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.1	0.1
Taxes on property 2/	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.0	0.0
Taxes on goods and services	0.4	0.4	0.3	0.3	1.4	0.3	0.2	0.5
Taxes on international trade and transactions	0.7	0.8	0.8	0.9	3.2	0.8	0.6	1.4
Other taxes	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Non-tax revenue	0.7	0.4	0.7	0.8	2.6	0.5	0.3	0.9
Grants 3/	0.2	0.5	1.4	1.4	3.5	1.5	2.3	3.8
Bilateral	0.0	0.0	0.6	0.2	0.8	0.0	0.2	0.2
Multilateral	0.2	0.5	0.8	1.3	2.7	1.3	1.9	3.3
Total expenditure 4/	1.3	2.0	2.3	3.0	8.6	2.1	3.4	5.5
Current	1.2	1.9	2.2	2.8	8.1	2.1	3.2	5.3
Compensation of employees	0.8	1.2	1.4	1.6	5.1	1.3	1.6	3.0
Use of goods and services	0.3	0.6	0.6	1.1	2.5	0.4	0.6	1.0
Interest and other charges	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to sub-national governments & Banadir Region	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of arrears and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of non-financial assets	0.1	0.1	0.2	0.2	0.5	0.0	0.2	0.2
Transfer to government deposits held abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance	0.4	0.0	0.6	0.4	1.5	1.0	0.2	1.2

Sources: Somali authorities; and Fund staff estimates and projections.

1/ The numbers are based on preliminary reports from FMS and are subject to revision. The fiscal operations are recorded on a cash basis.

2/ Reporting on these categories commenced in 2020 reporting.

3/ Includes only donor support provided to the federal government through treasury accounts at the Central Bank of Somalia.

4/ Advances and transfers to MDAs, and grants to other organizations not expensed are not included.

Table 3. Summary Accounts of the Central Bank, 2017–2020 1/

	(Millions of U.S. Dollars)								
	2017	2018	2019			2020			
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
Net Foreign Assets	(317)	(281)	(275)	(285)	(254)	(254)	(204)	(183)	(220)
Foreign assets	89	119	125	116	140	146	207	231	204
SDR holdings	26	25	25	25	24	24	39	39	40
Gold 1/	19	21	21	21	21	21	25	25	25
Foreign exchange	34	41	37	34	60	69	101	110	86
<i>of which:</i>									
Grants	28	35	32	29	55	64	95	103	79
Cash (US\$) held locally	11	32	43	37	34	32	42	57	53
Foreign liabilities	407	400	400	401	394	400	411	414	424
IMF obligations	340	335	335	336	331	336	342	345	352
SDR allocations	66	65	65	65	63	64	69	70	71
Net Domestic Assets	380	354	349	336	325	326	282	260	298
Domestic assets	424	419	420	422	416	421	417	422	431
<i>of which:</i>									
Claims on government (net IMF position) 2/	381	375	375	376	370	376	372	375	383
Domestic liabilities	44	65	70	86	90	95	135	161	133
Government	29	40	46	63	66	68	114	125	101
<i>of which:</i>									
Grants	28	35	32	29	55	64	95	103	79
Other domestic liabilities	15	26	24	22	24	26	20	36	32
<i>of which:</i>									
Commercial bank reserves 3/	...	11	14	14	14	14	17	17	18
Other commercial bank deposits	6	14	8	7	8	11	3	17	11
Other demand deposits at the CBS	1	1	1	0	1	0	0	1	1
Microfinance grant	1	-	-	-	-	-	-	1	1
MTB deposits	1	1	1	1	1	1	1	1	1
Other demand deposits	6								
Equity and reserves	62	73	75	51	71	72	78	77	78
<i>of which:</i>									
Property and equipment	43	44	44	45	45	45	45	45	46
Memorandum items:									
NFA (program definition) 4/	32	26	25	25	25	25	71	71	71
Somali shillings per US dollar (eop)	23,605	24,475	24,475	25,015	25,605	26,015	26,005	26,005	25,830

Sources: Central Bank of Somalia (CBS); and Fund staff estimates.

1/ Gold price as defined in the TMU.

2/ Assumes a claim on the FGS Ministry of Finance composed of (1) the IMF obligations and (2) the net negative SDR position.

3/ Prudential regulations require that commercial banks hold \$1.5 of the minimum \$7 million capital requirement at the CBS; MTBs must hold \$60,000 each at the

4/ Program definition per TMU.

Table 4. Consolidated Commercial Banks Balance Sheet, 2017–2020

(Millions of U.S. Dollars)

	2017	2018	2019			2020			
	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
Total assets	345	415	426	459	504	556	563	573	604
Cash on Hand	71	115	107	121	133	117	132	121	150
Balances with Central Bank	7	18	15	13	19	18	15	30	22
Deposits with other banks 1/	58	23	26	36	30	79	53	53	73
Credit to private sector	105	184	197	199	194	206	215	193	202
Investment 2/	9	31	32	28	45	60	60	58	51
Other Assets 3/	95	44	48	62	84	77	88	118	105
Total liabilities	292	362	372	388	408	463	453	457	483
Customer Deposits	267	332	344	363	382	430	413	425	440
Financing Liabilities	10	2	2	2	2	2	2	3	3
Other Liabilities	15	27	25	22	22	27	34	21	29
Equity	53	53	54	72	96	93	110	115	121
Memorandum items:									
Credit to private sector									
share of total assets (percent)	30	44	46	43	39	37	38	34	33
share of GDP (percent)	2	4	4	4	4	4	5	4	4
y-o-y changes (percent)	51	75	13	12	12	12	9	-3	...
Total capital to assets (percent)	15	13	13	15	18	16	18	18	15
Loan to deposits (percent)	39	55	57	55	51	48	52	45	46
Liquid assets to total assets (percent)	...	37	34	36	34	32	30	30	35

Sources: Central Bank of Somalia; and Fund staff estimates.

1/ Primarily deposits and placements with non-resident banks and other financial institutions.

2/ Primarily investment in real estate.

3/ Fixed, intangible and other assets.

Table 5. Monetary Survey, 2018–2023 1/

(Millions of U.S. Dollars)

	Est.		Proj.				2022	2023
	2018	2019	2020		2021			
			ECF	1st Rev.	ECF	1st Rev.		
Net foreign assets	-258	-212	-183	-170	-174	-175	-164	189
Claims on nonresidents	142	188	235	248	264	263	293	311
Central Bank 2/	122	148	193	208	219	219	247	263
<i>of which</i> gross reserves of the CBS	54	51	70	70	88	89	108	117
Other Depository Corporations	20	40	42	40	45	44	46	49
Liabilities to Nonresidents	400	400	418	418	438	438	457	122
Net Domestic Claims	697	735	758	717	806	794	851	574
Net Claims on Central Government	355	307	299	284	312	312	322	-18
<i>of which</i> CBS claim on government (IMF net position)	375	376	458	458	478	478	497	162
Claims on private sector	184	206	232	219	269	263	313	383
Other net claims not included in broad money	159	222	227	214	225	220	215	209
Capital and Reserves	81	115	121	114	127	124	131	138
Other items, net	0	0	7	7	7	7	8	8
Broad Money 3/	440	523	575	547	632	620	687	763
Memorandum items:								
SOS per U.S. dollar (end of period)	24,475	26,015	na	na	na	na	na	na

Sources: International Financial Statistics and IMF Staff.

1/ Preliminary estimates given incomplete financial data.

2/ Includes FGS grants held abroad.

3/ Primarily desposits at commercial banks. Data does not yet include balances held with MNOs.

Table 6a. Balance of Payments, 2018–23

(Millions of U.S. dollars)

	Prel.		Proj.				2022	2023
	2018	2019	ECF	1st Rev.	ECF	1st Rev.		
			2020		2021			
Current account balance	-356	-518	-641	-630	-686	-693	-729	-786
Overall trade balance	-4,005	-4,104	-4,639	-4,482	-4,918	-4,659	-4,984	-5,067
Goods balance	-3,003	-3,060	-3,468	-3,495	-3,657	-3,486	-3,714	-3,736
Exports of goods, f.o.b.	570	554	595	277	629	587	642	699
Imports of goods, f.o.b.	-3,574	-3,614	-4,064	-3,772	-4,287	-4,074	-4,355	-4,435
Services, net	-1,001	-1,043	-1,171	-987	-1,261	-1,173	-1,271	-1,331
Service credits	549	566	583	425	601	583	601	619
Service debit	-1,550	-1,610	-1,754	-1,413	-1,862	-1,756	-1,871	-1,950
Income (net)	-34	-36	-38	-36	-40	-39	-41	-36
Receipts	44	46	49	46	51	50	53	56
Payments	-78	-82	-86	-81	-91	-89	-94	-91
<i>of which:</i>								
Interest payments, public debt 1/								
Multilateral, official	-24	-4	-1	-2	-1	-2	-2	-10
Bilateral, official			-1	-2	-1	-2	-2	-7
Bilateral, official			0	0	0	0	0	-2
Current transfers (net)	3,682	3,622	4,035	3,887	4,272	4,005	4,296	4,317
Private (net), including remittances	1,483	1,578	1,690	1,543	1,801	1,662	1,774	1,837
Official	2,200	2,043	2,345	2,344	2,471	2,343	2,522	2,480
On budget aid	69	87	207	328	263	262	333	380
Off-budget aid	2,130	1,956	2,138	2,015	2,208	2,081	2,189	2,100
Capital account and financial account	326	513	659	648	704	710	747	795
<i>of which:</i>								
Foreign direct investment	408	447	464	464	495	495	526	570
Official concessional borrowing	0	0	0	0	0	0	0	0
Amortization, public debt 2/	-33	0	-16	-12	-16	-14	-15	-7
Multilateral, official			-16	-12	-16	-14	-15	-3
Bilateral, official			0	0	0	0	0	-3
Errors and omissions	0	0	0	0	0	0	0	0
Overall balance and error and omissions	-30	-5	18	18	18	18	18	9
Financing	30	5	-18	-18	-18	-18	-18	-9
Change in central bank reserves (- = increase)	-27	0	-19	-19	-19	-19	-19	-9
<i>of which</i> : Use of Fund resources (net)	0	0	19	17	18	17	17	-334
Purchases and loans	0	0	353	353	18	18	19	10
Repayments	0	0	-335	-336	0	-1	-1	-344
Arrears, net change (+ = accumulation)	57	5	-1,801	-1,795	0	0	0	-2,983
Prospective debt relief and rescheduling 3/	0	0	1,802	1,796	1	1	1	2,983
Memorandum items:								
Nominal GDP	4,721	4,942	5,218	4,918	5,507	5,365	5,651	5,964

Sources: Authorities, Direction of Trade Statistics, UN Comtrade, and Fund staff estimates and projections.

1/ From 2023, reflects payments on restructured debt, including IDA. Excludes payments to the IMF.

2/ From 2020, reflects payments after application of traditional debt relief mechanisms. Excludes payments to the IMF.

3/ Assumes traditional debt relief from bilateral creditors and interim relief from multilateral creditors.

