

**EXECUTIVE
BOARD
MEETING**

EBS/20/165
Correction 1

November 16, 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:	The attached corrections to EBS/20/165 (11/4/20) have been provided by the staff:
Evident Ambiguity	Pages 12, 17, 25 (footnote)
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	Pages 4, 23 (row 15), 24, 25 (columns 7–10), 31, 32
Typographical Errors	Pages 16 and 23 (footnote)
Questions:	Ms. Holland, MCD (ext. 36358) Ms. Yang, MCD (ext. 38123)

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 [parliament 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

- 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 National Anti-Money Laundering Committee (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.

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 locusts 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 ~~to that will~~ ensure greater transparency in this process and ~~in~~ 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.

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	0.1	0.3	0.4	-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
of which projects	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	-106	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	-16.2	-18.1	-9.8
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	-14.4	-15.3	-6.8
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	-14.4	-15.3	-6.8
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	5.8	18.4	25.7
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	32.2	50.6	76.3

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 Regic	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	-0.2
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	-0.3	-0.3	-0.1
New external borrowing (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of external debt (-)	0.0	0.0	-0.3	-0.2	-0.3	-0.3	-0.3	-0.1
Net change in the stock of cash	0.1	0.5	0.0	-0.5	1.0	0.1	0.3	0.4
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	0.9	1.3

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 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/	-24	-4	-1	-2	-1	-2	-2	-10
Multilateral, 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/ 1/	-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/ 2/	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, assuming full delivery of HIPC, MDRI, and beyond-HIPC assistance. Excludes payments to the IMF.2/ Assumes full delivery of HIPC, MDRI, and beyond-HIPC assistance.2/ From 2020, reflects payments after application of traditional debt relief mechanisms. Excludes payments to the IMF3/ 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.					
			ECF	1st Rev.	ECF	1st Rev.		
	2018	2019	2020		2021		2022	2023
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
of which:								
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. 1/ From 2023, reflects payments on restructured debt, including IDA, assuming full delivery of HIPC, MDRI, and beyond-HIPC assistance. Excludes payments to the IMF.