

## IMF-SOMALIA Trust Fund for Capacity Development

In the past three years, Somalia has begun to recover from the civil war, which ravaged the country's economy and decimated key state and economic institutions such as the Ministry of Finance, the Central Bank, and the National Statistics Office. Despite this progress, these and many other public institutions remain severely hampered by very limited capacity and resources, especially the lack of trained staff to design and conduct economic policy. Therefore, Somalia's first task has been to rebuild governance and institutions, an area in which the international community has been helpful.

IMF staff has been providing technical assistance (TA) and capacity development (CD) to the Federal Government of Somalia (FGS), since it resumed relations with the IMF in April 2013. In February 2015, the IMF launched a three-year Multi-Donor Trust Fund for Capacity Building financed by donors; three months earlier it established a resident representative office in Nairobi, Kenya to facilitate interactions with the authorities.

The IMF's TA program aims to build and strengthen economic institutions and develop sound macroeconomic policies in Somalia. Most of this assistance has been financed under the multi-donor Trust Fund for Capacity Development in Somalia that was formally established in February 2015, with Canada participating as a major donor.

The trust fund has been financing TA and CD in key areas of IMF expertise. Specifically, these activities have included assistance in the:

- **Fiscal area**: Budget accounting and reporting, budget planning and preparation, and evaluation and advice on tax policy and customs administration;
- **Money and banking sector**: Organization and governance structure of the Central Bank of Somalia (CBS) and its accounting systems, and licensing procedures and supervision of financial institutions;
- **Statistical systems**: Development, compilation and publication of national accounts, external sector statistics, and prices statistics; and
- **Legal area**: Establishing a legal department in the CBS, developments of CBS by-laws and a code of conduct, and legal advice on banking legislation and regulations.

TA under the trust fund has been instrumental in building capacity in key Somali government institutions, enabling them to provide IMF staff with basic economic data that is allowing staff to carry out surveillance. Since June 2013, the Fund delivery of more than 50 technical assistance multiform missions (including training) was a key success factor in these positive results and will continue during the implementation of the SMP program to continue improving institutional capacity. Based on various scoping TA missions (in 2013 and early 2014), the work plan has recently refocused on PFM, financial management, currency reform, AML/CFT, and financial regulation and supervision.

By mid-2016, there have been a number of tangible achievements. For the first time in a quarter century, the Federal government presented to the Parliament for approval a budget for 2014, 2015, and again for 2016, detailing expected revenues and expenditure items. Many revenue assumptions proved to be unrealistically optimistic, and the expenditure envelope accordingly expansive. However, these were first important steps that CD can and will build and improve upon in the coming years. Similarly, based on IMF advice, a CBS governing Board was established and seven Board members appointed. Two special training seminars were organized and delivered to the new Board members in December 2014 and in May 2016, in which the task of the Board and its responsibilities were discussed. Board members were also exposed to hands-on exercises and role games in a number of realistic scenarios. Training of staff in the CBS's licensing and supervision department is ongoing, and these staff members have already started collecting vital data from a number of nonbank financial institutions (including money transfer institutions) to start to bring them within a formal licensing regime. In the area of economic data, for the first time in a quarter-century, preliminary national accounts, external, and price statistics for 2013-16 were estimated. These data have been included in the 2015 Article IV staff report, the first of its kind since the late 1989 and in the first SMP approved in May 2016 by Management. The 2015 Article IV staff report and SMP are both published since.