Table 6b. Balance of Payments, 2018–23

(Percent of GDP, unless otherwise indicated)

	Prel.		Proj.				2022	2023
	2018	2019	ECF	1st Rev.	ECF	1st Rev.		
			2020		2021			
Current account balance	-7.5	-10.5	-12.3	-12.8	-12.5	-12.9	-12.9	-13.2
Overall trade balance	-84.8	-83.0	-88.9	-91.1	-89.3	-86.8	-88.2	-85.0
Goods balance	-63.6	-61.9	-66.5	-71.1	-66.4	-65.0	-65.7	-62.6
Exports of goods, f.o.b.	12.1	11.2	11.4	5.6	11.4	10.9	11.4	11.7
Imports of goods, f.o.b.	-75.7	-73.1	-77.9	-76.7	-77.8	-75.9	-77.1	-74.4
Services, net	-21.2	-21.1	-22.4	-20.1	-22.9	-21.9	-22.5	-22.3
Service credits	11.6	11.5	11.2	8.6	10.9	10.9	10.6	10.4
Service debit	-32.8	-32.6	-33.6	-28.7	-33.8	-32.7	-33.1	-32.7
Income (net)	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.6
Receipts	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Payments 1/	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.5
Current transfers (net)	78.0	73.3	77.3	79.0	77.6	74.7	76.0	72.4
Private (net), including remittances	31.4	31.9	32.4	31.4	32.7	31.0	31.4	30.8
Official	46.6	41.3	44.9	47.7	44.9	43.7	44.6	41.6
Capital account and financial account	7.5	10.5	12.3	12.8	12.5	12.9	12.9	13.2
<i>of which:</i>								
Foreign direct investment	8.6	9.1	8.9	9.4	9.0	9.2	9.3	9.6
New concessional borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.7	0.0	-0.3	-0.2	-0.3	-0.3	-0.3	-0.1
Overall balance and error and omissions	-0.6	-0.1	0.3	0.4	0.3	0.3	0.3	0.1
Change in central bank reserves (- = increase)	-0.6	0.0	...	...	...	...	...	...
Memorandum items:								
Nominal GDP (Million of U.S. dollars)	4,721	4,942	5,218	4,918	5,507	5,365	5,651	5,964
External debt	111.3	107.5	73.3	39.4	70.1	36.7	35.4	29.3

Sources: Authorities, Direction of Trade Statistics, UN Comtrade, and Fund staff estimates and projections.

1/ As of 2023 include payments on restructured debt, including IDA.

Table 7. Proposed Schedule of Reviews and Disbursements

Availability date	Amount of Disbursements			Percent of Quota 1/	Conditions
	Millions of SDRs				
	PRGT (ECF)	GRA (EFF)	Total		
March 25, 2020	210.86	39.57	250.43	153.26	Approval of arrangement
November 18, 2020	7.00	0.00	7.00	4.28	First review and end-June, 2020 performance criteria
April 15, 2021	7.00	0.00	7.00	4.28	Second review and end-December, 2020 performance criteria
October 15, 2021	7.00	0.00	7.00	4.28	Third review and end-June, 2021 performance criteria
April 15, 2022	7.00	0.00	7.00	4.28	Fourth review and end-December, 2021 performance criteria
October 15, 2022	7.00	0.00	7.00	4.28	Fifth review and end-June, 2022 performance criteria
February 28, 2023	7.00	0.00	7.00	4.28	Sixth review and end-December, 2022 performance criteria
Total	252.86	39.57	292.43	178.97	

Source: International Monetary Fund.

1/ New quota of SDR 163.4 million

Table 8. External Financing Requirement and Sources, 2020–23

(In millions of U.S. dollars)

	Proj.			
	2020	2021	2022	2023
<i>Gross financing requirement</i>	6,310	4,692	5,020	8,084
Trade balance	-4,482	-4,659	-4,984	-5,067
Amortization	11.8	11.8	14.4	15.3
Interest on external obligations	2.3	2.4	2.3	9.7
Official arrears/repayments	1,795	0	0	2,983
Of which: IMF	336	0	0	344
Change in reserves (increase = +)	19.2	18.8	18.9	9.2
<i>Available financing</i>	4,159	4,672	5,000	5,092
Current transfers (net) 1/	3,887	4,005	4,296	4,317
Foreign direct investment	464	495	526	570
Official medium- and long-term loans (net)	0	0	0	0
Other flows 2/	-192	172	178	205
<i>Financing gap</i>	2,151	20	20	2,992
Exceptional Financing	1,796	1.3	1.3	2,983
HIPC debt relief	1,796	1.3	1.3	2,983
Of which: IMF	2.7	1.4	1.3	346
<i>Remaining gap</i>	-355	-19	-19	-9
Identified financing	355	19	19	9
Of which: IMF 3/	355	19	19	9

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Official grants, including budget support, and private remittances.

2/ Includes other financial account flows.

3/ Includes HIPC interim relief from the IMF. Disbursements in 2020-23 are conditional on Board approval of ECF reviews.

Table 9. Projected Repurchases / Payments and Indicators of Capacity to Repay the Fund

(In millions of SDR, unless otherwise noted)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Obligations from prospective drawings 1/															
1. Principal															
Repurchases	0.0	0.0	0.0	0.0	3.3	27.7	50.9	53.7	56.5	57.2	32.8	6.3	3.5	0.7	292.4
2. Charges and interest 2/															
Charges	0.1	0.4	0.4	0.4	0.4	0.4	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0	3.8
SDR related charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Total obligations	0.1	0.5	0.5	0.5	3.7	28.1	51.2	53.9	56.6	57.3	32.8	6.3	3.5	0.7	296.8
Outstanding Fund credit, end of period	257.4	271.4	285.4	292.4	289.1	261.5	210.6	156.9	100.5	43.3	10.5	4.2	0.7	0.0	...
Memorandum items:															
Outstanding Fund credit, in percent of															
Exports of goods and services	50.6	32.2	32.0	31.1	29.2	25.1	19.1	13.5	8.1	3.3	0.8	0.3	0.0	0.0	...
External public debt	18.4	19.2	19.9	23.6	56.7	44.8	33.2	23.1	13.7	5.4	1.2	0.4	0.1	0.0	...
Gross official reserves	506.5	423.6	369.4	350.9	349.7	318.4	256.4	191.1	122.3	52.7	12.8	5.1	0.9	0.0	...
GDP	7.2	7.0	7.1	6.9	6.5	5.6	4.2	2.9	1.8	0.7	0.2	0.1	0.0	0.0	...
Quota	157.5	166.1	174.7	179.0	176.9	160.0	128.9	96.0	61.5	26.5	6.4	0.0	0.0	0.0	...
Total Obligations, in percent of															
Exports of goods and services	0.0	0.1	0.1	0.0	0.4	2.7	4.7	4.6	4.6	4.4	2.3	0.0	0.0	0.0	...
External public debt	0.0	0.0	0.0	0.0	0.7	4.8	8.0	7.9	7.7	7.1	3.7	0.0	0.0	0.0	...
Gross official reserves	0.2	0.7	0.6	0.5	4.5	34.1	62.2	65.5	68.8	69.5	39.8	0.0	0.0	0.0	...
GDP	0.0	0.0	0.0	0.0	0.1	0.6	1.0	1.0	1.0	0.9	0.5	0.0	0.0	0.0	...
Quota	0.1	0.3	0.3	0.3	2.3	17.2	31.3	33.0	34.7	35.0	20.1	3.9	2.2	0.4	...
Quota	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	163.4	...

Source: Fund staff estimates and projections.

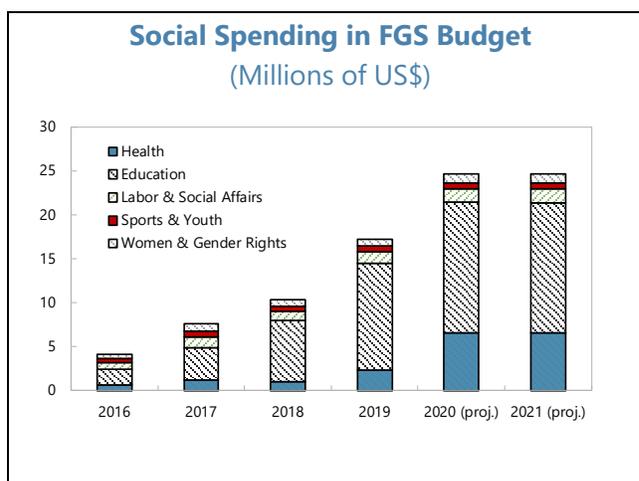
1/ Assumes HIPC CP in early 2023. Based on the proposed level and phasing of access, and subject to the approval of the IMF's Executive Board.

2/ Projections are based on current IMF charges.

Annex I. Increasing FGS Social Spending

1. The economic and social situation has been dire since the civil war. The civil war decimated both human capital and institutional capacity. In particular, the scope for the authorities to provide key services in education, health, social assistance, and other social services was destroyed, with the gap partially filled by the international community, mostly as humanitarian support. The impact of this is reflected in Somalia's pervasive poverty.¹

2. Since 2016, as fiscal reforms have strengthened, the FGS's expenditures on education, health, social assistance, and other social services ("social spending") have steadily increased (Figure). As of 2019, total social spending had more than trebled relative to levels in 2016, with spending on education growing particularly fast. In 2020, donor support has facilitated a critically important increase in health expenditures to help meet the challenges of the coronavirus pandemic.



3. The other notable development in 2020 has been the launch of the FGS social safety net program, Baxnaano. This is being supported by the World Bank and comprises a cash transfer program for rural areas (underpinned by \$65 million in multi-year financing by the World Bank Shock-Responsive Safety Net for Human Capital Project (SRSNHC). It aims to provide recipients \$20 per month, which would cover approximately 30 percent of the food basket of rural households. The goal is to reach 200,000 households nationwide, constituting approximately 10 percent of the population. The targeting criteria is a distress benchmark index that considers chronic poverty and food insecurity. The disbursements are paid on a quarterly basis through mobile money, with women being the direct recipient, and using the UN World Food Program (WFP) delivery system, while FGS' own delivery system is being developed (also supported by SNHCP).

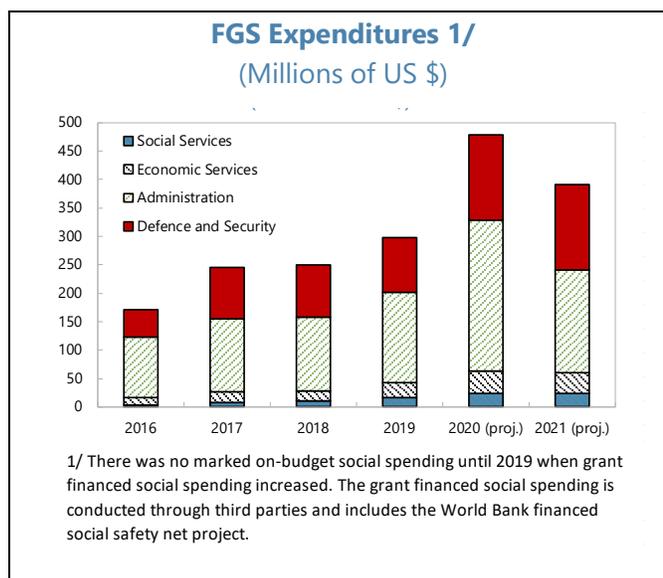
4. Baxnaano has been scaled-up for six months to address the immediate locust-related food insecurity challenges. Regular beneficiaries residing in locust-impacted areas (approximately 30,000 households) will receive an additional \$40 per month, bringing the total transfer to \$60 per month, while an additional 70,000 households will be added temporarily to the list of beneficiaries, also receiving \$60 per month. This scaling-up has been underpinned by \$40 million from the World Bank (IDA regional window) for the Shock-Responsive Safety Net for Locust Response Project.

