INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/346

# SOMALIA

December 2024

## 2024 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SOMALIA

In the context of the Article IV Consultation and the Second Review Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its December 9, 2024 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 9, 2024, following discussions that ended on September 25, 2024, with the officials of Somalia on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 18, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Statement by the Executive Director** for Somalia.

The documents listed below have been or will be separately released.

Selected Issues

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**International Monetary Fund**
**Washington, D.C.**

# IMF Executive Board Concludes 2024 Article IV Consultation and Second Review Under Extended Credit Facility for Somalia

**FOR IMMEDIATE RELEASE**

- *Somalia's program performance has been strong, demonstrating the authorities' steadfast commitment to macroeconomic stability and strengthening institutional capacity and frameworks.*
- *Real GDP growth projections for Somalia have been upgraded to 4 percent for 2024 and 2025 based on strong exports and remittances. However, risks remain elevated, including from regional and domestic security developments, commodity prices and climate shocks.*
- *Sustained reform efforts are needed to set the conditions for greater resilience, poverty reduction, and inclusive growth. This includes strengthening tax capacity and public financial management, promoting financial deepening, and improving governance.*

**Washington, DC – December 10, 2024:** On December 9, the Executive Board of the International Monetary Fund (IMF) completed the 2024 Article IV Consultation and second review under the Extended Credit Facility (ECF) arrangement for Somalia. The Board's decision enables the immediate disbursement of SDR 7.5 million (about US$ 10 million), bringing Somalia's total disbursement under the Extended Credit Facility (ECF) to SDR 45 million (about US$ 60 million). The Executive Board also concluded the 2024 Article IV consultation with Somalia.[1]

Somalia's ECF arrangement was originally approved by the Executive Board on December 19, 2023 for SDR 75 million (about US$100 million) (see Press Release No. 23/463 ). The program supports the authorities' reform strategy, after achieving the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative, to further strengthen key economic institutions and promote macroeconomic stability and growth. This is in line with Somalia's national development plan to maintain economic stability, strengthen revenues and public financial management, promote financial deepening, improve governance, and enhance statistics.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Somalia's real GDP growth outlook has improved, though challenges and risks remain significant. Positive trends in agriculture, exports, and remittances in 2024 are expected to continue in 2025. As a result, real GDP growth has been upgraded to 4 percent in 2024 and 2025. Inflation is expected to continue on a downward trend to 4.5 percent by end 2024, although the pace is slower than anticipated earlier. Despite security challenges, the Somali government remains steadfast in its fight against terrorism and continues to work with international partners to ensure a successful transition from the current African Union Transition Mission to a new force by January 2025. Near-term risks to the outlook include climate shocks, domestic and regional security developments, lower global growth, and higher commodity prices.

Following the Executive Board discussion, Mr. Bo Li, Deputy Managing Director, stated:

The Somali authorities' reform momentum has been sustained and performance under the Fund-supported Extended Credit Facility Arrangement has been strong, despite difficult domestic and regional conditions. Key fiscal targets were met, with steady progress on reforms to raise domestic revenues, enhance public financial management, and build debt management capacity. Continuing fiscal reforms, including to strengthen domestic revenue mobilization, is important, especially given the prospects of declining external grants and the large social and development spending needs.

Ongoing efforts to strengthen central bank institutional capacity are commendable. Efforts should continue to promote financial deepening and financial inclusion and advance reforms to improve the AML/CFT framework. The preparatory work to reintroduce the Somali shilling and adopt a currency board arrangement is welcome; a gradual and carefully managed implementation strategy is warranted with support from the IMF and the World Bank. Further reforms to improve governance are encouraged, including measures to enhance transparency and accountability in the petroleum sector.

Promoting inclusive growth calls for addressing food insecurity, building climate resilience, improving access to education and health, and enhancing trade integration. Continued and timely support from development partners, including through capacity development, is important for the successful implementation of the authorities' reform agenda.

**Executive Board Assessment[2]**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Somali authorities for reaching the HIPC completion point in December 2023 and for their continued commitment to economic reform and strong performance under the Fund-supported program. Noting downside risks stemming from continued fragility, regional geopolitical tensions, climate shocks, and food insecurity, Directors emphasized the importance of sustaining the reform momentum to place the economy on a sound footing, increase resilience, reduce poverty, and promote inclusive growth. They also stressed the vital role of continued donor support, and capacity development facilitated by the Fund and other development partners, for the successful implementation of the authorities' reform agenda.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Directors emphasized that strengthening domestic revenue mobilization remains crucial to ensure fiscal sustainability given large development and social needs and the prospects for declining external grants. In that context, they encouraged continued progress on the fiscal federalism agenda, customs modernization, implementation of the Income Tax Law, and stronger tax enforcement. Further efforts to strengthen public financial, investment and debt management and enhance spending efficiency are also key. Directors also called for a careful fiscal impact assessment of wage bill and pension reforms before their implementation.

Directors welcomed the enhancement of the central bank's governance and legal frameworks and the progress in implementing the recommendations from the 2024 Safeguards Assessment. They recommended continued reforms to promote financial deepening and inclusion, including further strengthening financial regulation and supervisory capacity. Directors welcomed the authorities' preparatory work to reintroduce the Somali shilling and adopt a currency board arrangement, and agreed that a gradual and careful approach is warranted. In that respect, they emphasized the need for complementary policies to protect the credibility of the currency board arrangement, including fiscal sustainability and central bank operational independence.

Directors welcomed steps to improve governance and fight corruption and called for sustained efforts in this regard. They encouraged addressing AML/CFT deficiencies and stressed the importance of implementing the legal framework for the petroleum sector to enhance transparency and accountability.

Directors emphasized the need for continued efforts to enhance resilience, reduce poverty, and lift growth. Increasing access to and closing gender gaps in education, building climate resilience, and addressing food insecurity would be important in this regard. Noting that accession to the East African Community presents opportunities, challenges, and risks, Directors encouraged a gradual and carefully managed approach to integration.

It is expected that the next Article IV consultation with Somalia will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

## Somalia: Selected Economic and Financial Indicators, 2022–2029 1/

### Population: 15.6 Million, 2022 Estimate

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog. | Proj. | Prog. | Proj. | | Proj. | | |
| **National income and prices** | | | | | | | | | | |
| Nominal GDP in millions of U.S. dollars | 10,203 | 10,969 | 12,804 | 12,111 | 13,891 | 13,018 | 14,197 | 15,584 | 16,973 | 18,205 |
| Real GDP in millions of U.S. dollars | 10,203 | 10,633 | 11,108 | 11,058 | 11,541 | 11,501 | 11,972 | 12,463 | 12,999 | 13,584 |
| Real GDP, annual percentage change | 2.7 | 4.2 | 3.7 | 4.0 | 3.9 | 4.0 | 4.1 | 4.1 | 4.3 | 4.5 |
| Real GDP per capita in U.S. dollars | 653 | 662 | 673 | 670 | 680 | 678 | 687 | 697 | 710 | 723 |
| CPI (period average, percent change) | 6.8 | 6.2 | 4.8 | 5.3 | 3.9 | 4.2 | 3.6 | 3.4 | 3.2 | 3.0 |
| CPI (e.o.p., percent change) | 6.1 | 6.6 | 4.3 | 4.5 | 3.7 | 3.9 | 3.5 | 3.3 | 3.1 | 2.6 |
| | | | | (Percent of GDP) | | | | | | |
| **Central government finances 1/** | | | | | | | | | | |
| Revenue and grants | 7.1 | 6.8 | 7.1 | 7.5 | 5.9 | 6.8 | 5.1 | 4.6 | 4.6 | 4.7 |
| *of which:* | | | | | | | | | | |
| Revenues | 2.6 | 3.0 | 2.8 | 3.0 | 2.1 | 3.3 | 3.6 | 3.9 | 4.2 | 4.5 |
| Grants 2/ | 4.5 | 3.8 | 4.3 | 4.6 | 2.8 | 3.5 | 1.5 | 0.8 | 0.5 | 0.3 |
| Expenditure (FGS) | 7.1 | 6.7 | 7.5 | 7.7 | 7.2 | 8.0 | 7.1 | 6.9 | 6.9 | 7.1 |
| Compensation of employees | 2.5 | 2.7 | 2.8 | 3.0 | 2.7 | 2.9 | 2.8 | 2.7 | 2.6 | 2.6 |
| Purchase of non-financial assets | 0.1 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.6 | 1.0 |
| Overall balance | 0.0 | 0.1 | -0.5 | -0.2 | -1.3 | -1.2 | -2.0 | -2.3 | -2.3 | -2.4 |
| Net change in the stock of cash | 0.4 | 0.3 | -0.4 | -0.1 | -0.3 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public debt 3/, 4/ | 38.2 | 7.0 | 6.1 | 6.4 | 6.6 | 6.6 | 8.1 | 9.6 | 11.1 | 12.7 |
| | | | | (Percent of GDP) | | | | | | |
| **Monetary Sector** | | | | | | | | | | |
| Net Foreign Assets | -1.4 | 1.6 | 1.5 | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 |
| Central Bank claims on non-residents 5/ | 3.1 | 3.3 | 2.8 | 3.0 | 2.6 | 2.8 | 2.5 | 2.3 | 2.0 | 1.8 |
| Net Dometic Assets | 15.5 | 14.3 | 12.7 | 14.2 | 12.0 | 14.1 | 13.9 | 13.0 | 12.2 | 11.7 |
| Credit to the private sector | 3.9 | 4.9 | 4.8 | 5.1 | 5.0 | 5.3 | 5.6 | 5.8 | 6.1 | 6.4 |
| Broad Money 6/ | 14.2 | 15.9 | 14.2 | 15.8 | 13.5 | 15.7 | 15.5 | 14.5 | 13.8 | 13.2 |
| Gross International Reserves (program definition, in millions of US$) | 265.5 | 265.3 | 265.3 | 265.3 | 265.3 | 265.3 | 263.4 | 259.6 | 251.1 | 230.7 |
| in months of next year's imports 7/ | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| | | | | (Percent of GDP) | | | | | | |
| **Balance of payments** | | | | | | | | | | |
| Current account balance | -8.6 | -9.3 | -8.7 | -8.9 | -8.8 | -8.7 | -9.8 | -10.0 | -10.0 | -10.0 |
| Trade balance | -62.9 | -60.8 | -58.2 | -61.4 | -57.2 | -61.1 | -58.5 | -57.8 | -57.6 | -57.4 |
| Exports of goods and services | 17.7 | 19.7 | 18.9 | 20.5 | 20.1 | 21.1 | 21.8 | 22.5 | 22.8 | 23.1 |
| Imports of goods and services | 80.6 | 80.6 | 77.1 | 81.8 | 77.2 | 82.2 | 80.3 | 80.3 | 80.5 | 80.4 |
| Remittances | 21.0 | 19.2 | 18.8 | 19.8 | 18.9 | 19.9 | 20.1 | 20.1 | 20.1 | 20.1 |
| Grants | 33.7 | 32.7 | 31.0 | 32.9 | 29.8 | 32.8 | 29.0 | 28.1 | 27.8 | 27.6 |
| Foreign Direct Investment | 5.2 | 5.2 | 5.4 | 5.7 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| External debt 3/, 8/ | 37.5 | 6.4 | 5.6 | 5.9 | 6.1 | 6.1 | 7.6 | 9.2 | 10.8 | 12.4 |