5. The program complements support being provided directly by other partners. For example, the WFP Urban Safety Net program provides cash transfers of \$35 per month to a targeted

¹ See "Somalia—Enhanced Heavily Indebted Poor Country (HIPC) Initiative—Decision Point Document".

125,000 urban poor in Mogadishu. While this program started with the provision of food, it changed to predictable cash transfers in July 2018. This safety net targets not just very poor urban families but also families with members living with disability, young children, and/or women benefitting from nutrition support. The European Union (EU) is also active in supporting a cash transfer program targeting the vulnerable urban population with an initial budget of \$15 million.

6. All these programs are critical given the continuing high levels of food insecurity and hardship facing the Somali people, especially in the current context of flooding, locusts, and COVID-19. Going forward the launch of the unified social registry, enhanced by the national digital ID, together with appropriate data protection provisions, will facilitate greater coordination, improve the targeting of support, and help maximize the reach of the programs. As the authorities build greater capacity in this area, and given the progress in improving PFM and fiscal transparency, donors should consider



greater use of FGS systems to channel their social safety net support. This would enhance the sustainability of Baxnaano, while facilitating an expansion of coverage, which would enhance the credibility of the FGS, minimize coordination risks, and contribute to greater social stability.

7. More broadly, despite these recent improvements, overall social spending by the FGS remains a very small portion of budgeted expenditure. Looking ahead, the capacity of the FGS to continue building on recent achievements will reflect their success in increasing domestic revenue mobilization to generate fiscal space for this spending, together with sustained donor support. In this context, multi-year World Bank financing will support the health and education sector through 2024. Securing greater security will also be critical for generating fiscal space for the key investment in human capital to promote higher, more inclusive and stable growth. To maximize its impact, social spending will need to be guided by the priorities outlined in NDP9, with the broader impact evaluated as part of the ongoing monitoring and evaluation of the implementation of NDP9.

Annex II. Step-by-Step Towards Fiscal Federalism

1. The adoption of the Draft Constitution in 2012 has set the basis for a federal system in Somalia. As with other federal countries, the process of realizing a full fiscal federal system can take many years and is, in practice, a gradual process requiring a series of activities and agreements that ultimately culminate into a complete or near complete system.

2. Somalia is no different, and, since 2016 when the overall economic reform process began in earnest, the authorities have progressed this important agenda along both technical and administrative, as well as policy and political lines (Figure)¹ While the final model of fiscal federalism will be subject to the outcome of the ongoing constitutional review process, these steps and agreements mark important milestones helping shape the formation of fiscal federalism in Somalia. They have largely been achieved under the auspices of the Finance Ministers Fiscal Forum that was established in 2017, together with support from the international community.

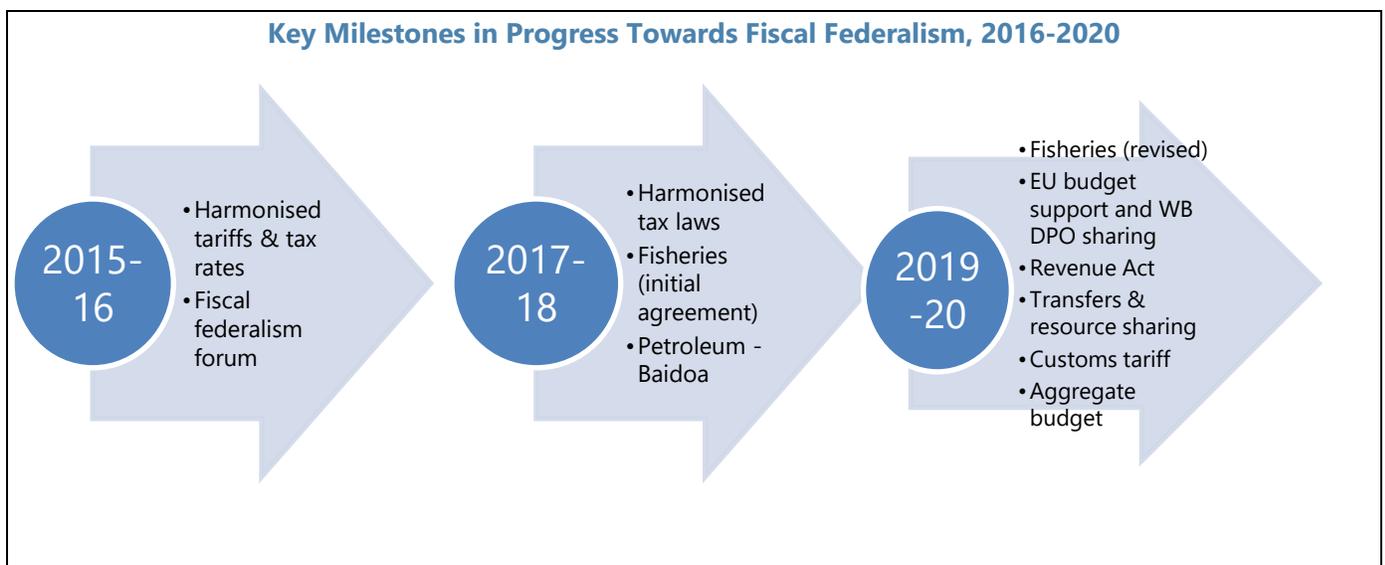
Key policy and political decisions include:

- the harmonization of tariffs on khat and some imported items (2016);
- initial agreement to share resources from fisheries (February 2018)
- agreement to harmonize tax laws that opened the door for the Revenue Act (April 2018);
- Baidoa agreement on petroleum resource management and revenue sharing (June 2018);
- agreement to share revenues from EU budget support (ongoing, September 2019), and World Bank budget support (August 2020);
- agreement on fiscal reporting to FGS on acquittal of transfers (September 2019), followed by MOU on fiscal reporting and data sharing on fiscal outturns (April 2020);
- agreement on the definition of common revenues in the Revenue Act provisions and the proposals to manage these (“expenditure assignments”) (November 2019);
- agreement on paper to guide fiscal transfers from FGS to FMS (November 2019);
- appointment of technical committee to develop a systematic basis of sharing common resources, (August 2020);
- agreement on adopting an ad valorem customs tariff for the country (August 2020); and
- agreement to present an aggregated FGS and FMS budget starting with 2021 budget (August 2020).

¹ See World Bank, “Somalia: Moving the Federalism Agenda Forward”, July 2020.

3. These efforts have also been supported by increasing technical cooperation between the FGS and FMS officials through the Technical Inter-governmental Fiscal Federalism Committee. This has included efforts to strengthen PFM systems across the FGS and FMS, including efforts to harmonize the charts of accounts, and revenue administration, including the ongoing efforts to modernize customs administration. Key partners are supporting the authorities in these endeavors, including through joint capacity building activities.

4. While progress has not always been smooth, recent advances have strengthened the dialogue and trust at both the technical and political levels, and are providing the foundation for fuller discussions so that the agenda can advance again as Somalia moves into the next political cycle.



Annex III. Progress Towards the HIPC Completion Point

- 1. In order to achieve full and irrevocable debt relief under the HIPC initiative, Somalia must meet the Completion Point (CP) requirements.** In addition to sustaining a track record of good performance under an IMF program, it must also implement the key reforms agreed to at the Decision Point (i.e., the Floating Completion Point Triggers or CPTs). These include at least one year of implementation of NDP9—Somalia’s Poverty Reduction Strategy (PRS).
- 2. Somalia is making progress towards reaching CP.** In addition to the satisfactory performance under the ECF, the authorities have worked to integrate provision for expenditures on NDP9 into the 2021 budget, a key element of costing the strategy and which will support its implementation. It is expected that the authorities will submit an Annual Progress Report in early 2021 that covers 2020 implementation of NDP9. IMF and World Bank staff will then submit a Joint Staff Advisory Note (JSAN) to the IMF and World Bank Boards. Progress on the other CPTs is outlined in the table below.
- 3. The staffs of the IMF and IDA have not changed their baseline assumption that achieving the CP by March 2023 appears feasible (EBS/20/20).** While the prevailing crisis has increased risk to the outlook and the IMF program, the timeline still appears feasible given the authorities sustained reform commitment, but it remains critical that development partners continue to provide the necessary capacity building support.

HIPC CP Trigger	Progress
Public financial and expenditure management	
Publish at least two years of the audited financial accounts of the Federal Government of Somalia.	The 2018 audited financial accounts were published in October 2019, and the Office of the Auditor General expects to publish the 2019 accounts by October 2020.
Issue regulations to implement the Public Financial Management Act's provisions on debt, public investment, and natural resource revenue management.	Regulations covering debt and natural resource revenue management have been drafted and are currently under review. Regulations on public investment management have not yet been drafted.
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).	Agreement between FGS and FMS has been reached on the single tariff and technical progress on developing the necessary systems and building the required capacity to support a common valuation approach is being made with support from the World Bank and the UK's DIFD. As an interim step, the key ports are expected to adopt a common tariff schedule in 2021 based on FMS-specific valuation tables.
Governance, anti-corruption, and natural resource management	
Enact the Extractive Industry Income Tax Law.	A draft has been prepared and will be presented to the Cabinet soon.
Ratify the United Nations Convention Against Corruption (UNCAC)	Approved and endorsed in a Cabinet meeting held on June 4, 2020. Ratification will require the approval of parliament.
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).	A new debt recording system is in the process of being acquired. Technical assistance in the pipeline from the IMF and the World Bank.
Social sectors	
Establish a national unified social registry as a functional platform that supports registration and determination of potential eligibility for social programs	The World Bank in collaboration with the World Food Program (WFP) and UNICEF is supporting the authorities to establish the registry. After initial delays, the recruitment of the lead firm to provide technical assistance has been concluded, and implementation started in mid-September. The Minister of Labor and Social Affairs has established a technical committee to

HIPC CP Trigger	Progress
	<p>oversee implementation and provide overall guidance. Registration of cash transfer beneficiaries is ongoing. The data will be migrated to the registry once the platform and the associated operational guidelines are developed. The planned date to reach basic functionality of the registry is July 2021, subject to smooth progress and timely development of the data protection policy.</p>
<p>FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations</p>	<p>FGS and FMS (except Puntland) adopted an agreement clarifying roles and responsibilities in the administration of harmonized national exams. Also, FGS and FMS education authorities formalized and adopted a common curriculum framework and syllabus for primary and secondary education. Puntland has its own examination and curriculum. Completion of the trigger will depend on the resolution of FGS and Puntland disagreements on this issue.</p>
<p>FGS and FMS Ministers of Health adopt a joint national health sector strategy</p>	<p>The FGS, FMS and Somaliland are currently developing a plan known as an "Investment Case (IC)" for health. This is a prioritized, costed strategy that maps actions to available resources. A Somali Country Coordination Platform, inclusive of health sector stakeholders has been developed and is meeting regularly to support the preparation of the IC. A draft of the IC is expected by November 2020, with a view to having it finalized by February 2021. The development and prioritization of an essential package of health services, a key component of the IC, is currently underway, jointly led by FGS and Somaliland Ministries of Health and supported by World Bank, WHO, and DFID.</p>
<p>Growth / structural</p>	
<p>Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector.</p>	<p>The IFC has reviewed and provided comments on the draft Somalia Electricity Act to ensure it is in line with international best practices and fit for the Somalia context. The draft law is currently awaiting stakeholder consultations.</p>
<p>Issue Company Act implementing regulations on minority shareholder protection to encourage private sector investment</p>	<p>The IFC has engaged a legal advisory firm and an international company law expert to provide technical input to the Ministry of Commerce and Industry on the drafting of the implementing regulations. The drafting is in progress, and the first draft is expected to be ready for Cabinet submission by end-September 2020.</p>
<p>Statistical Capacity</p>	
<p>Publish at least two editions of the "Somalia Annual Fact Book".</p>	<p>The first edition of the fact book, "Facts and Figures 2018" was published in July 2020. The 2019 edition is planned for mid-2021.</p>

Appendix I. Letter of Intent

Mogadishu, Somalia

November 4, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.,
Washington, D.C. 20431, U.S.A.

Dear Ms. Georgieva:

1. Somalia has made great progress in rebuilding our economy since the end of the devastating civil war and the subsequent international recognition of the Federal Government of Somalia (FGS) in 2012. The FGS, with the support of its development partners, continues to implement wide-ranging reforms. With the IMF, since 2016, we have maintained an intensive technical engagement over consecutive Staff Monitored Programs (SMP) and the current program under the Extended Credit Facility (ECF). This engagement continues to help strengthen our key economic and financial policy institutions. We look forward to continuing close collaboration while Somalia works towards completing the HIPC process.
2. Despite the progress achieved, the challenges ahead are significant and continued grant-based support will be critical as we progress through the HIPC process. Growth is currently insufficient to reduce widespread poverty and address large social needs, including creating jobs for the youth. Somalia remains vulnerable to climate shocks that exacerbate these poverty challenges. No more so than at the current time, when flooding, together with the prevailing coronavirus pandemic and desert locust invasion, has seen our economy take a significant hit. In response, we prepared a supplementary budget that allows for a significant increase in key expenditures to respond to this multi-pronged crisis, and are grateful to our partners and donors for all their support. The security situation also remains challenging, and, although there is greater clarity emerging on upcoming elections, the political environment is still uncertain. Nonetheless, we remain committed to the economic and political reform process, which will benefit current and future generations of Somalis.
3. Considering Somalia's satisfactory performance under the ECF, we request IMF Executive Board approval of the completion of the first review of the program and disbursement of SDR 7 million (4.28 percent of quota). We met all but one of the quantitative performance criteria (QPC) and all indicative targets (IT) for end-June, and all but one indicative target for end-September—the global coronavirus pandemic led to a large loss of domestic revenue and a shortfall relative to the related end-June QPC and related end-September IT. We therefore request the Board of the IMF for a waiver for the missed QPC, based on our submission to the Council of Ministers of a draft 2021 budget that supports a recovery in domestic revenues in 2021 to a path close to that envisioned

under the ECF-supported program request. Given the continued uncertainty regarding revenue collection for the remainder of 2020, we request a modification of the end-December QPC into an IT in recognition of this uncertainty. In addition, we are requesting the ECF-supported program be modified to include an adjustor on the floor on the net foreign assets (NFA) of the CBS to allow some limited amount of reserves to be drawn in the event that a prolonged impact of COVID-19 results in fiscal revenues underperforming the program baseline. Reflecting our desire to gradually build reserves under the program, we also request the end-December QPC on NFA be increased to reflect part of the overperformance through end-June 2020 in line with discussions. As previously committed, we plan to use the disbursement under the first review to help strengthen our external reserves as Somalia seeks to increase its integration in the global trade and financial system.

4. The attached Memorandum of Economic and Financial Policies (MEFP) describes the reform priorities of the remainder of the three-year arrangement. It identifies specific reforms and conditionality for the subsequent twelve months that build on reforms initiated under consecutive SMPs, take account of the policy priorities identified in NDP9 and reflect the challenges that have emerged during the COVID-19 pandemic. Additional reforms will be detailed on 12-month rolling basis during reviews as information on needs and priorities continue to emerge. The policy anchors for the program remain strengthening PFM, including debt management; domestic revenue mobilization; continued deepening of CBS capacity; and, enhancing governance (including AML/CFT). Program objectives will also be supported by the floating Completion Point-triggers. We will continue to seek technical assistance support from our partners where necessary to implement the agreed reforms. To facilitate the monitoring of performance under the program, the FGS will continue to regularly provide IMF staff with all necessary information within the deadlines specified in the attached Technical Memorandum of Understanding (TMU, Attachment II).

5. We stand ready to take additional measures should they be needed to meet the objectives of the economic program, and will consult with the IMF in advance of any necessary revisions to the policies contained in this letter and attached memorandum, in accordance with the Fund policy on such consultations.

6. In line with our commitment to transparency, the FGS authorizes the IMF to publish this letter, the attached MEFP, TMU, and the related staff report, including the placement of these documents on the IMF website, subject to the removal of market-sensitive information.

Sincerely yours,

/s/

Abdirahman Duale Beileh
Minister of Finance of Somalia

/s/

Abdirahman M. Abdullahi
Governor of the Central Bank of Somalia

Attachments (2)

Attachment I. Supplemental Memorandum of Economic and Financial Policies for 2020–23

This Memorandum of Economic and Financial Policies (MEFP) reviews economic developments and describes progress made in recent months toward the objectives laid out in our program supported by the Extended Credit Facility (ECF). It also updates the previous MEFP and highlights the steps to be taken in the months ahead.

A. Background and Context

1. We have made great strides in rebuilding institutions and policy-making capacity with the support of development partners, including the IMF, since 2013. Within the context of our previous and current National Development Plans (NDP8 and NDP9), we have implemented wide-ranging reforms that have helped rebuild key institutions, including economic institutions, and laid the foundations for macroeconomic stability and growth.

2. The government’s strong reform commitment and international support have combined to create a unique window of opportunity to address low growth and poverty in Somalia. Large, multi-year investments in human and physical capital are needed to improve resilience and lead to higher and more inclusive growth. Therefore, the increased access to grant-based financing expected to materialize as we progress through the HIPC process will be critical.

3. The political environment remains challenging, but progress is being made. A new Prime Minister has been appointed and the election model for the upcoming national and Presidential Elections has been agreed. Finance Ministers across all the Federal Member States (FMS) are fully committed to supporting the economic reforms needed to underpin the HIPC process, and technical cooperation has also been gathering steam. Together with our partners’ policy and financial assistance, we remain committed to staying the course of reform and continuing to deepen political cooperation at the federal and regional level.

4. Somalia has been significantly impacted by multiple shocks—flooding, desert locusts, COVID-19 pandemic—during the first half of 2020, but recent data show some signs of economic resilience. Import flows have remained stable through July, partly supported by stronger-than-expected remittance flows. Nonetheless, the disruption to Somalia’s exports has been substantial, especially for the key livestock sector, which is impacted by the cancellation of the Hajj. The latest data shows that inflation through August 2020 was broadly stable at 4.1 percent year-on-year.

5. Data through June reflects the negative impact of COVID-19 on fiscal performance. To offset the impact of COVID-19 on the most vulnerable, we introduced a temporary tax relief on key basic commodities that will expire by the end of the year. To help compensate for this some customs duties were increased on selected goods. Cumulative domestic revenue for the FGS was US\$99 million against a program target of US\$109 million, based on the program definition. Over

the same period, FGS spending on compensation, goods and services, and contingency of was \$136.5 million, within the June program ceiling of \$154 million. The period fiscal balance was US\$66 million, reflecting strong budget support grant inflows and no accumulation of new domestic arrears. Despite pandemic-related disruptions, fiscal structural reforms continued apace: the tax audit strategy was completed and an initial round of tax audits undertaken; modelling of the customs ad valorem schedule was completed and HS codes introduced at Bossasso and Kismayo (in addition to Mogadishu); the *Petroleum Act* was signed into law, with drafting progressed on the Extractive Industry (EI) tax law and revised model Petroleum Sharing Agreement (PSA); and to enhance intergovernmental fiscal relations and transparency, the FGS and FMS signed a memorandum of understanding to facilitate data sharing and reporting, and are meeting regularly to discuss the fiscal consequences of the crisis.

6. In the financial sector, with the support of recently appointed key senior management, the CBS is making significant progress on strengthening its institutional capacity. Although the implementation of the new mobile money regulatory framework has been delayed due to delays in the approval of the new, underlying telecommunications licensing framework, the mobile money regulations have been issued, a Mobile Money Supervision Unit has been established, and a regulation manual drafted. Progress has also been made on the National Risk Assessment, and industry and other stakeholder outreach, together with training on AML-CFT regulations continues.

7. Given the impact of multiple shocks, the near-term outlook for the Somali economy has deteriorated, and the medium-term outlook appears more uncertain. Economic activity is now expected to contract by 1.5 percent during 2020, compared to growth of 3.2 percent as indicated in our request for the ECF-supported program. We expect the Somali economy will resume a gradual growth trajectory from 2021, and it remains realistic to expect growth to reach around 4¾ percent in the longer run given the envisaged improvements in macroeconomic stability and investment in physical and human capital. That said, there remains a risk of a resurgence in COVID-19 that could create new disruptions—both globally and in Somalia—and set back the anticipated recovery.

8. We have considered how best to safeguard our objectives under the ECF-supported program were Somalia to face the impact of a longer-than-anticipated global COVID-19 pandemic such that the anticipated recovery in 2021 fails to materialize. In such an eventuality, shortfalls in revenues relative to the updated baseline under the ECF-supported program could emerge, putting the execution of the approved 2021 budget at risk. While some of that risk could be absorbed by our continued fiscal discipline, our sequestration rule that prioritizes critical expenditure, and some remaining fiscal savings, we would likely need further support from our international partners. Given the uncertainty around the potential timing and scale of donor support, we are requesting the IMF Executive Board that the ECF-supported program be modified to include an adjustor on the floor on the net foreign assets of the CBS to allow some limited amount of this exceptional financing need to be absorbed in the event that fiscal revenues underperform the program baseline due to Covid-19, subject to limits as defined in the TMU.

B. Economic and Financial Policies for 2020–23

9. Somalia’s ECF-supported program provides an anchor for medium-term policies during the period between the HIPC Decision and Completion Points and supports the implementation of NDP9. As noted previously, our policy anchors for the ECF-supported program reflect the priorities set out in NDP9. These are strengthening PFM, including the legal and regulatory framework, internal and external audit, expenditure controls, cash management, accounting and reporting, and debt management; domestic revenue mobilization; continued deepening of CBS capacity; and, enhancing governance (including AML/ CFT). Specific reforms to meet these objectives, beyond those discussed below, will continue to be introduced on a 12-month rolling basis as information on needs and priorities emerges. Program objectives are also supported by the floating Completion Point (CP)-triggers. The program remains anchored on a floor for domestic revenue, a ceiling on recurrent operating expenditures, a floor on the cash-based fiscal balance, no accumulation of domestic arrears, no new debt accumulation, and a floor on the net foreign assets of the CBS (see MEFP Table 1). Structural benchmarks (MEFP Table 2) anchor key reform objectives in the areas of revenue administration, public financial management, financial stability, and governance and AML-CFT. By the conclusion of the arrangement, we expect to have increased the efficiency and transparency of fiscal processes, even as domestic revenues and expenditures increase; established some limited capacity for monetary and exchange rate policy; and enhanced statistics and governance across all macro-critical sectors.