Sources: Somali authorities; and IMF 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/ A change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100 percent loans (with 50-year maturity), will impact Somalia starting in July 2025. Lower grants would result in deficits of 1.5 to 2.0 percent of GDP, higher than the ones projected under the alternative before this policy change. The difference with previous deficit projections would dissipate over time as the previous deficit projections already incorporated a gradual shift away from grants to loans.

3/ Includes HIPC debt relief, including HIPC interim assistance received between the Decision and Completion Points, and MDRI and beyond-HIPC debt relief at Completion Point in 2023.

4/ Public debt includes arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt. Consistent with the public debt definition in the DSA. It includes net SDR position of the FGS.

5/ Includes FGS grants held abroad.

6/ Primarily desposits at commercial banks.

7/ For Somalia's de facto dollarized economy, reserve to imports coverage is less applicable.

8/ Consistent with the DSA external debt definition, which reflects the external debt of the country as a whole. Includes the total net SDR position of the central bank. This differs from public external debt reported in Tables 2A, 2B, and 10.

INTERNATIONAL MONETARY FUND

# SOMALIA

November 18, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

## EXECUTIVE SUMMARY


**Context.** Economic activity has picked up in recent months, supported by a rebound in agriculture and remittances, and growth projections for 2024 and 2025 have been upgraded to 4 percent. However, the domestic security situation remains challenging and geopolitical tensions in the Horn of Africa remain elevated.

**Program performance.** Program performance has been satisfactory. All performance criteria for this review were met. Six structural benchmarks were implemented, although three with a small delay, including to enhance domestic revenues, strengthen public financial management and debt management, and improve financial sector supervision. In view of capacity constraints and progress to date, the authorities are requesting new target dates for two upcoming structural benchmarks on (i) finalizing the roadmap to implement the Pay and Grade policies by end-February 2025; and (ii) submitting amendments to the CBS Law to Parliament by end-December 2025. The program is fully financed for the next 12 months.

**Article IV discussions.** Discussions focused on policies and reforms to increase resilience, reduce poverty, and promote inclusive growth, including through advancing the implementation of the national development plan and the forthcoming national transformation plan. Priorities include: (i) raising domestic revenues to cover operational expenditure by 2027 and expanding public services over time, while maintaining a prudent fiscal deficit and relying on concessional financing; (ii) promoting financial deepening and financial inclusion, while protecting financial stability; (iii) increasing human capital, including by improving access to education and closing gender gaps in education; and (iv) building resilience to climate shocks and strengthen food security. Accession to the East African Community presents opportunities but also challenges, and the integration process needs to be managed carefully. Sustained financing and capacity development support from international development partners remains critical.

**Program and other risks.** Important risks emanate from domestic and regional security developments, climate shocks, lower global growth, and higher commodity prices. Risks to the program are mitigated by continued program ownership, capacity development assistance, and sustained support from development partners.

Approved By
**Allison Holland (SPR) and Thanos Arvanitis (MCD)**

Discussions were held in Istanbul, Türkiye during September 17–25, 2024. The staff team consisted of Ms. Jaramillo (Head), Mr. Baltabaev, Ms. Bendjellal (all MCD), Mr. Nguyen (FAD), Mr. Abbas (SPR), Ms. Sozzi (STA), Ms. Jack (Resident Representative) and Ms. Kiplagat (Resident Representative Office). Mr. Abdullahi (OED) participated in key policy meetings. Ms. Niu and Ms. Ament supported the preparation of this report. The mission met with Finance Minister Egeh, Petroleum Minister Mohamed, Central Bank Governor Abdullahi, and other senior officials. The mission also met with development partners and private sector representatives.

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**TABLES**



**ANNEXES**



**APPENDIX**

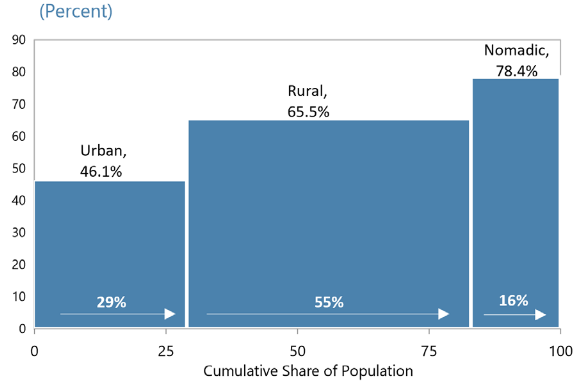
# CONTEXT[1]

1. **Somalia has been rebuilding its economy and institutions over the last decade, with strong support from the international community.** Two decades of civil strife led to complete state collapse and tremendous loss of human and physical capital. Since the 2012 Provisional Constitution that created the Federal Government of Somalia (FGS) and the Federal Member States (FMS), Somalia has successfully undertaken three national elections. Somalia's efforts to strengthen its institutions have been strongly supported by international partners, including through financing and extensive capacity development (CD) support.

2. **On the back of sustained program implementation, Somalia reached the Heavily Indebted Poor Countries Initiative Completion Point (HIPC CP) in December 2023, obtaining significant debt relief.** Total debt relief amounted to US$4.5 billion, reducing the country's external debt to 6.4 percent of GDP by end-2023, compared to 64 percent of GDP at end-2018. Debt relief is expected to facilitate access to new external financing from multilateral and bilateral partners to support inclusive growth and poverty reduction.

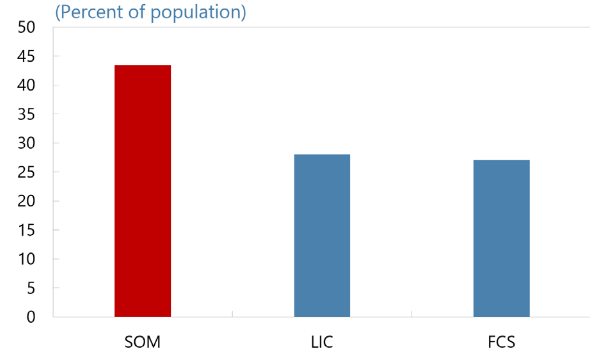
3. **Despite the remarkable progress achieved, Somalia continues to face significant economic challenges.** More than half of the population lives on less than US$2 per day. Poverty and inequality challenges are exacerbated by the large number of internally displaced persons (IDPs). Insufficient access to quality education, which is worse for women and girls, contributes to poverty and constrains economic growth. In addition, Somalia is highly vulnerable to climate shocks that aggravate food insecurity, exacerbate poverty, and

**Poverty Rate by Place of Residence**
(Percent)




Sources: Somalia Poverty Report 2023

**Prevalence of Severe Food Insecurity in the Total Population, 2020-2022 Average**
(Percent of population)




Sources: The Food and Agriculture Organization of the United Nations, IMF Staff estimates, Somalia Poverty Report 2023
Note: SOM Somalia; LIC Low Income Countries; FCS Fragile and conflict-affected states; EMDE Emerging markets and developing economies

[1] See Somalia's 2022 Country Engagement Strategy (CES), for an overview of the drivers of fragility, constraints to reform, opportunities and sources of resilience, and reform priorities that inform the strategy for Fund engagement.

hurt growth. Large and sustained investments in human and physical capital—including in health, education, and infrastructure—are needed to improve resilience and support inclusive growth.

**4. Somalia also faces significant security challenges.** The government continues to fight against the Al-Shabab terrorist group, which remains a threat to Somalia's stability. Challenges are exacerbated by the announced withdrawal of the African Union Transition Mission in Somalia (ATMIS) by end-December 2024. Somalia is engaging with the United Nations, African Union, and key partners to secure support for a new African Union Support and Stabilization Mission in Somalia (AUSSOM) starting in early 2025.

**5. The FGS and FMS continue to advance the federalism agenda, though challenges remain.** High-level agreements on principles for revenue responsibilities and resource sharing were reached in 2023 and 2024 among leaders of the FGS, four out of five FMS, and the Mayor of Mogadishu. In March 2024, Parliament ratified amendments to the first four chapters of the Provisional Constitution—including changes to allow the president to directly appoint and remove the prime minister—though with opposition from various political stakeholders. As described in Somalia's 2022 Country Engagement Strategy, lack of political consensus among the FGS and all FMS impacts implementation of federal fiscal reforms.

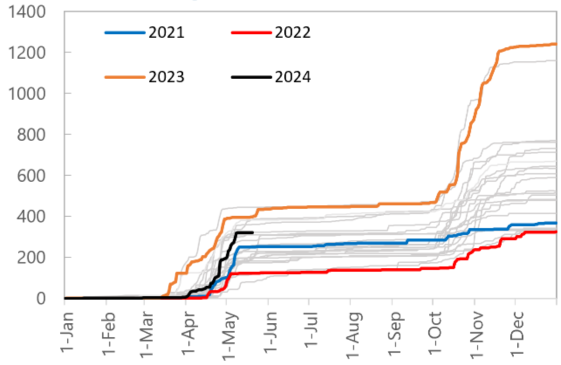
**6. Somalia has sought to increase its regional integration, amidst recent tensions with Ethiopia.** Somalia joined the East African Community (EAC) in March 2024 and has developed a multiyear roadmap for adoption of the customs union and common market. Separately, tensions between Somalia and Ethiopia remain elevated following the January 2024 Memorandum of Understanding (MoU) between Ethiopia and Somaliland that would grant Ethiopia a long-term land lease in the Gulf of Aden in exchange for Ethiopia to assess whether to recognize Somaliland's independence.[2] Somalia sees the MoU as a threat to its sovereignty and territorial integrity, and the dispute has added to growing tensions in the Horn of Africa region. In February 2024, Somalia signed a 10-year maritime defense pact with Türkiye to protect Somali marine resources and counter piracy and terrorism threats. In August 2024, Somalia signed a joint security pact with Egypt to enhance the counter-terrorism operations.