Fiscal Policy and Reforms

10. The FGS will continue to improve the fiscal framework and fiscal sustainability over the medium term. As noted above, our fiscal anchors are the cash balance, revenue floor, and spending targets as outlined with the IMF. In addition, we seek to protect social spending and avoid the accumulation of domestic arrears. On policies, the key fiscal objectives of the program are to anchor policy in a medium-term fiscal framework (MTFF) and integrate the costs of NDP9 priorities into our budgets going forward; improve budget execution; accelerate the mobilization of domestic revenues; improve public financial management to safeguard fiscal resources and strengthen governance; and strengthen inter-governmental fiscal relations.

11. We have approved a supplementary 2020 budget to reflect the crisis-related fiscal needs. This takes account of the large inflow of budget support grants that we will use to offset declines in domestic revenue at the FGS level, but also across the Federal Member States, the Banaadir Regional Administration (BRA), and Somaliland to ensure that critical expenditures can be met across all levels of government. It also captures the significant increase in key social and resilience-enhancing expenditures that will be facilitated by specific projects, rendering this expenditure budget neutral. In addition, the supplementary budget has secured the necessary appropriations for debt servicing on restructured post-HIPC DP external debt in 2020. Nevertheless, given the anticipated drop in domestic revenues across the FGS, FMS, BRA and Somaliland projected at the time the budget was prepared, the supplementary budget indicated a large financing gap. Recent data has been more encouraging suggesting that governments’ revenue gaps may not be

that large and the financing gap has narrowed. At the FGS-level, to mitigate risks further and help counteract the COVID-19 related decline in domestic revenues, we have increased the tax rate on Khat, although there remains some uncertainty as to when imports will resume.

12. We have updated the MTFE to cover 2021-2024 and this has informed the 2021 budget preparation. The MTFE has identified some modest fiscal space to support our own spending on NDP9 priorities. The MTFE also reflects our continued commitment to increase domestic revenue mobilization and meet our ECF-program objectives of balancing the budget and servicing our external debt. Our 2021 budget will target a substantial increase in domestic revenues and continue a tight control on operational expenditures. It will also maintain reasonable levels of social spending, supported by donor grants, including a carryover of the residual social spending planned for 2020, and identified and costed spending on select NDP9 priorities (SB#4). Future budget processes will continue to commence with an updated MTFE to cover a rolling three-year basis.

13. Accelerating the mobilization of domestic revenue and improving revenue administration are cornerstones of our fiscal program.

- *Over the next twelve months:* On tax policy, we will introduce some of the recommendations from the November 2019 IMF tax policy technical assistance (TA) mission starting with the introduction of turnover tax. We have developed our plan to implement the *Revenue Act*, which focuses on increasing the awareness of the *Revenue Act* and its instruments across the FMS, and building broader capacity in revenue administration. We also plan to complete a preliminary assessment of the potential revenue impact for the individual instruments. We will reinvigorate our tax administration as we prepare for the post-crisis economic recovery, and plan to undertake further tax audits to safeguard tax compliance, building on the lessons learned from our initial audits. In addition, we will continue working on our Customs Reform Road Map, including by implementing the agreed ad valorem tariff schedule at our three largest ports based on the individual valuation tables and in preparation for the eventual introduction of a single tariff schedule (based on either pre-shipment declarations or commercial invoicing) (CP trigger). We will also complete the drafting of, and enact, the *Extractive Industry Income Tax Law* (CP trigger) and finalizing the revised model PSA to provide a clear fiscal framework for the petroleum sector as it develops.
- *Over the course of the program,* we are committed to rolling-out the *Revenue Act* to the FMS, prioritizing customs and sales taxes. We will implement the single customs tariff schedule across the FGS and FMS (CP trigger). To support future progress on revenues, we will continue building the administrative and enforcement capacity of the LMTO, including issuing any required guidance, and strengthening capacity and compliance on customs, including across the FMS. More broadly, to safeguard fiscal revenues from key economic sectors as they develop and new regulatory frameworks are implemented, such as telecommunications and petroleum, we will ensure that fiscal management issues are reserved for the Ministry of Finance while sector regulators operate independently and transparently within their regulatory mandates.

14. Improving public financial management (PFM) remains a key element of our fiscal program, particularly as budget revenues increase.

Overarching PFM issues:

- *Over the next twelve months*, we will issue the *PFM* regulations on budget preparation & execution, payment process, cash advances, and cash management & banking. We will further enhance fiscal transparency by providing clarity on the breakdown of FGS transfers to BRA and the FMS in our monthly published fiscal reports. We will also ensure the FMS continue to provide timely feedback on the use of these transfers
- *Over the course of the program*, in line with the August 2019 IMF PFM TA report and as we implement the PFM regulations, we will undertake a comprehensive review of current business practices and develop a more efficient expenditure approval process, and develop PFM regulations on debt, investment and asset management (CP trigger). We will implement the amendments to the *Procurement Act*, and related regulations, and draft a new concessions law to ensure there are adequate legal safeguards to meet our needs going forward. In addition, we will work towards developing a procurement portal that will be used for the advertising and tracking of public procurements, as well as the publication of the award of procurement contracts. We will also undertake a review of the organizational structure of the Ministry of Finance to further enhance its efficiency and effectiveness going forward.

Budget preparation and execution:

- *Over the next twelve months*, for the budget, we will institutionalize improvements in the budget development process as discussed in the August 2019 IMF TA report. Additionally, we will continue to operationalize the SFMIS budget module to strengthen the budget preparation system and, starting with the 2021 budget, automatically align the controls over budget execution with the budget as approved by Parliament. We will add functionality to SFMIS to support controls for allotments, linking warrants approval to allotments, which are informed by our monthly cash forecasts. To support continued operability of the SFMIS, we will conduct a review of the functionality and governance, and develop a plan to address identified gaps, with support from our external partners.
- *Over the course of the program*, to enhance oversight, we will review the use and presentation of earmarked revenues to finance the operations of various institutions or units.

Cash management:

- *Over the next twelve months*, the CMU will develop fiscal year forecasts of revenue and expenditures, disaggregated into monthly projections and update the forecasts monthly. We will continue to improve commitment control compliance and develop a cash planning process involving MDAs, supported by development of a related IT solution. We will also restrict any

cash advances to only exceptional circumstances, and re-open some bank accounts based on an Accountant General assessment to provide better transparency of MDA cash holdings.

Fiscal reporting and accountability:

- *Over the next twelve months*, we will enact the *Audit Bill*. In addition, the Accountant General will circulate a reporting framework for MDAs, including extrabudgetary transactions (off-budget grants), contingent liabilities, and financial assets and liabilities. In addition, we will develop a FGS public sector institutions table and complete an inventory of FGS public sector non-financial assets.
- *Over the program period*, we will publish two subsequent sets of audited financial accounts for the FGS (CP trigger). We will continue working on developing a consolidated FGS public sector financial reporting system, including implementing an enhanced General Data Dissemination System (e-GDD) to improve data transparency in support of the program goals.

Debt management:

- *Over the course of the program*, the Debt Management Unit (DMU) will continue negotiations with external creditors on restructuring Somalia's external public debt. The March 31, 2020 agreement with the Paris Club provides a framework for these discussions, and discussions are already well advanced with several Paris Club members. Somalia has also reached out to its multilateral creditors and non-Paris Club members, including at the September 2020 meeting of the League of Arab States, with a view to advancing these negotiations. Capacity building efforts will advance now that that procurement of the Commonwealth Secretariat Meridian debt management system is underway, financed with the help of the African Development Bank. In addition, the IMF and World Bank will provide TA to the DMU on developing a template for a future debt bulletin. The latter will be critical for meeting the requirement to publish four consecutive quarterly public debt reports that outline the outstanding stock of general government debt, debt-servicing projections, and risk assessment (CP trigger).

Natural resource management:

- a. *Over the course of the program*, we will not issue any oil exploration licenses until the *Petroleum Act* is operationalized, the *Extractive Industry Income Tax Law* is enacted (CP trigger), model Production Sharing Agreement (PSA) finalized, and associated PFM regulations are issued. We will finalize the model PSA, in line with the provisions of the *Petroleum Act*, the *Extractive Industry Income Tax Law*, and taking account of the IMF recommendations, and finalize the regulations on natural resource management in line with the *PFM Act*.

Intergovernmental fiscal relations

- b. *Over the next twelve months*, we will further enhance the transparency and accountability of fiscal operations across the FGS and FMS and deepen intergovernmental relations. We have established a dedicated intergovernmental fiscal federalism secretariat that coordinates all

issues on fiscal federalism. We will develop a more systematic basis to guide fiscal transfers of common revenues to the FMS, based on a set of objective criteria, besides the already agreed to petroleum and fisheries sectors resource sharing. Beginning for 2021, we will also present an aggregated budget for the FGS and FMS in an annex to the FGS Budget Policy Framework Paper, and will begin publication of an aggregated monthly fiscal report of revenues and expenditures, outlining the budget execution covering the FGS and FMS [following the format in our consolidation tool], together with the individual FMS-level detail (SB#8). This will also reflect ongoing progress on unifying the chart of accounts and accounting guidance across the FGS and FMS in line with GFSM2014.

- c. *Over the course of the program*, we will continue working with FMS on issues related to intergovernmental fiscal relations, including further review and refinement of expenditure assignments as the base of shared revenues increase. We are committed to sustaining regular meetings of the Intergovernmental Fiscal Forum, along with continued capacity development support and information sharing at the technical level.

Monetary and Financial Sector Reforms

15. Efforts to strengthen the CBS' organizational framework, build capacity, and implement critical reforms continue. These include implementation of the CBS transition plan, further strengthening of prudential supervision and improving monetary and financial statistics, and building capacity in banking operations and payment systems. A new Board of Directors was appointed early in 2020, and three new senior managers, together with a Human Resource Advisor and a Legal Advisor, have now been hired. A transition team to oversee the implementation of the transition plan has been established, and a new Human Resources policy to attract and retain staff has been approved. Our ECF-program will continue to be anchored on gradually building our reserves while maintaining a minimum floor.

- a. *Over the next twelve months*, we will continue to make headway on the CBS restructuring program. We will complete the recruitment of a Restructuring Project Manager, a Communications Advisor, and the initial skills gaps analysis is ongoing, and we will finalize and approve the CBS operational budget for 2021.
- b. *Over the course of the program*, we will complete the transition to the new organizational structure. With IMF and World Bank guidance, we will assess evolving monetary policy needs. We will also prepare a medium-term business plan, and review the CBS' underlying income model to modernize and align it more directly with the business needs.

16. We will continue implementing other reforms to support financial sector stability and strengthen financial intermediation. Reform priorities are outlined in our Financial Sector Reform Road Map. Recent developments include the launch of *a new facility* to support access to financing for micro, small and medium-sized enterprises (Gargaara), with the support of the World Bank.

- a. *Over the next twelve months*, we will continue working with the industry to secure the licensing of mobile money operators and begin implementation of the mobile money regulatory regime. We will agree a Memorandum of Understanding (MOU) with the National Communications Authority (NCA) and the FRC to support greater inter-agency coordination across the CBS, FRC, and NCA in the oversight of the sector, to clarify the respective roles and responsibilities, and facilitate adequate data sharing and a timely licensing process.. With TA from the IMF, we will enhance the regulatory framework for Islamic banking by issuing guidance on financial reporting and accounting standards and developing a governance framework (SB #6). In addition, we will strengthen the Supervision Action Plan to improve and broaden on- and off-site inspections. In this context and as part of the broader transition plan, we plan to recruit additional staff for the Licensing and Supervision Department (LSD). Improvements in data collection and reporting are also ongoing. With World Bank assistance, the first stage of the implementation of an Automated Transfer System (ATS) is expected to be completed shortly and establishment of a National Switch to support the national payment system is well underway. Draft bills for the National Payment System, revised Financial Institutions Law (FIL), and Insurance are currently under review and are expected to be submitted to Council of Ministers, with the National Payment System the initial priority.
- b. *Over the course of the program*, we will enhance prudential regulations for the banking sector, including by adopting a revised regulation on capital adequacy, and introducing a reserve requirement. We will also fully apply the mobile money regulations by 2022. We will continue developing other regulations called for in the FIL, including micro finance, Forex bureau and crisis management. With World Bank assistance, we will also progress work on introducing a credit bureau and movable collateral registry to help manage credit risk and support greater financial intermediation. We will continue to evaluate our capacity needs to meet current and future prudential supervision commitments, such as insurance.

17. In the context of a World Bank project, we plan to implement the currency exchange project (currency reform phase I) once the preconditions and financing are in place. We are currently undertaking a survey to estimate the amount of old Shilling in circulation. The first high-level steering committee meeting on the currency exchange project will shortly be convened, to be chaired by the new Prime Minister. This will facilitate increased political engagement and coordination at all levels of the FGS. The existing MOU with the FMS will be revisited to further support the goals of the project. In addition to addressing the other operational and financial needs associated with the project, we will formulate our medium-term policy priorities and develop some basic monetary policy capacity before implementation. We will also need to secure the assets required to backstop the new currency, including by catalyzing donor assistance.

18. Implementation of the recommendations of the safeguards assessment is progressing well. The FY2018 audit report has been approved and published, and our accounts now reflect the IMF positions on the CBS balance sheet. We are expecting to complete the FY2019 audit by end of December 2020. We have also clarified that the full ownership of the proceeds of asset recovery to date has been allocated to the CBS. The CBS account with the Federal Reserve Bank of New York has

now been reactivated and the Foreign Exchange Account Policy has been endorsed by the CBS Board of Directors. Quarterly reporting by the internal audit department to the Audit Committee has now been introduced.

19. We will continue accelerating reforms of the AML/CFT operational and legal framework to support correspondent banking and the critical flow of remittances into Somalia. With the IMF and World Bank, we have developed an Action Plan to guide the priorities in this area. Despite the COVID-19 and related lockdown challenges, the FRC continues to make progress in building capacity and enhancing its relationships with key stakeholders. A draft of its 2019 Annual Report has been prepared, training of staff on the goAML software is ongoing, and awareness raising of stakeholders (industry, judiciary, police) on the AML/CFT regulations has been ongoing. Guidelines for AML/CFT regulation for financial institutions have been drafted with the support of Financial Services Volunteer Corps. Guidance notes for commercial banks, and MTBs on the AML/CFT regulations are also underway while AML/CFT compliance and risk assessment manuals have been issued.

- a. *Over the next twelve months*, we will secure the endorsement of the National Anti-Money Laundering Committee (NAMLC) of the proposal to resolve the overlap and inconsistencies between the new AML/CFT regulations for financial institutions and AML/CFT governance and compliance regulations. We have revised the draft of the long-overdue *Targeted Financial Sanctions Law* and will present it to Cabinet shortly with a view to presenting it to Parliament and having it enacted by end-March 2021 and issue the associated regulations (SB#7, reset for end-June 2021). We will agree an MOU with the FRC – including to clarify responsibilities and coordinate training. We will complete and issue the AML/CFT regulations and guidance for the Designated Non-Financial Businesses and Professions (DNFBPs), and the mobile money operators (MMOs), based on the drafts already prepared. In addition, we will operationalize the NAMLC Task Force to support technical progress on these issues. A first draft of the National Risk Assessment (NRA) report is expected by end-October 2020, and we will to finalize the NRA in a timely manner (CP trigger).
- b. *Over the course of the program*, to further improve compliance, we will continue strengthening the AML/CFT requirements in the annual financial institution relicensing processes. We will incorporate the findings of the NRA into a new National Strategy for AML/CFT, and prepare for the MENA-FATF Mutual Evaluation Assessment in 2024. To support resumption of correspondent banking relationships, we will develop a public relations strategy and expand communications with source and transit country regulators (i.e., MOUs, informational websites, Egmont Group participation, etc.). We will continue efforts at training and capacity building in our financial institutions, leveraging innovations such as the National Compliance Forum.

Policies for Improving Economic Growth, Governance, Social Inclusion and Statistics

20. We continue our strong commitment to improving governance and fighting corruption. We recently enacted an Anti-Corruption Law that establishes the Anti-Corruption Commission, which is in the process of being appointed. The Cabinet approved a National Anti-

Corruption Strategy (NACS), which has been published by the Ministry of Justice (SB#3). We have been conducting outreach to different stakeholders around the federation to increase awareness of the NACS and encourage the development of an anti-corruption mindset. We urge our donors to support our multi-year program with UNDP to improve our national integrity system. In addition, given that improving governance and reducing the perception of corruption is a key priority for us:

- a. *Over the next twelve months*, we are developing a draft action plan to implement the NACS that can be quickly rolled out after the upcoming elections. We will also compile in a new regulation all the provisions in existing laws, including the penal code, that define corrupt practices and the associated penalties, and identify any gaps or amendments needed.
- b. *Over the course of the program*, we will begin implementing the action plan to operationalize the NACS, with the help of our international partners. We will ratify the UN, African Union, and Arab Conventions Against Corruption (CP trigger). These have already been approved by the Cabinet and will soon be presented to the Parliament for ratification. We will also develop the legal framework for an asset declaration regime by senior public officials. We will also work to protect the independence of the judiciary and improve its capacity, as well as to take other efforts to create a culture that rejects corruption.

21. To further support efforts to reduce the risk of corruption, we intend to take additional steps to modernize key public institutions. Over the course of the program, we will complete the pay and grading system for the FGS civil service, enact the amendments to the Civil Service Law and Public Pensions Bill, and modernize the FGS civil service commission.

22. To improve governance in our regulatory processes for key industries, we intend to publish the outcomes of licensing processes in the telecommunications and mobile money sectors. The process for issuing licenses to Mobile Network Operators (MNOs) by the NCA is underway, with some already issued, and the issuance of licenses to Mobile Virtual Network Operators (MVNOs) will follow in due course. This will facilitate the issuance by the CBS of any related MMO licenses. In order to improve the reporting, transparency, and accountability in the process, the NCA and the CBS will publish the outcomes of the license applications for MNOs, MVNOs and MMOs, respectively, including which firms were granted a license, the general terms of those licenses (including licensing fees), and the criteria for qualification by end-June 2021 (SB#9). This will help set an important precedent for future transparency in other important sectors as the regulatory frameworks for those sectors advance.

23. While the prevailing crisis has forced us to reprioritize our efforts in the short run, we remain committed to advancing a broad-based reform agenda to bolster the foundations for sustained inclusive growth and improve the resilience to climate shocks. We fulfilled our commitment to pass the Somali Standards and Quality Control Bill and establish the Somali Bureau of Standards earlier this year. These provide a framework for agricultural standards and certification to support activity and employment in the largest sector of our economy. Additionally, we established a “one-stop-shop” to e-register business for integrated tax and business licensing services. A bill to establish an Investment Promotion Agency, which will work on investment policy

and the promotion of key industries, and the related Investment Protection Bill are currently being deliberated by Parliament.

- a. *Over the next twelve months*, with support from our development partners, we will take further steps to implement the findings of the Somalia Drought Impact and Needs Assessment and the Recovery and Resilience Framework. Indeed, the floods this year have reinforced the need to focus on improving water management and resilience. We are thus developing the National Water Resource Strategic Plan, as well as the Somalia Water Development Fund. To enhance trade and reduce transportation costs, we will continue to improve our road system and interconnections to neighboring countries. In addition, to enhance the visibility and oversight of aid flows, and to ensure their alignment with the priorities of NDP9, we are working towards operationalizing the new aid architecture. Finally, we will continue working to enact the legal framework to underpin the development of formal accounting standards and establish a Somali Institute of Certified Public Accountants.
- b. *Over the course of the program*, we will enact the Electricity Act and issue supporting regulations to improve the supply – and reduce the cost – of electricity for households and entrepreneurs by permitting private investment in the sector (CP trigger). We will also issue key regulations under the Companies Act to support private sector investment and strengthen corporate governance (CP trigger). We will continue expanding our trade opportunities by working towards accession to the World Trade Organization and on improving regional and bilateral trade ties.

24. We will also introduce a national digital ID that will not only support enhanced KYC and financial intermediation, but which will also support targeted delivery of government services. Specifically, in the first twelve months, we will continue developing the legal underpinnings for the digital ID and procure the necessary IT system. Over the course of the program, we will complete this work, including enacting the *Digital ID* and *Data Protection Bills*, and establish the national ID agency. We will also transition the use of the ID to support the targeted social protection scheme.

25. We will establish a national social registry, a necessary building block for a comprehensive shock response safety net system (CP trigger). This will support the registration and determination of potential eligibility for social programs. We have initiated a social safety net scheme, Baxnaano, with the support of the World Bank and using the systems of the World Food Program. This aims to provide cash transfers to targeted poor and vulnerable households and has also been used to channel funds from the World Bank's locust response project. Over time, the delivery of the scheme will transition to a greater use and reliance on the FGS' own systems.

26. To enhance human capital development, we have drafted an education Memorandum of Understanding (MOU) between FGS and FMS. This defines the respective roles and responsibilities of the FGS and FMS in the areas of curriculum and national examination (CP trigger). This draft has already been signed by most FMS, and we will continue working to come to full agreement. In addition, over the course of the program, we will adopt the Joint National Health

strategic plan, which will support effective functions and accountability across different levels of governments (CP trigger).

27. Improving key macroeconomic and financial data will be critical to guiding economic policies. Now that the amendments to the National Statistics Law have been passed, we have established the National Bureau of Statistics (SNBS). We have also published Somalia Facts and Figures 2018, the first edition of a fact book and including national accounts, and shared the first version of our Economic Statistics Action Plan (ESAP) with our international partners. In addition to reforms to improve comprehensive fiscal and financial sector data, we agree that:

- a. *Over the next twelve months*, we will develop the strategic and institutional framework of the SNBS and to update the ESAP to reflect the short-term operational objectives and progress on collecting and disseminating macroeconomic and financial data. We are working towards the second edition of Facts and Figures (CP trigger). In this context, we will continue our work on developing key statistics and the capacity to report them regularly to the IMF. On other external data, the CBS remains engaged with MOF to strengthen the collection of import and export of goods data from ports beyond Mogadishu, introduce information from the travel survey and airline companies' data to more reliably scale up Immigration Department travel data, and send the IMF preliminary FDI inflow estimates from the survey. We are also progressing a National Labor Survey.
- b. *Over the course of the program*, we will also outline other granular reforms to improve macroeconomic and financial data. We will work with our partners to develop production-based national accounts data, which will improve our understanding of economic developments, and to work on collecting labor data.