[2] Somaliland declared independence from Somalia in 1991 but has not been recognized by the international community.

# RECENT ECONOMIC DEVELOPMENTS

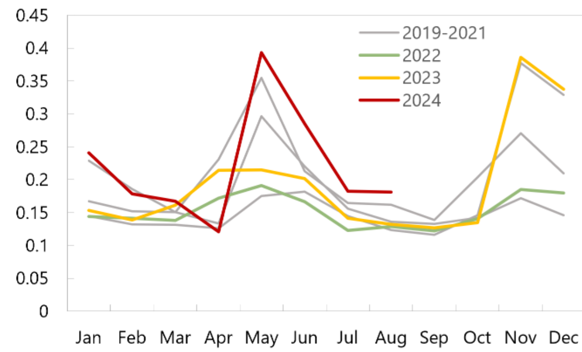
7. **Livestock exports and agriculture production rebounded as rains resumed, supporting growth in 2024.** Economic activity during 2024H1 has remained solid, on account of strong agriculture production and exports and improvement in remittances. Food and fuel prices have been moderating, but inflation in Somalia remains sticky with inflation at 5.3 percent in September 2024 compared to 6.6 percent in December 2023.

**Cumulative Precipitation**
(mm, area along Webi Shabele River)



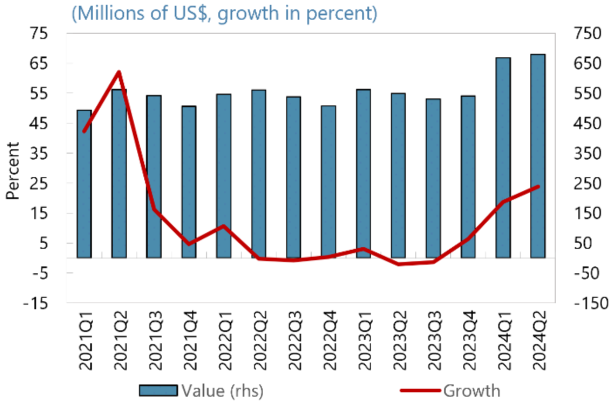

Source: NASA and IMF Staff calculations

**Vegetation Index in Beledweyne Region**



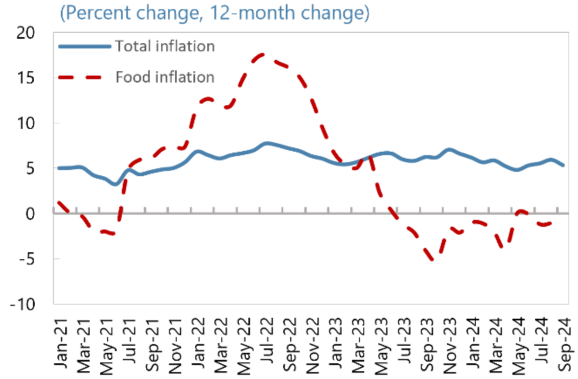

Source: Copernicus Sentinel-2 and IMF Staff Calculations
Note: The graph illustrates the monthly NDVI Index for Beledweyne, a region known for its substantial agricultural production

**Remittances**
(Millions of US$, growth in percent)




Source: Authorities' data and IMF Staff estimates
Note: Remittances include transfers to individuals through Money Transfer Businesses and through Commercial Banks

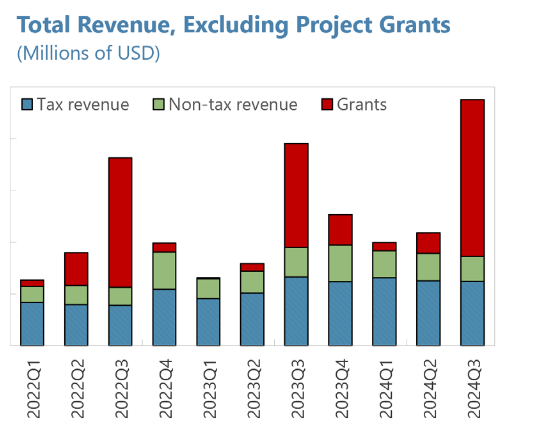
**Food and Headline Inflation**
(Percent change, 12-month change)




Sources: Authorities's data, IMF Staff estimates

8. **So far in 2024, revenues have performed well, and expenditures have been within the budget.** Domestic revenues reached US$268 million by end-September 2024, above the program floor, supported by durable improvements in collections at customs thanks to the Somalia Customs Automated System (SOMCAS) and improvements in tax administration. In August 2024, a new sales tax electronic system was implemented, despite some initial pushback from businesses, that collects sales tax directly from consumers paying into merchant mobile money/mobile wallet accounts. To

further strengthen enforcement, a new regulation establishing civil penalties for the violation of revenue laws was issued in September 2024. Disbursements of budget support grants have been higher than expected, including from the World Bank, EU, Türkiye, and the United Arab Emirates.



Source: Authorities' data and IMF Staff estimates

**9. Financial deepening continues, although from a very low base.** Private sector credit grew by 40 percent (y-o-y) in 2024Q2, though it is still below 5 percent of GDP. Financial soundness indicators for 2024Q2 reported by the Central Bank of Somalia (CBS) show systemwide bank capital and liquidity at comfortable levels, and NPLs at 3.4 percent. Ziraat Bank, the first foreign bank in Somalia, became operational in late 2023 and a second foreign bank is expected to begin operations in 2025Q1.

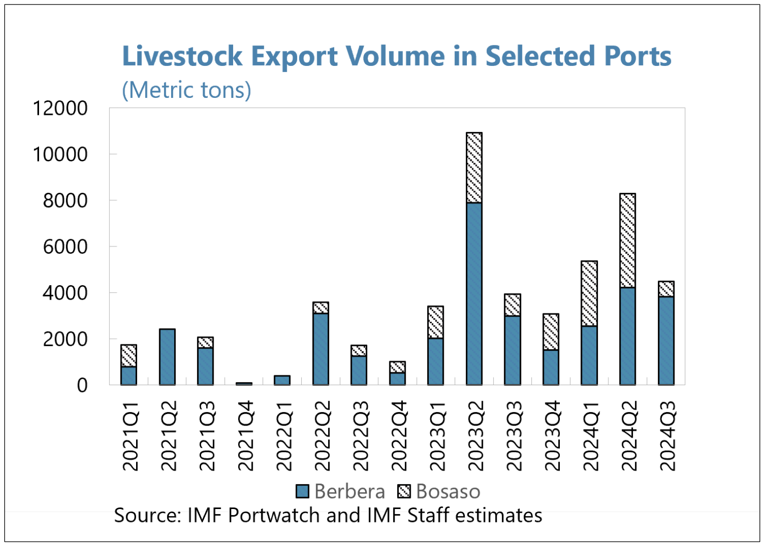
# PROGRAM PERFORMANCE

**10. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-June 2024 were met (Table 10).** ITs for end-September 2024 were also met. The authorities completed all six structural benchmarks due for the 2nd review, of which three were met and three were not met but implemented with delay due to the need for additional time to fully incorporate technical recommendations (Table 11):

- The authorities published the Medium-term Revenue Roadmap for 2024-2027 on June 29, 2024 (SB#1, met);
- The draft Income Tax Bill was submitted to Parliament on July 9, 2024 (SB#2, implemented with delay, was due end-June 2024);
- The non-payroll compensation of employees as a share of total compensation fell to 0.3 percent in the month of June, bringing the average for April-June 2024 to 0.8 percent. (SB#3, met);
- The Prime Minister issued a decree and regulations on debt policy on July 15, 2024 (SB#4, implemented with delay, was due end-June 2024);
- The draft public-private partnerships (PPP) bill was submitted to Parliament on August 12, 2024 (SB#5, implemented with delay, was due end-June 2024);
- The CBS Board approved an action plan to improve commercial bank data quality on July 30, 2024 (SB#6, met).

# OUTLOOK AND RISKS

**11. Real GDP growth projections for 2024 and 2025 have been upgraded to 4.0 percent on account of stronger exports and remittances.** Agriculture continues recovering from the 2021-22 drought and livestock exports have been gaining market share. Remittances are projected to remain strong supported by a favorable growth outlook in several host countries. The current account deficit is forecast at 8.9 percent of GDP in 2024, on the back of strong growth in livestock exports and expected moderation in the demand for food imports. Inflation is expected to continue on a downward trend to 4.5 percent at end-2024, as commodity prices soften, although the pace is slower than anticipated earlier.




**12. Growth is expected to accelerate to 4.5 percent over the medium term as structural reforms pay-off and access to financing improves after HIPC CP** (in line with the 1st review). Growth is expected to pick up as economic reforms facilitate public and private investment and there is greater access to financing. The current account deficit will widen slightly over the medium term as Somalia gradually loses access to grants, financed by an increase in concessional borrowing.[3]

**13. Near-term risks are tilted to the downside (Annex II).** Somalia is highly exposed to climate risks, which can worsen food insecurity and economic activity. Additional risks emanate from lower global growth, higher commodity prices, a deterioration of the global security situation, the ATMIS transition, and political risks linked to federalism. Over the medium-term, upside risks include the benefits from integration into the EAC, potential oil discoveries, development of the blue economy, and advances in federalism.[4] If adverse risks do materialize, economic growth and domestic revenue would be lower, increasing financing needs. While existing cash buffers, expenditure rationalization, and current financing

[3] The baseline projections do not incorporate the impact of Somalia joining the EAC, as Somalia's integration into the EAC is likely to span several years.