C. Program Monitoring and Access

28. Program implementation is being monitored through quantitative performance criteria, continuous performance criteria, and indicative targets (MEFP Table 1) and structural benchmarks (MEFP Table 2). These will be assessed through semi-annual reviews. The second review will be based on the PCs set through end-December 2020 data, and the third review on the ITs set through end-March 2021 and the PCs set through end-June 2021 data as described in MEFP Table 1 and the structural conditionality as described in MEFP Table 2 (below). All reviews will be conditioned on quantitative performance criteria outlined in MEFP Table 1. These are defined in the TMU (Attachment II).

MEFP Table 1. Somalia: Quantitative Performance Criteria and Indicative Targets Under the Extended Credit Facility 1/

	2020									2021			
	June			September			December			March		June	September
	Performance Criteria 2/			Indicative Target			Performance Criteria 2/	Indicative Target 3/	Performance Criteria 2/	Indicative Target	Indicative Target	Performance Criteria 2/	Indicative Target
	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	1st Rev.	1st Rev.	Prog.	1st Rev.	1st Rev.	1st Rev.
Quantitative Performance Criteria													
1	109.0	98.5	Not met	160.0	146.4	Not Met	234.0	195.0		50.0	50.0	115.0	177.0
2	154.0	136.5	Met	231.0	209.3	Met	308.0		308.0	77.0	85.2	170.4	255.6
3	69.1	71.0	Met	69.1	70.9	Met	78.7		79.2	78.7	79.2	79.1	88.1
4	0.0	0.0	Met	0.0	0.0	Met	0.0		0.0	0.0	0.0	0.0	0.0
5	0.0	0.0	Met	0.0	0.0	Met	0.0		0.0	0.0	0.0	0.0	0.0
6	0.0	0.0	Met	0.0	0.0	Met	0.0		0.0	0.0	0.0	0.0	0.0
Indicative Targets													
1	-10.0	66.2	Met	-10.0	42.8	Met	-10.0	-10.0		0.0	0.0	0.0	0.0
2	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0		0.0	0.0	0.0	0.0
3	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0		0.0	0.0	0.0	0.0

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Cumulative from the beginning of the fiscal year.

2/ Test date for the first review, second, and third reviews, respectively.

3/ The authorities are requesting the December 2020 PC on FGS domestic revenues to be converted to an IT and to be reduced to reflect the crisis impact.

4/ As defined in the Technical Memorandum of Understanding. 2021 figures will be adjusted for the exchange rates and gold price at end-2020 when available.

5/ Continuous target.

6/ The negative QPC for 2020 reflects receipt of grants in 2019 intended to be partially used to meet 2020 budget expenses. Cash surplus in June 2020 is expected to decline as commitments are paid later in the year.

7/ Excluding any disbursements under a Fund arrangement.

MEFP Table 2. Structural Benchmarks for the Arrangement (March 2020-June 2021)

Benchmarks	Target dates	Sector/FGS Agency	Rationale	Monitoring	Status
1 Develop and implement a tax audit strategy at the LMTO to validate tax returns and revenues. 1/	End-June 2020	Domestic revenue / MOF	Support domestic revenue generation and governance.	Report number and value of returns audited, tax audit strategy, and tax audit summary report on key findings.	Met
2 Further operationalize and build capacity at the Financial Reporting Center to review and assess suspicious transactions. 1/	End-June 2020	Governance / FRC	Support operational capacity of the AML-CFT framework. Address key gaps: (1) key physical infrastructure, (2) IT system (GOAML), and (3) secure data collection and storage.	Confirm acquisition of key physical and data management infrastructure, and IT systems. Provide summary of activities over previous six months.	Met
3 Publish a cabinet-approved National Anti-Corruption Strategy	End-June 2020	Governance / MOJ	Advance anti-corruption reforms. Finalize the FGS' strategy for tackling corruption after the consultation processes are complete.	Secure cabinet approval, publish the document on the government's website, and submit draft action plan to implement the strategy to the IMF staff.	Met
4 Implement harmonized HS codes and prepare ad valorem tariff schedule at key ports of Bossaso, Kismayo, and Mogadishu. 1/	End-September 2020; thereafter end-month basis	Domestic revenue / MOF	Support domestic revenue generation and modern customs operations, as a step towards national application.	Submit schedule of HS codes and ad valorem rate schedule, and report revenue on a continuous, monthly basis (following first test date).	Met
5 Complete preliminary NDP9 costing and reflect in 2021 budget.	End-October 2020	PFM / MOF & MOPIED	Strengthen budget execution, institutions and governance in public finance to support spending efficiency and avoid fiscal deficits.	Update MTF developed with IMF staff in May 2019 and identify available fiscal space to meet NDP9 priorities; complete NDP9 costing exercise; include some provision for costed NDP9 priorities for the first year (2021) and identify targeted amounts for subsequent years (2022-2023). Submit MTF and draft 2021 budget to IMF staff for review and gain Cabinet approval.	Met
6 Issue guidance for (1) financial reporting and accounting standards and (2) Shariah governance framework for Somali banks.	End-December 2020	Financial stability / CBS	Support financial stability. To clarify the nature of Shariah-compliant assets and liabilities on Somali banks' balance sheets and banks' related governance frameworks, to support better risk assessment.	Submit issued CBS-Board approved guidelines to the IMF.	
7 Enact the Targeted Financial Sanctions Law and issue related regulations. 1/	End-June 2021	Governance / MOF	Support normalization of correspondent banking relationships by bringing Somalia AML-CFT framework into compliance with international standards.	Submit issued regulations (by the Ministry of Finance) to IMF staff.	
8 Enhance the clarity and accountability of the aggregated FGS and FMS fiscal status.	End-June 2021	Fiscal transparency / MOF	Enhance the quality of general government reporting and improve intergovernmental fiscal transparency and accountability.	Publish the aggregated 2021 FGS and FMS budget in the 2021 FGS Budget Strategy paper; publish on the internet the aggregated FGS and FMS fiscal outturns (revenue and expenditures) on a monthly basis using the 6 digit classification codes (with a 2 month lag, following first test date).	
9 Enhance transparency in the regulatory process of the Telecommunications and Mobile Money Sectors.	End-March 2021	Governance / NCA and CBS	Improve transparency and accountability in the regulatory process for important industries. This applied to telecommunications and mobile money, but has implications for other important industries in the future.	Publish on the NCA and CBS websites, respectively the outcomes of licensing applications for Mobile Network Operators and Mobile Money Operators, i.e. which firms were given licenses, the terms of the licenses (including standard licensing fees), and the criteria for issuing the licenses.	

1/ Reset SBs left over from SPMIV for end-May 2020.

Attachment II. Technical Memorandum of Understanding

This technical memorandum of understanding (TMU) sets out the definitions of the quantitative performance criteria and indicative targets agreed to by the Somali authorities and the International Monetary Fund (IMF) regarding for the three-year blended Extended Credit Facility and Extended Financing Facility spanning March 2020-2023. In addition, the TMU establishes the terms and timeframe for transmitting the data that will enable IMF staff to assess program implementation and performance. The definitions could be revisited during the program reviews to ensure that the memorandum continues to reflect the best understanding of the Somali authorities and IMF staff in monitoring the program.

Quantitative Targets

1. The test dates for quantitative performance criteria (QPC) have been set for the end of December 2020 and end of June 2021, and those for the related indicative targets (IT) for end of September 2020 and end of March 2021. Other ITs are set for September and December 2020, and March, June, and September 2021. Quantitative targets after June 2021 will be set on a 12-month rolling basis during program reviews, with test dates for QPCs usually set on a semiannual basis, and those for ITs set on a quarterly basis. Unless otherwise specified, all quantitative targets will be evaluated in terms of cumulative flows from the beginning of each calendar year; they are specified in MEFP Table 1 of the Memorandum of Economic Financial and Policies:

2. Quantitative performance criteria are proposed for December 31, 2020 and June 2021 with respect to:

- Floor on Federal Government of Somalia (FGS) domestic revenue (for June 2021 only);
- Ceiling on spending on FGS public compensation, goods & services, & contingency;
- Floor on the Central Bank of Somalia's (CBS) net foreign assets (NFA);
- Ceiling on new domestic debt contracted by the FGS;
- Ceiling on accumulation of new external arrears by the FGS; and
- Ceiling on contracting or guaranteeing any new external, non-concessional debt.

Indicative targets

- Floor on Federal Government of Somalia (FGS) domestic revenue (for December 2020);
- Floor on the FGS fiscal balance (on a cash basis);
- Ceiling on accumulation of new domestic expenditure arrears by the FGS; and

- Ceiling on contracting or guaranteeing any new external, concessional debt, excluding and disbursements under an IMF arrangement.

Definitions and Computation

3. The government is defined as the FGS. This definition excludes public entities with autonomous legal personalities whose budgets are not included in the federal government budget and federal members states (FMS). For the purpose of monitoring external debt, the general government is defined as the FGS and federal members states (FMS) (Galmudug, Hirshabelle, Jubaland, Puntland, and South West State) and the Banaadir region.

4. Government domestic revenue includes all tax and nontax receipts received into the FGS general accounts and excludes grants. It is measured on a cash basis, and cumulative from the beginning of the current fiscal year (which coincides with the calendar year). Revenues of the government, which are defined in line with the Government Financial Statistics Manual (GFSM 2014) on a cash accounting basis, excluding grants.

- Domestic revenues of the federal government include taxes, non-tax revenues and other compulsory transfers imposed by the government, property income derived from the ownership of assets, sales of goods and services, penalties and forfeits and voluntary transfers received from nongovernment other than grants. The definition for program monitoring excludes grants and other noncompulsory contributions received from foreign governments or international organizations. Receipts from the sale of nonfinancial assets (for example, the sale of physical assets) and signing bonuses from natural resource contracts, transactions in financial assets and liabilities, such as borrowing, but excepting interest payments, are also excluded from the definition of revenue.
- Government revenues and grants should be recognized on a cash basis and should be recorded when received. For program monitoring purposes, domestic revenues will exclude any revenues received and recorded in the current fiscal year but that relate to previous years' activities, such as the ICAO revenues in 2019, with the exception of underpaid taxes and fees recovered through the annual tax audit process, and prepayments (e.g., telecommunications license for 20 years). The Government SFMIS reports will be used as the basis for program monitoring of revenues and expenditures, supplemented by monthly financial reports published by the Minister of Finance.

5. Total FGS public compensation, and spending on goods and services and contingencies, is specified by expenditures in associated budget items. These are determined by GFS classification for compensation, goods and services spending, and contingency. The table on data reporting below requests expenditures by budget item (GFS classification) for each MDA.

6. Budget execution control points for Somalia are defined in accordance with accepted international practice:

- a. **Allotment:** A stage in the procedure for distributing budget funds among spending units made by the Ministry of Finance to MDAs permitting them to either commit or pay out funds, or both, within a specified time period and within the amounts appropriated. In Somalia, the allotment is issued by the Budget Department. Also referred in some texts as ‘apportionment’ or ‘allocation’.
- b. **Warrant:** A request from an MDA for the release of all, or more commonly a part, of the total allotment that allows a line ministry or spending agency to make commitments. Once approved, the warrant reduces the available allotment. Also referred in some texts as ‘reservation’.
- c. **Commitment:** A commitment refers to a stage in the expenditure process at which a contract or other form of legally binding agreement is entered into, generally for future delivery of goods or services. A liability will not be recognized until delivery of the item, but the government is contractually committed to meeting the obligation once delivery is made.

7. The fiscal balance, on a cash basis, is defined as the difference between (i) the sum of government revenue (as defined in paragraph 3) and budget grants; and (ii) total expenditures (excluding foreign-financed off-budget investment). In the event of a shortfall in expected revenue and grants, the floor on the fiscal balance will be adjusted down by the amount drawn from the fiscal buffer to cover priority spending (public wages and food rations for security personnel), as governed by the established guidelines, and provided that there are no overruns in other, non-priority spending items.

8. New domestic expenditure arrears of the government are defined as budgeted federal government payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date in which payments are due according to the relevant contractual agreement, considering any contractual grace periods. Government payment include all expenditure for which vouchers have been approved by the Budget Department/Accountant General Office, expenditures that are automatically approved by legislation, debt payments to CBS and commercial banks, and transfers to regional governments.

9. External arrears of the government are defined as debt obligations to non-residents that are not paid on the contractual due date (plus any applicable grace period). For program purposes, external arrears exclude arrears arising from debt that is being renegotiated with creditors in the context of the HIPC process, including Paris Club creditors; and more specifically, to external arrears in respect of which a creditor has agreed that no payment needs to be made pending negotiations.

10. For program monitoring, debt is defined for program purposes in accordance with Executive Board Decision No. 15688 (14/107), Point 8(a) and 8(b), adopted on December 5, 2014 and is defined on a residency basis.

- The term “debt” will be understood to mean a current (that is, not contingent) liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:
 - Loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
 - Suppliers’ credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
 - Leases, that is, arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property.

11. Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

12. Domestic debt is defined as debt for which the counterparty is resident of Somalia, including the CBS. The definition of domestic debt excludes temporary advances for liquidity management from the CBS. Temporary advances will be fully repaid within 90 days. QPCs and related ITs on domestic debt are cumulative ceilings on contracting new domestic debt from the beginning of the fiscal year.

13. QPCs (and related ITs) for external debt are cumulative ceilings on contracting or guaranteeing of new non-concessional borrowing by the general government from the beginning of the fiscal year. ITs on external debt are cumulative ceilings on contracting of new concessional borrowing by the general government from the beginning of the fiscal year. For program purposes, external debt is defined by the residency of the creditor and is deemed to have been contracted when an underlying loan agreement is signed. Excluded from this PC are disbursements from the IMF. The government will report any planned external borrowing and its terms to Fund staff before external debt is contracted or guaranteed. In addition, for program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as

follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The NPV of debt at the time of its signing is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is 5 percent.

14. The CBS’s net foreign assets are defined as the difference between the CBS’s gross foreign assets and gross foreign liabilities. Gross foreign assets are defined as (i) gold (valued over the calendar year at the market price of December 31, 2019 (\$1,517.275 per ounce)); plus (ii) total foreign exchange held abroad; and (iii) Somalia’s SDR holdings in the SDR Department (valued over the calendar year at the December 30, 2019 exchange rate of \$1.382830 per SDR); net of (iv) government grant deposits at the CBS in foreign currency held abroad; and (v) other earmarked foreign currency deposits by residents of Somalia held abroad. IMF [representative exchange rates](#) against the U.S. dollar at December 30, 2019 will be used to convert foreign assets and liabilities denominated in currencies other than U.S. dollars. These exchange rates and gold price will be reset annually on the final business day of the year for the subsequent year. The current baseline for NFA includes an amount of US\$1.19 million of recovered assets (included in the CBS’ “total foreign exchange held abroad”). The allocation of these assets between the CBS and the FGS has been clarified, with no related impact on the NFA targets.

15. The program floor on net foreign assets of the CBS will be adjusted down to reflect any exceptional financing needed in the event of a shortfall in revenues relative to the program baseline due to a longer-than-anticipated impact of the global COVID-19 pandemic. This would be limited to a maximum size of one twelfth the level of annual FGS domestic revenues in the program baseline.

A. Program Monitoring

Program-Monitoring Committee

16. The Somali authorities shall maintain a program-monitoring committee composed of senior officials from the Ministry of Finance (MoF), the CBS, and the Ministry of Planning, Investment and Economic Development (MoPIED). The IMF Resident Representative will have observer status on this committee. The committee shall be responsible for monitoring the performance of the program, recommending policy responses, informing the Fund regularly on program performance, and transmitting the supporting materials necessary for the evaluation of benchmarks. The committee shall provide the Fund with quarterly progress reports on the program within four weeks of the end of each quarter, using the latest available data.

Data Reporting to the Fund

17. To allow monitoring of developments under the program, the MoF, CBS, and MoPIED, and the Financial Reporting Center will provide to the Resident Representative’s office of the IMF the following data on the schedule as specified in the table below.

Somalia: Data Reporting, March 2020–March 2023

Reporting Agency	Type of Data	Description of Data	Frequency	Timing (within period specified)
Central Bank of Somalia	Monetary survey	Detailed balance sheet data of the CBS submitted in the reporting template.	Monthly	3 weeks after the end of each month
		Consolidated commercial banks' balance sheet data submitted in the reporting template, including deposits by mobile money operators (MMOs).	Quarterly	4 weeks after the end of each quarter
	Financial data not included in broad money	Volume and value of mobile money transaction.	Quarterly; starting with the end-March 2021 data point.	4 weeks after the end of each quarter
	Other financial indicators	Prudential data as per associated CBS regulations (total capital, core capital, total net assets, high quality liquid assets, and 30-day funding requirement), and average profit rates and tenor information for private sector financing assets from banks.	Quarterly	4 weeks after the end of each quarter
	Balance of payments	Trade in goods data by HS code and value for the ports of Mogadishu, and Bossaso and Kismayo, starting end-September 2020; petroleum imports to Mogadishu; and travel data from the Immigration Department.	Quarterly	4 weeks after the end of each quarter
		Cross-border current transfers (both inflows and outflows) by MTBs, and banks, and for MMOs starting from end-March 2021.	Quarterly	4 weeks after the end of each quarter
	FGS external accounts	Provide end-month balances included in the Treasury Single Account held abroad by the CBS on behalf of the FGS, including on-budget grants and the fiscal buffer.	Monthly	3 weeks after the end of each month
Ministry of Finance	FGS budget operations	For annual and supplemental budgets: <ul style="list-style-type: none"> Revenue by GFS 6-digit revenue classification; Proposed Appropriation by MDA, program/project and 4-digit object code; Proposed appropriation by MDA and 2-digit object code; Staffing table by MDA; and Donor assistance tables; by COFOG showing on and off-budget spending; spending by NDP sector; and spending by FGS, Banaadir, and FMS. 	As required	Within a week of submission to Cabinet and to the Parliament; and when signed by the President.

Somalia: Data Reporting, March 2020–March 2023 (continued)

	Current year SFMIS reports showing budget, virements, and monthly data for: <ul style="list-style-type: none"> • revenue at GFS 6-digit revenue classification code; • expenditure by budget line and GFS classification with MDA lines, disaggregated by program/project and showing data by GFS 4-digit object code; and • for applicable MDAs, details of budget transfers to each FMS and other units. Reports 1A and 1B (as amended)	Monthly	4 weeks after the end of the month
	A comprehensive table summarizing Government operations including revenue, expenditure (by MDA and Object code), and TSA balances for the month and YTD. These should include the fiscal buffer balances. (Report 5A, 5B, 5C and 5D).	Monthly	4 weeks after the end of the month
	The outstanding appropriation, allotment, warrant, commitment, and expenditure recorded by MDA in Report 2A.	Monthly	4 weeks after the end of the month
	Payments report showing all payments in number and value made, disaggregated by those paid directly to vendor's bank accounts consistent with commitment controls; cash advances; and other payments.	Monthly	4 weeks after the end of the month
	SFMIS audit report recording use of the allotment "allow to exceed" control override function.	Monthly	4 weeks after the end of the month
	The monthly cash plan and at least one-month ahead forward projections; supported by SFMIS reports on domestic revenue and donor budget support (report 3A); operating budget expenditures by MDA (report 3B); and operating budget expenditures by object code at 4-digit level (report 3C)	Monthly	4 weeks after the end of each month
	A report of all payment requests by MDAs awaiting payment since the beginning of the calendar year where the commitments exceed the agreed payment terms (in SFMIS/Excel).	Monthly	4 weeks after the end of the month

Somalia: Data Reporting, March 2020–March 2023 (continued)

		Payroll and non-payroll salary and allowance payments made by MDAs and individual embassies (in Excel).	Monthly	4 weeks after the end of the month
	Customs modernization	Report showing number of declarations, manifests processed, and goods inspections report (as per SMP IV).	Monthly	4 weeks after the end of the month
	FMS and BRA budgets	For annual and supplemental budgets: Budget for each FMS and BRA, and aggregated budget (both revenue and expenditure).	As required	Within a week of approval.
	FMS' fiscal operations	Reports of fiscal operations (expenditures and revenues) from all Federal Member States (FMS) (using the consolidation tool).	Monthly	6 weeks after the end of each month (from mid-June 2021).
	Domestic arrears	A table providing the end-of-period stock of domestic arrears accumulated during the year by MDA and 4-digit Object Code.	Annually	4 weeks after the end of the year
	Domestic debt	The amount of new domestic debt contracted by Government.	Monthly	4 weeks after the end of the month
	External debt	End of year external debt in U.S. dollars, by creditor, and origination currency. The amount of new external debt contracted or guaranteed by Government.	Annually	6 weeks after the end of the year
		Disbursements and repayments: (i) scheduled; and (ii) actual interest and principal on debt of the Government and the CBS, by creditor.	Annually	30 days after the end of each year
		Accumulation of any new arrears (principal or interest payments) on external debt.	Monthly	3 weeks after the end of the month
Structural benchmarks	A table with a description of the status of implementation of the structural benchmarks in MEFP Table 2 of the MEFP.	Quarterly	4 weeks after the end of each quarter	
Financial Reporting Center	AML-CFT compliance data	On a monthly basis, total number of each STR, LCTR, and Nil reports received from banks, MTBs, and MMOs. Total number of each banks, and MTBs that have submitted reports during the period. MMO reporting to be added as oversight and supervision develops, but latest for end-December 2020 data point.	Quarterly	4 weeks after the end of each quarter

Somalia: Data Reporting, March 2020–March 2023 (concluded)

Directorate of National Statistics of MoPIED	CPI and other economic indicators	Indicators to assess overall economic trends, such as the consumer price index.	Monthly	6 weeks after the end of each month; CPI every 15 th of the month consistent with inflation report (or next available business day)
		GDP by expenditure data (from June 2020)	Annually	6 months after the end of each year