[4] Somalia has the longest coastline in Africa and rich fishing grounds. The blue economy encompasses a range of economic activities that are related to the oceans and coastal areas, including fisheries, aquaculture, tourism, shipping, and offshore oil and gas extraction.

commitments help mitigate some risks, the authorities would need additional support from the international community to address a significant adverse scenario.

***Authorities' Views***

**14. The authorities concurred with staff's assessment of the outlook and risks to the economy.** The authorities maintain a positive economic outlook, underpinned by a recovery in agricultural production and livestock exports, robust growth in the construction sector, and sustained remittances from the diaspora. Foreign direct investment and credit to the private sector are expected to continue growing and supporting domestic demand, underpinned by ongoing economic and financial reforms. The authorities recognize that risks are tilted to the downside, particularly due to regional geopolitical uncertainties, the ATMIS transition, climate shocks, and possible slowdown in global growth. In the medium term, the authorities anticipate strong growth as structural reforms support greater confidence and investment and there is development of the blue economy and petroleum sectors, though with downside risks stemming from Somalia's heavy reliance on agriculture and remittances, which are particularly exposed to global economic fluctuations and environmental changes.

# PROGRAM AND POLICY DISCUSSIONS

*Program discussions focused on near-term policies and reforms under the ECF arrangement, and the Article IV discussions focused on medium-term policies to promote resilience, poverty reduction, and inclusive growth.*[5]

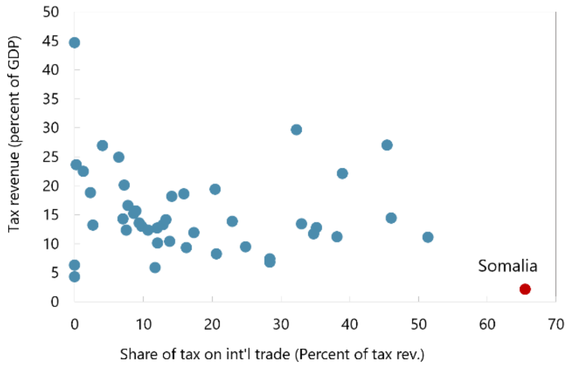
## A. Fiscal Policy

**15. Somalia has been actively building its tax capacity, but domestic revenues remain low and insufficient to cover operational expenditure.**[6] Domestic revenues increased from 1 percent to 3 percent of GDP between 2013 and 2023, thanks to implementation of tax policy and revenue administration reforms. Nonetheless, tax revenue remains the lowest among Sub-Saharan Africa (SSA), reflecting the large informal economy, weak institutional capacity, and the challenging security situation in parts of the country. Since 2022 domestic revenues have matched the size of compensation of employees but are not yet sufficient to cover all operational expenditure.

[5] See Annex I on the implementation of past IMF recommendations.

[6] Operational expenditures cover non-project compensation of employees, non-project goods and services, and interest payments.

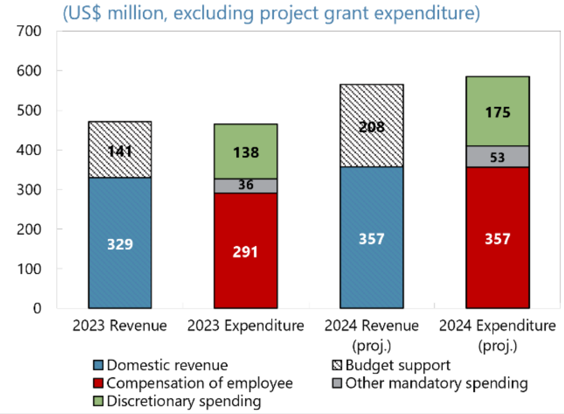
**Tax Revenue of Sub-Saharan African Countries, 2023**




Source: WEO and IMF Staff estimates

**Revenue and Expenditure Excluding Donor-Financed Projects**

(US$ million, excluding project grant expenditure)

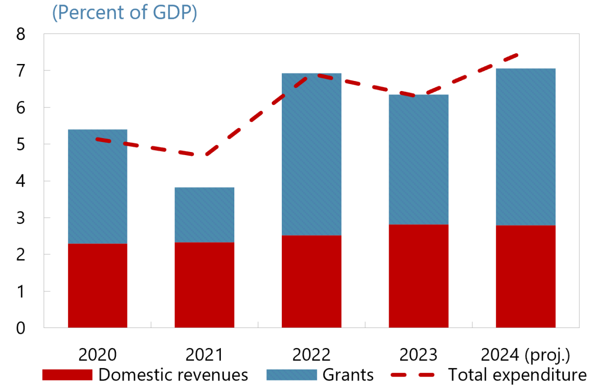



Source: Authorities's data and IMF Staff estimates

**16. Somalia continues to be heavily reliant on external grants, which are expected to decline over time**. Total external grants finance close to 60 percent of the budget, with the World Bank providing 88 percent of total grants in 2023. Since the HIPC CP in December 2023, Somalia is assessed as being at moderate risk of debt distress and therefore, under conventional IDA20 financing terms, Somalia would have been expected to no longer have access to new grants but only new concessional loans starting in July 2024. In February 2024, the World Bank Executive Board approved the extension of Somalia grant financing under IDA20 until end-June 2025 and Somalia has requested a further extension beyond June 2025 under IDA21, a final decision on which is expected in December 2024. The expected decline in grants adds further urgency to raising domestic revenues.

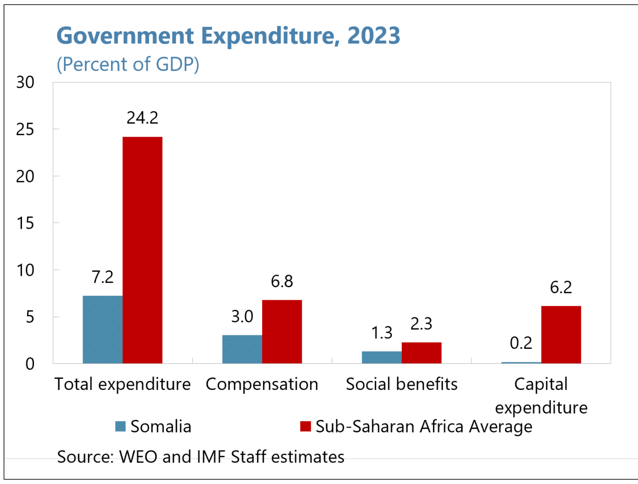
**Total Revenue and Total Expenditure (including donor-financed projects)**

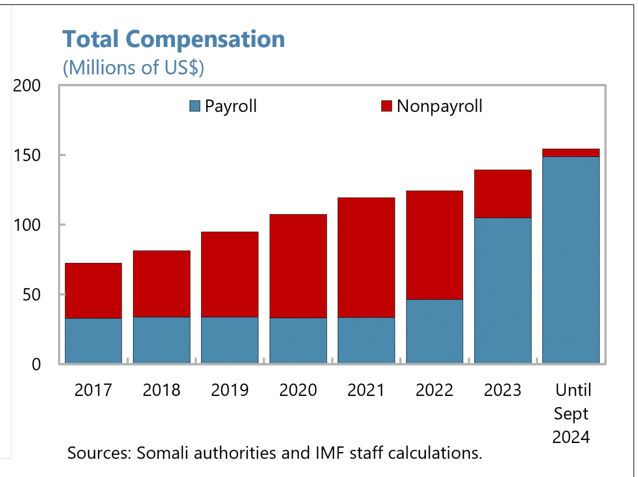
(Percent of GDP)




Source: Authorities's data and IMF Staff estimates

**17. Reflecting these resource constraints, Somalia's total expenditure is very low, compared to its large social and development needs.** As a share of GDP, total expenditure is only a quarter of the average for SSA, and compensation of employees is less than half. On-budget social spending has been increasing thanks to the World Bank support but remains a fraction of the spending in other SSA countries. Capital expenditure is minimal compared to SSA.




**18. Public financial management (PFM) has been steadily improving, though further efforts are needed to improve expenditure capacity.** A decade ago, government procedures were entirely manual and transactions were all carried out in cash. Since then, Somalia has established a robust legal framework, updated core PFM processes, implemented the Somalia Financial Management Information System (SFMIS), implemented electronic payments and automatic bank account reconciliation, and annually published audited FGS financial statements. More recently, reforms have included the full integration of all compensation of employees into the single payroll in SFMIS, introduction of an Invoice Tracking System, and issuance of a new decree and regulations on debt policy. Still, there is much room to continue strengthening accountability and efficiency of spending.

**19. The government approved a public service pay and grade policy in 2022 and a new pension scheme for civil servants in 2024.** Both policies were designed with World Bank support. The new pay and grade for civil servants aims for more equitable pay and grading arrangements that will contribute to improved performance and help to attract and retain high caliber staff in the civil service. The Public Service Pension and Gratuity Act enacted in April 2024 reflects good practice and the unique challenges facing Somalia.[7] No pension scheme was in place prior to the new law. The Act seeks to: (1) enable the government to mandate the retirement of FGS civil servants over age 65 and replace them with younger, more productive employees; (2) ensure a minimum pension to civil servants to provide for consumption smoothing at retirement; and (3) support state building by ensuring civil servants' commitment to the rule of law and the effective operation of the federal government. The pension scheme will be a pay-as-you-go, defined benefit scheme. The contribution rate (10 percent, of which 5 percent by FGS civil servants and 5 percent by the government as the employer) is sufficient for the foreseeable future but will need to be increased in about 15 years from the commencement of the scheme's operation, given that the scheme's cash flows are projected to turn negative at that point. This approach—instead of setting higher upfront contributions—was advised by the World Bank (and agreed by Fund staff) as it reflects Somalia's situation: (1) severe fiscal constraints which prohibit setting aside the pension reserves necessary to maintain long-term financial

[7] See accompanying Selected Issues Paper on "Civil Service Pension Reform".

sustainability, and (2) the complete lack of domestic investment instruments where large reserves could be placed and complications of investing abroad given Somalia's weak correspondent banking relationships.

***Program Discussions***

**20. Solid revenue performance and higher than expected budget support grants will keep the fiscal position on track in 2024.** Domestic revenues have overperformed and budget support grants have been higher than expected, including a US$125 million disbursement from the World Bank (compared to US$75 million expected in the 1st review). The overall fiscal deficit for 2024 is expected at 0.2 percent of GDP (compared to 0.5 percent of GDP in the 1st review), and the authorities are expected to be able to retain cash balances to help meet financing needs in 2025.

**21. The 2025 budget is consistent with the objectives of the program, while continued access to grant financing remains critical.** In the baseline scenario, an overall fiscal deficit of 1.2 percent of GDP is expected in 2025 (assuming World Bank budget support is provided as concessional loans), with domestic revenues rising to 3.3 percent of GDP.[8] In line with the recently published Medium-Term Revenue Roadmap (MTRR), the authorities plan to implement measures of about 0.3 percentage points of GDP, including by increasing revenues collected at customs, improving enforcement of sales and income taxes, and raising overflight fees (Text Table 1). Higher spending on education and health is being accommodated, while moving towards the objective of fully covering operational expenditure with domestic revenues by 2027. Development expenditure is expected to increase, financed by project grants. As discussions with international partners regarding the post-ATMIS security framework are still ongoing, security sector expenditure in the 2025 budget is at the same level as in 2024, following an increase in new recruits in 2023-2024.

**22. The authorities continue efforts to raise revenue.** The MTRR outlines the key revenue measures for 2025. The Income Tax Law is expected to be enacted by mid-2025, and regulations are to be issued soon thereafter, with Fund CD support. To advance customs modernization and improve the efficiency of customs administration, by end-June 2025, the authorities will ensure sustained end-to-end use of SOMCAS in the Mogadishu seaport and airport by fully discontinuing the use of the Port Customs Management Information System (PCMIS) (proposed SB#10). Works is also ongoing on building a non-tax portal aimed at facilitating payment for government services across MDAs under a common system and reducing collection leakages.

[8] If the World Bank Executive Board approves a further extension of grant financing, this is not expected to affect the overall envelope of resources available to Somalia. The authorities' 2025 budget has a smaller deficit because it includes US$170 million in budget support grants (assuming World Bank budget support is provided as grants), while the IMF staff forecast incorporates US$37.4 million in grants (assuming World Bank budget support is provided as concessional loans).

**Text Table 1. Somalia: Estimated Increase in Domestic Revenues 1/**

(Percent of GDP)

| | 2023 | | 2024 | | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|
| | Prog. | Est. | Prog. | Proj. | Proj. | Proj. | Proj. |
| **Domestic revenue as percent of GDP** | **2.7** | **3.0** | **2.8** | **3.0** | **3.3** | **3.6** | **3.9** |
| Tax revenue | 1.9 | 2.0 | 2.0 | 2.1 | 2.3 | 2.5 | 2.7 |
| Tax on income, profit, and capital gains | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Taxes on goods and services | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 |
| Taxes on international trade and transactions | 1.3 | 1.4 | 1.4 | 1.3 | 1.4 | 1.5 | 1.6 |
| Other taxes | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Non-tax revenue 2/ | 0.8 | 1.0 | 0.8 | 0.9 | 1.0 | 1.1 | 1.2 |
| **Change in domestic revenue as percent of GDP 2/ 3/** | **0.1** | **0.4** | **0.1** | **0.0** | **0.3** | **0.3** | **0.3** |
| *of which:* | | | | | | | |
| **New measures/better enforcement** | **0.1** | **0.4** | **0.2** | **0.2** | **0.3** | **0.3** | **0.3** |
| Tax on international trade and transactions 3/ 4/ | 0.1 | 0.3 | 0.2 | 0.1 | 0.1 | 0.2 | 0.1 |
| Other tax revenue 5/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Nontax revenue 6/ | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| *Memorandum item:* | | | | | | | |
| Nominal GDP | 11,680 | 10,969 | 12,804 | 12,200 | 13,018 | 14,197 | 15,584 |
| Increase in nominal GDP | 12.1 | 7.5 | 9.6 | 10.4 | 7.5 | 9.1 | 9.8 |

Source: Somali authorities and IMF staff calculations.

1/ Revenues are those collected by the Federal Government, mainly in the Banadir region, while nominal GDP is for the country as a whole. For 2025-2027, based on authorities' forecasts in their Medium-Term Revenue Roadmap 2024-2027. While keeping with program objectives, forecasts will need to be reviewed as needed during program reviews, taking into account economic developments and other information,

2/ Several one-off factors increased non-tax revenues in 2023 that were not repeated in 2024, including the recovery of revenues from work permits following a judicial win in a corruption case, a surge in visa and passport fees following Covid-19 pandemic, and the entry of a new telecom company that paid its spectrum fees.

3/ The revenue forecast for 2024 in nominal terms is unchanged with respect to the program. The change in doemstic revenue as a percent of GDP in 2024 now appears lower than anticipated in the 1st review due overperformance in 2023 and a lower nominal GDP figure for 2023 that increases the shares of GDP in 2023.

4/ For 2023 and 2024, includes the customs duty increase in May 2023, SOMCAS implementation, and increases in the khat import tax. For 2025 includes package standardization and cargo examination. For 2026-27, includes shift to ad valorum customs duties.

5/ For 2023, includes introduction of the turnover tax. For 2025-27 includes gradual implementation of the income tax law and greater sales tax collection using digital tools.

6/ For 2023 includes spectrum fees, overflight fees, and the recovery of revenues from work permits following a judicial win in a corruption case. For 2024, includes fishing licenses, and automation of the road and rental income tax. For 2025-27, includes the gradual implementarion of higher overflight fees, a new non-tax revenue portal, and continued expansion of the road and rental income tax.

**23. Further progress on PFM reforms and debt management capacity is underway.** Progress is on-track to update the PFM regulations relating to digital signatures for the purchase order to payment process and implement digital signatures in the SFMIS (SB#8, due end-June 2025), with IMF CD support. To strengthen the public debt management framework, by end-April 2025, the authorities will publish an Annual Debt Management Report (ADMR) for FY2024 in line with IMF TA recommendations (proposed SB#11). The long-term success of Somalia’s debt management efforts requires that human resources and information systems remain adequate for the task.

**24. Implementation of the pay and grade reform and new pension scheme for civil servants requires careful consideration to ensure fiscal costs are manageable**.[9] IMF CD support to develop a roadmap to implement the Pay and Grade policies is taking place in October/November but additional time is needed to finalize this structural benchmark (SB#7, due end-December 2024, proposed reset target date end-February 2025). The application of the new pension law needs to be preceded by a fiscal impact assessment—informed by the planned implementation of the pay and grade reform, and clarity on the treatment of temporary workers—and a realistic implementation plan. Financial projections will need to be updated once there is more information on eligible survivors and details of the planned pay and grade reform. It will be necessary to create a dependent registry with information regarding the number, legal status, and age of household members potentially eligible for a survivor pension.

***Article IV Discussions***

**25. The fiscal anchor under the program remains adequate to balance the need for higher development expenditure with protecting fiscal sustainability and taking into account capacity constraints.** Somalia is expected to face rising deficits once grant financing phases out. The authorities are committed to keeping medium-term fiscal deficits below 3.5 percent of GDP financed with concessional loans, of which at a minimum 1.5 percent of GDP will come from multilateral creditors that provide highly concessional financing terms (at least 50 percent grant element).[10] As stated in their MTRR, the authorities are strongly committed to two quantitative revenue targets: (1) to raise revenue as a share of GDP by 0.3 percentage points every year; and (2) to ensure that operational costs are covered by domestic revenue by 2027. Until the latter objective is met, Somalia would be best served with continued access to budget support grants.

**26. Achieving the authorities' ambitious revenue objectives will require concerted tax policy and revenue administration reforms and sustained capacity building efforts.** The MTRR identifies several important reforms over the next 3 years.

- **Complete the ad valorem customs reform.** Once all stakeholders have gained sufficient experience with the full end-to-end use of the SOMCAS system, the application of ad valorem tariffs that rely on invoice values is expected to begin in 2027. Customs

[9] Implementation of the pension law and the pay and grade policies has not yet been incorporated in the baseline macroframework. These can be incorporated in a later review once the associated costs and timeline for implementation have been defined.

[10] Maintaining overall fiscal deficits below 3.5 percent of GDP financed at concessional terms would not raise debt sustainability concerns. Prioritizing such concessional financing will also bring the associated CD support and help promote transparency and accountability. The fiscal anchor would be reviewed periodically in line with Somalia's borrowing capacity, as well as its debt management and public investment management capacity. For 2025-29, the fiscal deficit forecasts in Tables 2a-c are below 3.5 percent of GDP and are based on the currently available information regarding possible financing from multilateral creditors.

harmonization across all ports in the country, once conditions allow, will be necessary to prevent trade diversion. Further progress on customs modernization and harmonization across all ports will support progress towards EAC integration.

- **Reform consumption taxes.** The authorities intend to carry out an assessment of the current 5 percent consumption tax, starting in late 2025, to guide further modernization efforts. The consumption tax reform will also be informed by EAC discussions.

- **Increase revenue mobilization from large businesses.** The authorities are continuing efforts to increase revenue collection from sectors that offer significant revenue potential for the government. In this endeavor, they will leverage the expansion in tax registrations that has taken place in the context of the implementation of the sales tax electronic system.

- **Improve revenue administration.** Development of the Integrated Tax Administration System (ITAS)—which will improve efficiency and governance in revenue administration, is in early stages.

**27. Continued PFM improvements are needed to strengthen expenditure controls and fiscal transparency.** Implementation of the roadmap to expand the coverage of invoice tracking to all payments for goods and services is progressing as planned. The authorities are taking steps to build capacity in public investment management with IMF CD support, in particular on project appraisal and selection, which will facilitate a gradual increase in public investment over time. The PPP bill submitted to Parliament will be edited before enactment to (i) ensure consistency between the PPP process and the budget process, (ii) update affordability and project selection criteria, and (iii) ensure that PPPs are assessed along with other investment projects as part of the strategic allocation phase in the budget preparation process—in line with IMF staff recommendations. Further efforts are needed by FMS and Banadir to publish audited annual financial reports on a timely basis.

**28. Continued progress on fiscal federalism and harmonization is important.** The FGS continues seeking a broad consensus with all FMS on the fiscal federalism framework, which is currently under discussion both in Parliament (that is debating amendments to the Constitution) and in the inter-government Ministerial forum (that is discussing the specifics of revenue responsibilities and resource sharing). Once broad political agreement on fiscal federalism is achieved, the IMF stands ready to support the authorities develop and implement revenue sharing and expenditure frameworks.

***Authorities' Views***

**29. The authorities remain committed to fiscal sustainability and made a call for continued access to grant financing.** The authorities remain committed to a fiscal anchor agreed under the program. The authorities emphasized the need to gradually make space in their budgets for development expenditure, which requires raising domestic revenues, maintaining operational expenditure in check, and continued external support. Grant financing remains critical, and the authorities underscored the importance of a further extension of grant financing beyond June 2025 under World Bank IDA21.

**30. The authorities remain committed to advancing structural reforms to strengthen fiscal institutions and capacity.** They consider domestic revenue mobilization as a cornerstone of their fiscal program, and are taking steps to raise domestic revenue to fully cover operational expenditure by 2027, guided by the MTRR. Implementation of expenditure policies, including pay and grade and pensions reforms, will be carefully assessed to ensure fiscal costs are manageable. Building on key achievements, in particular the full payroll integration, the authorities intend to maintain the momentum on public financial management reforms to strengthen expenditure controls and fiscal transparency. They also commit to strengthening public investment management capacity, including PPPs, and enhancing the public debt management framework. In the context of the Constitutional review process, the authorities will seek to strengthen the links between the Constitution's fiscal provisions and the primary legislation and policy agreements that have been established over the past decade.

**Text Table 2. Somalia: Fiscal Accounts**
(Millions of USD)

| | 2022 | 2023 | 2024 | | | 2025 | | |
|---|---|---|---|---|---|---|---|---|
| | Actual | Est. | Budget | Prog. | Proj. | Budget | Prog. | Proj. |
| **Revenue excluding projects** | **434** | **471** | **531** | **515** | **560** | **600** | **438** | **461** |
| Domestic revenue | 263 | 329 | 346 | 357 | 358 | 430 | 423 | 423 |
| Tax | 182 | 225 | 241 | 254 | 254 | 295 | 298 | 295 |
| Non-tax | 81 | 105 | 105 | 103 | 104 | 135 | 125 | 128 |
| Budget support grant | 171 | 141 | 185 | 158 | 202 | 170 | 15 | 37 |
| | | | | | | | | |
| **Expenditure excluding projects** | **432** | **465** | **570** | **575** | **584** | **628** | **610** | **619** |
| Operational expenditure | 346 | 389 | 482 | 485 | 485 | 514 | 505 | 505 |
| Compensation of employee | 252 | 291 | 357 | 357 | 357 | 366 | 371 | 366 |
| Goods and services | 93 | 93 | 116 | 116 | 116 | 135 | 120 | 128 |
| Interest | 1 | 5 | 10 | 13 | 12 | 14 | 14 | 12 |
| Other expenditure | 86 | 76 | 87 | 90 | 100 | 114 | 105 | 114 |

**Text Table 2. Somalia: Fiscal Accounts** (concluded)
(Millions of USD)

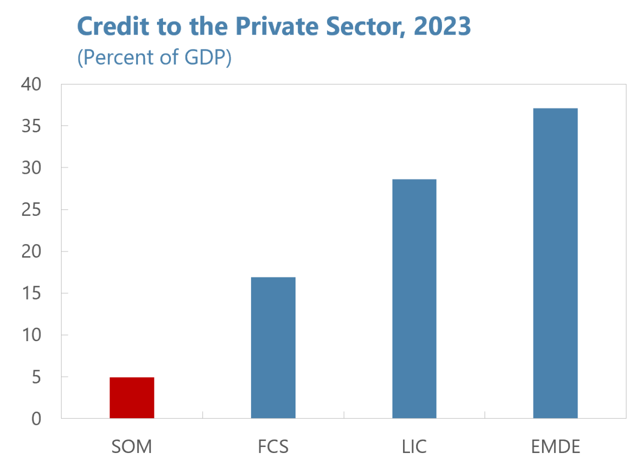
| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Overall balance excluding projects** | **2** | **6** | **-38** | **-60** | **-24** | **-28** | **-172** | **-158** |
| **Projects** | | | | | | | | |
| Project grants | 287.8 | 270 | 510 | 389 | 351 | 732 | 376 | 424 |
| Project expenditure 1/ | 287.8 | 270 | 510 | 389 | 351 | 732 | 386 | 424 |
| **Total revenues including projects** | **721.9** | **741** | **1041** | **904** | **911** | **1332** | **814** | **884** |
| **Total expenditure including projects** | **719.5** | **736** | **1079** | **964** | **936** | **1360** | **996** | **1043** |
| **Overall balance including projects** | **2.4** | **6** | **-38** | **-60** | **-24** | **-28** | **-182** | **-158** |
| | | | | (Percent of GDP) | | | | |
| **Revenue excluding projects** | **4.3** | **4.3** | **4.4** | **4.0** | **4.6** | **4.6** | **3.2** | **3.5** |
| Domestic revenue | 2.6 | 3.0 | 2.9 | 2.8 | 3.0 | 3.3 | 3.0 | 3.3 |
| Tax | 1.8 | 2.0 | 2.0 | 2.0 | 2.1 | 2.3 | 2.1 | 2.3 |
| Non-tax | 0.8 | 1.0 | 0.9 | 0.8 | 0.9 | 1.0 | 0.9 | 1.0 |
| Budget support grant | 1.7 | 1.3 | 1.5 | 1.2 | 1.7 | 1.3 | 0.1 | 0.3 |
| **Expenditure excluding projects** | **4.2** | **4.2** | **4.7** | **4.5** | **4.8** | **4.8** | **4.4** | **4.8** |
| Operational expenditure | 3.4 | 3.5 | 4.0 | 3.8 | 4.0 | 3.9 | 3.6 | 3.9 |
| Compensation of employee | 2.5 | 2.7 | 2.9 | 2.8 | 2.9 | 2.8 | 2.7 | 2.8 |
| Goods and services | 0.9 | 0.8 | 1.0 | 0.9 | 1.0 | 1.0 | 0.9 | 1.0 |
| Interest | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other expenditure | 0.8 | 0.7 | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 | 0.9 |
| **Overall balance excluding projects** | **0.0** | **0.1** | **-0.3** | **-0.5** | **-0.2** | **-0.2** | **-1.2** | **-1.2** |
| **Projects** | | | | | | | | |
| Project grants | 2.8 | 2.5 | 4.2 | 3.0 | 2.9 | 5.6 | 2.7 | 3.3 |
| Project expenditure 1/ | 2.8 | 2.5 | 4.2 | 3.0 | 2.9 | 5.6 | 2.8 | 3.3 |
| **Total revenues including projects** | **7.1** | **6.8** | **8.6** | **7.1** | **7.5** | **10.2** | **5.9** | **6.8** |
| **Total expenditure including projects** | **7.1** | **6.7** | **8.9** | **7.5** | **7.7** | **10.4** | **7.2** | **8.0** |
| **Overall balance including projects** | **0.0** | **0.1** | **-0.3** | **-0.5** | **-0.2** | **-0.2** | **-1.3** | **-1.2** |

Source: IMF Staff estimates.

1/ Social benefits (cash transfers under the Baxnaano program) were sharply increased in 2022-2024 in the project budgets to help address multiple shocks (Covid-19, locust infestation, prolonged drought, severe flooding) which are expected to gradually subside over the medium term.

## B. Monetary and Financial Policy

**31. The CBS does not conduct monetary/exchange rate policy, and financial intermediation is very limited.** Somalia is a de-facto dollarized economy and the CBS has not




Source: WEO and IMF Staff estimates
Note: SOM Somalia; FCS Fragile and conflict-affected states; LIC Low-income countries; EMDE Emerging Market and Developing Economies

issued currency since 1991. At end-2023, private sector credit stood at only 4.9 percent of GDP, in the context of high informality, lack of financial infrastructure, and high risks. The fragile nature of the existing correspondent banking relations, because of money laundering/financing of terrorism concerns, also constrains banks' ability to provide financial services.

**32. The CBS is enhancing its financial regulatory and supervisory capacity.** A decade ago, most banks and money transfer businesses operated without a license and mobile money services were entirely unregulated. Today, all banks and money transfer businesses are subject to licensing and inspections. Licensing and regulation of mobile money operators (MMOs) was launched in 2021 and five MMOs are currently licensed. However, supervisory data quality is a serious concern, and the capacity of supervisors needs to be strengthened further.

**33. Important actions have been taken to improve the anti-money laundering and countering the financing of terrorism (AML/CFT) regime, but more is needed to strengthen and effectively implement the AML/CFT frameworks.** Somalia passed the AML/CFT Act in 2016 and the Financial Reporting Center has been strengthening its capacity to analyze suspicious transactions. The Targeted Financial Sanctions Law and related regulations were issued in 2023 and Somalia published the List of Financial Sanctions Targets in 2024, though the lack of a widespread national ID and similar names pose challenges. Amendments to the AML/CFT Act, drafted with IMF technical assistance, were submitted to Parliament in March 2024. Somalia's AML/CFT regime is currently being evaluated by the Middle East and North Africa Financial Action Task Force (MENAFATF), with the onsite visit expected in 2025 and the resulting report to be published by end-2025/early 2026.

**34. The authorities intend to reintroduce the Somalia Shilling (SOS) and adopt a currency board arrangement.** The currency exchange project will reintroduce the SOS as legal tender by replacing old and mostly counterfeit notes in circulation.[11] The new SOS notes will provide an important liquidity function by facilitating payments for small value transactions and

[11] SOS notes currently in circulation are not backed by the CBS. SOS are used primarily by rural and internally displaced peoples, and to facilitate transactions in denominations less than one U.S. dollar. The World Bank estimates that old shillings in circulation range between SOS 1.022- 1.546 trillion (USD 40.9 - 61.8 million). There are currently no deposits in shillings. This contrasts with about USD 1.2 billion in bank deposits and some estimates suggests that a similar amount is held in mobile money wallets.

will promote financial inclusion for the most vulnerable who do not have access to USD or mobile money. Along with the currency exchange, and as discussed under the ECF arrangement, the authorities are starting preparations for introducing a currency board arrangement with IMF CD support. Even after the SOS is reintroduced, the Somali economy is expected to remain highly dollarized for some time. Implementation of these reforms is expected to take an estimated 18-24 months once prerequisites are in place, including importantly addressing the funding gap and securing a firm agreement between the FGS and all FMS.[12]

***Program Discussions***

**35. The CBS has continued to strengthen its governance and legal frameworks, including implementation of IMF Safeguards recommendations.** Steps to finalize the remaining recommendations from the 2024 safeguards assessment are underway, including in the areas of cyber security and business continuity, and the CBS Law (see below). In October 2024, the CBS joined the World Bank's Reserve Advisory and Management Partnership, with the aim of strengthening institutional capacity in reserve management.

**36. The CBS should continue to strengthen financial sector regulation and supervision.** The CBS is monitoring compliance with the regulations on capital adequacy (CAR) and liquidity coverage ratios (LCR) – effective since January 2024 – by closely engaging with banks that fall below the regulatory minimum on CAR. As part of the action plan to improve the quality of data submitted by commercial banks and to address inconsistencies in reported data, by end-July 2025 the CBS will issue detailed written instructions to banks on data calculations pertaining to CAR and LCR (proposed SB#12).

**37. Priority actions to address AML/CFT deficiencies should be guided by the MENAFATF mutual evaluation.** The MENAFATF evaluation will focus primarily on establishing the country's effectiveness in mitigating its money laundering and terrorist financing risks, identify systemic weaknesses in the AML/CFT system, and guide the authorities on priority actions to strengthen the AML/CFT regime. The authorities should continue efforts to strengthen the AML/CFT system, including Parliamentary approval of the amendments to the AML/CFT Act. Accelerating and expanding the rollout of National Digital ID will help improve the application of customer due diligence measures as part of AML/CFT efforts.

**38. The authorities are launching the preparatory work on the currency reform**. The authorities continue to engage with the World Bank on the currency exchange and have started receiving IMF CD support on preparations for the currency board arrangement. Progress has been made on the draft amendments to the CBS Law to strengthen governance and autonomy, in line with the 2024 Safeguards recommendations. However, the introduction of a currency board requires significant changes to the CBS Act. To allow adequate time to develop the necessary legal

[12] The total cost of the currency exchange project is estimated at US$72 million. The World Bank has been providing support on the currency exchange, but the project has been shelved until the authorities secure the co-financing and an agreement with FMS.

amendments, with IMF CD support, the staff proposes to modify and reset the related structural benchmark (SB#9, due date end-March 2025, proposed reset target date end-December 2025). Given the explicit legislative commitment under the CBA to exchange domestic currency for a specified foreign currency at a fixed exchange rate, the CBS will need to maintain foreign reserves to fully cover its monetary liabilities after the currency board is introduced.[13] To protect the credibility of the currency board arrangement, complementary policies should be in place, including to (1) ensure fiscal sustainability; (2) ensure CBS operational independence and prevent deficit financing of the government; (3) strengthen CBS capacity, including the cash management function, and policies to promote transparency; (4) secure financial stability, develop financial markets, and support capacity building of financial institutions; and (5) improve the quality, frequency, and timeliness of macroeconomic and financial data.

***Article IV Discussion***

**39. Further reforms are needed to promote financial deepening and financial inclusion while maintaining financial stability.** The authorities will focus on key reforms, with IMF CD support, that include enhancing the legislative and oversight frameworks, improving the quality of regulatory data, and augmenting CBS technical capacity. Enactment of key legislations—including the Financial Institutions Law, the National Payment Systems Law, and Insurance Law—will improve the regulatory and supervisory framework. To support the national payments system, the CBS is advancing the work on developing a National QR code and National SWITCH. The establishment of a credit bureau and central collateral registration are also in the pipeline.

***Authorities' Views***

**40. The authorities are committed to advancing financial, monetary, and AML/CFT reforms.** The CBS is making concerted efforts to strengthen its institutional capacity, develop the national payments system, modernize the regulatory and legal framework, and develop the financial infrastructure to improve financial intermediation. They will continue advancing reforms of the AML/CFT operational and legal framework to comply with international standards, support the establishment of formal correspondent banking relationships, and support the flow of remittances into Somalia.

**41. The authorities see the reintroduction of the Somalia shilling as legal tender as a national priority.** It will restore the credibility of the national currency, promote financial inclusion, and facilitate payments for small value transactions. They also see the currency reform as an opportunity to contribute to peacebuilding as the national currency will be a symbol of national

[13] Somalia currently has sufficient gross usable international reserves (including SDRs and gold) to cover the estimated stock of old shillings in circulation that would be replaced for new SOS during the currency exchange. However, the CBS would need to assess whether its income would be sufficient to cover any costs associated with the use of SDR holdings. As noted at program approval, once there is greater certainty about the timing of this reform, an augmentation of the ECF arrangement could be considered in a subsequent program review to back the new currency and enhance credibility.

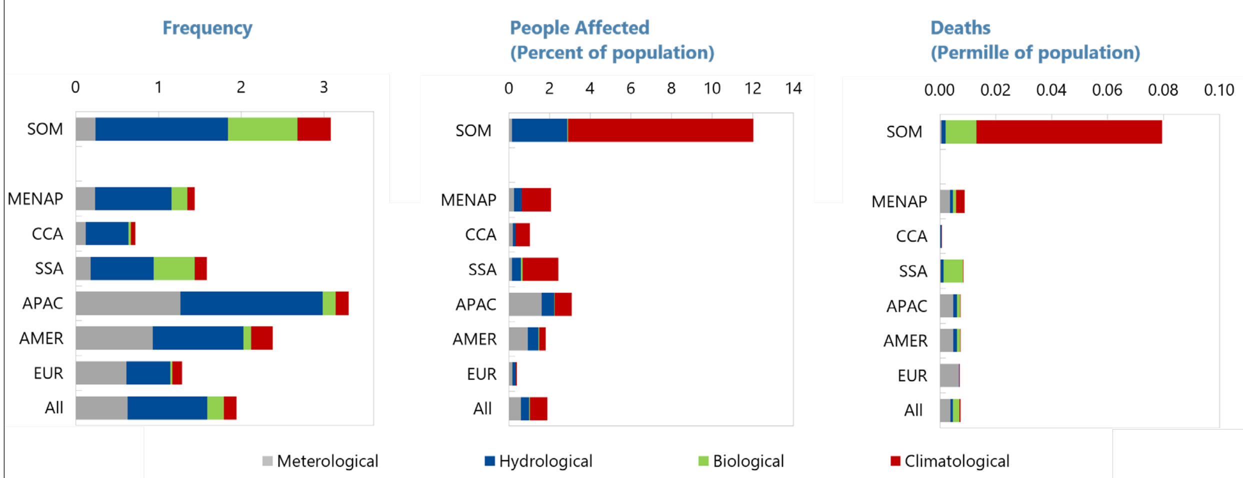
sovereignty and unity. The authorities are taking steps to address the operational and financial needs associated with the currency exchange project, including discussions with the World Bank. Along with the currency exchange, the authorities see a currency board arrangement as the monetary and exchange rate framework that can best serve the country by providing a stable and predictable policy environment to ensure confidence in the national currency across Somalia, while maintaining a dual currency regime with the U.S. dollar.

## C. Climate Shocks, Inclusive Growth, and Governance

**42. Climate shocks significantly exacerbate Somalia's vulnerabilities, including food insecurity.** According to the 2024 World Bank Somalia Economic Update, over two-thirds of Somali households reported experiencing at least one climate-related natural disaster during 2021-2022. Climate shocks exacerbate food insecurity because they compound broader challenges in the agriculture sector, including weak security and institutions, inadequate investment and standards, and poor infrastructure. The country lacks the capacity to mitigate these shocks, including because of inadequate financial resources, infrastructure, and social safety net. As a result, each new climate shock is a setback for growth and poverty reduction.

**Somalia and Other Regions: Climate Hazards 2000-2024**

(Annual Average)

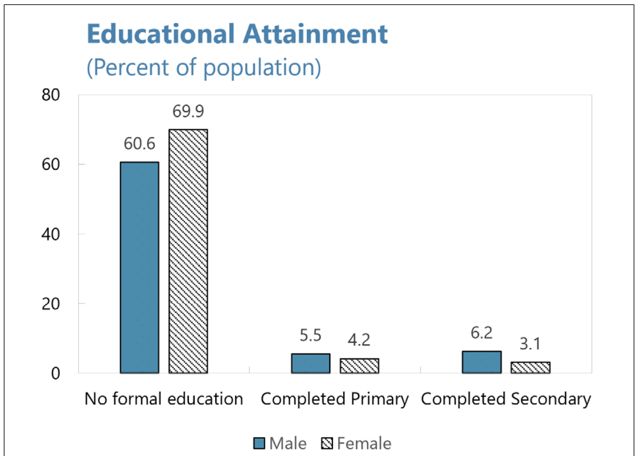



Source: EM-DAT, WB WDI, and IMF staff calculations.

Note: SOM Somalia; MENAP Middle East, North Africa, Afghanistan, and Pakistan; CCA Caucasus and Central Asia; SSA Sub-Saharan Africa; APAC Asia and Pacific; AMER Americas; EUR Europe.

Meterological includes extreme temperature and landslides; Hydrological includes floods and landslides; Biological includes insect infestation and epidemics; Climatological includes drought and wildfire.

**43. Somalia continues to face widespread poverty, malnutrition, and limited access to education.** According to the [2023 Somalia Poverty Report](), 54 percent of the population lived below US$2 per day in 2022. Chronic undernutrition is prevalent, with around 28 percent of children under five years experiencing stunting, as highlighted in the [2023 NDP9 Annual Progress Report](). The healthcare system's capacity, infrastructure, and resources remain insufficient to meet the country's needs, particularly during natural disasters and health emergencies. Education outcomes in Somalia remain critically low, with only 39 percent of children enrolled in primary school in 2022, and an estimated 66 percent of the population lacking formal education.[14]



Source: 2022 Somalia Integrated Household Budget Survey and IMF staff estimations.

**44. A new petroleum sector could contribute significantly to economic diversification and government coffers, as long as the legal framework and its implementation ensures that the sector can be developed sustainably, fairly, and transparently.** Somalia has potentially sizeable oil and gas reserves, though unproven. Key elements of the legal framework have been put in place, including the 2020 Petroleum Act and the 2023 Extractive Industries Fiscal Regime Law (EIFRL). Since 2022, the FGS has awarded 16 production sharing agreements (PSAs) to four different contractors through direct negotiations. Oversight by the Inter-Ministerial Concessions Committee (IMCC) in the most recent PSAs is a significant step in the right direction, but transparency and accountability around the negotiation and signature of PSAs have been limited.

**45. Somalia is a fragile state with significant capacity constraints that contribute to weak governance and corruption risks.** The [National Anti-Corruption Strategy of Somalia]() acknowledges the ubiquity of corruption, and its threat to security, justice, and development. Annex III outlines recent reforms that have somewhat improved governance practices and transparency across multiple dimensions, including on fiscal and financial sector governance, anti-corruption, market regulation, and AML/CFT. Somalia accessed the UN Convention Against Corruption (UNCAC) and ratified the African Union and Arab conventions. The 2023 Audit Law lays the groundwork for a robust federal audit system, and related regulations were issued in June 2024. In February 2024, the authorities submitted to Parliament the United Nations Convention Against Transnational Organized Crime (UNTOC) and its protocols for ratification. Nonetheless, sustained efforts are needed to promote good governance and reduce vulnerabilities to corruption, including reforms being implemented under the ECF arrangement in the areas of revenue, PFM, fiscal transparency, financial governance, AML/CFT, and procurement and concessions.

[14] See accompanying Selected Issues Paper on "Somalia: Increasing Human Capital through Greater Access to Education and Closing Gender Gaps in Education."

***Program Discussions***

**46. Somalia continues its efforts to reduce poverty and improve access to health and education.** The social protection program Baxnaano, with the support of the World Bank, continued to provide support to 50,000 chronically poor and vulnerable households through regular unconditional cash transfers. In addition, cash assistance was provided to pregnant and lactating mothers, youth, the elderly, and people with disabilities, alongside support to 44,200 households affected by conflict and climate-related shocks. In November 2023, a Unified Social Registry was launched to enhance the monitoring and support of poor and vulnerable populations. Notable achievements in 2023 include the establishment of two key healthcare facilities and the hiring of 3,000 teachers for public schools, underscoring the government's commitment to improving healthcare and education access. The Centennial Vision 2060 and National Transformation Plan (NTP) 2025-2029—which will succeed the NDP9 in January 2025—are under preparation and are expected to promote policies to stimulate investment and bolster resilience to socio-economic and environmental risks.

**47. Additional reforms are needed to complete the legal framework for the petroleum sector and inject transparency and accountability into petroleum licensing.** Progress is being made in finalizing the regulatory framework. By end January 2025, the authorities will publish the Extractive Industries Fiscal Regime Law (EIFRL) regulations, in line with the IMF recommendations (proposed SB #13). By end-March 2025, they will publish a new regulation for the Petroleum Act clarifying publication standards for all production sharing agreements (PSAs) (including timeframe and coverage), in line with IMF recommendations (proposed SB #14). By end-December 2024, the authorities will amend the regulation harmonizing the Petroleum and Procurement Acts to cement the procedure that all PSAs to be negotiated (PSAs under direct negotiation and PSAs under a licensing round) must be submitted to IMCC for review and approval (proposed SB#15). They will also finalize the regulations for the Petroleum Act. The authorities also commit to not signing any new production sharing agreements until the legal framework is completed—with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which would be submitted to IMCC for review and approval (proposed continuous SB #16).

**48. Further efforts are needed to bolster the anti-corruption framework.** Transparency and accountability promote greater trust in government—which is fundamental as the Somali state seeks to strengthen taxation, regulation, and other key functions. Efforts are ongoing to enhance the capacity of the Auditor General's Office, with support of the World Bank. A new Anti-Corruption Strategy (2025-2029) is under preparation, with support from the African Development Bank, drawing lessons from and building on the previous strategy. To help with the implementation of the UNCAC, the authorities have secured UNODC technical assistance for the self-assessment. It is important to review the existing laws to ensure compliance with the UNCAC and strengthen the resources of the Independent Anti-Corruption Commission (IACC).

### *Article IV Discussion*

**49. Sustained efforts are needed to boost inclusive growth, reduce poverty, and improve resilience, with the support of international partners.** Raising human capital by increasing the educational attainment of Somali children and closing gender gaps in education can bring significant growth dividends.[15] This would require both expanding access and improving the quality of education. Building resilience to climate shocks and strengthening food security requires large investments in disaster risk management, human capital, infrastructure, and the agriculture sector. Given very large social spending and infrastructure needs, sustained financial and CD support from development partners remains critical—in addition to domestic revenue mobilization. It would be beneficial in terms of aligning priorities and enhancing Somalia's capacity for project support to gradually shift on to the budget.[16]

**50. The EAC accession presents opportunities, challenges, and risks, therefore the integration process needs to be managed carefully**.[17] EAC integration can help advance state-building reforms, accelerate customs modernization, and strengthen trade with the region. However, limited capacity may hold back implementation of the roadmap and it may prove difficult to rapidly reach consensus on policy uniformity across Somalia. The main risks include customs revenue losses, the potential widening of trade imbalances with EAC countries, and security risks associated with the freedom of movement. To mitigate risks, Somalia should follow a gradual approach to integration, maintain macroeconomic stability, and implement reforms to strengthen human capital and increase productivity. As Somalia is also seeking WTO accession, it is advised that the authorities take advantage of synergies and follow a sequenced approach.

### *Authorities' Views*

**51. The authorities are advancing a broad-based reform agenda to bolster inclusive growth, improve resilience to climate shocks, and enhance trade integration.** The Centennial Vision 2060 and the new NTP will accelerate the development process in key areas, including poverty reduction, inclusive growth, and climate resilience. Improving access to education and closing gender gaps in education feature among the top priorities. Efforts to improve food security are focused on a combination of immediate humanitarian assistance and long-term development strategies aimed at enhancing agricultural productivity and resilience. The authorities also make a call for greater channeling of aid flows from development partners through the budget and country systems to ensure their alignment with NDP and NTP priorities, enhance their visibility, and facilitate monitoring and evaluation. The authorities are also committed to making progress towards integration with the customs union and common market of the EAC and WTO accession.

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[15] See accompanying Selected Issues Paper on "Somalia: Increasing Human Capital through Greater Access to Education and Closing Gender Gaps in Education."

[16] Some key partners have already been channeling resources through the budget, including the World Bank and Global Partnership for Education.

[17] See accompanying Selected Issues Paper on "Somalia and the East African Community (EAC)"

**52. The authorities continue their strong commitment to improve governance.** This includes taking steps to review existing laws to ensure compliance with UNCAC and updating the National Anti-Corruption Strategy. They agree with the importance of finalizing and implementing the legal framework for the extractive industries, including concerted reforms to enhance transparency and accountability of petroleum licensing.

## D. Statistical Issues

**53. Progress should continue to enhance statistics and address data gaps, while leveraging non-traditional data.** Recent improvements include a new household survey published in 2023 (which updated the poverty rate, CPI weights, and GDP) and a new national CPI to be launched in January 2025. Nonetheless, there are few data sources and information systems are not adequate. While frequency and timeliness are generally satisfactory, limited availability and coverage are key shortcomings (Annex IV). Further efforts are needed to strengthen the compilation and dissemination of macroeconomic and financial statistics, with IMF CD support. Levering non-traditional data sources, including satellite imagery and sensor data, could enhance the coverage, quality, and timeliness of data.[18]

***Authorities' Views***

**54. The authorities are committed to improving key macroeconomic and financial data, acknowledging the critical role it plays in guiding economic policies.** This includes launching new surveys to broaden the availability of economic activity and social data, as well as taking steps to improve the quality and timeliness of macroeconomic statistics.

# FINANCING AND PROGRAM MODALITIES

**55. Performance criteria and structural benchmarks have been agreed for the next 12 months.** New performance criteria are proposed for June and September 2025 (Table 10). Seven new SBs are proposed for the next 12 months. In view of Somalia's fragility and weak institutional capacity, the proposed SBs are parsimonious, carefully prioritized, and anchored in CD support (Table 11). The authorities are requesting new target dates for two SBs: (1) to finalize the roadmap to implement the Pay and Grade policies by end-February 2025 to allow sufficient time for CD support, and (2) to submit amendments to the CBS Law to Parliament by end-December 2025, to allow sufficient time to develop the aspects of the currency board arrangement that need to be reflected in the law.

**56. The debt sustainability assessment (DSA) remains broadly unchanged from the 1st program review.** Staff assesses Somalia's external and overall public debt to be sustainable in the

[18] See accompanying Selected Issues Papers on "Harnessing High-Frequency Satellite Data for Fragile States Economic Monitoring: Application to Somalia"

medium-term.[19] The debt service to revenue indicative threshold is breached under the stress scenario in the outer years of the 10-year assessment horizon, which is consistent with a moderate risk rating. The authorities are continuing good faith negotiations to finalize debt relief agreements with remaining creditors that have any HIPC eligible debt (Table 14).[20] In the presence of a representative Paris Club agreement with Somalia and the application of the Paris Club's comparability of treatment principle, arrears to non-Paris Club official creditors are deemed away under the Fund's Lending into Official Arrears (LIOA) policy.

**57. The program is fully financed.** The authorities have secured firm financing commitments (on concessional terms) for the next 12 months of the program, including from the World Bank (US$102.4 million) and the EU (US$10 million). The continued strong engagement of international partners indicates that there are good prospects that financing will be adequate for the remaining program period.

**Text Table 3. Somalia: Projected Financing Gap in 2024 and 2025**

(Percent of GDP)

| External financing need | 2024 | 2025 | Fiscal financing need | 2024 | 2025 |
|---|---|---|---|---|---|
| **External financing requirement** | **61.5** | **61.3** | **Fiscal deficit, excl. budget support grants** | **1.9** | **1.5** |
| *of which:* | | | Revenue and grants, excl. budget support grants | 5.9 | 6.5 |
| Trade balance | 61.4 | 61.1 | Expenditure | 7.7 | 8.0 |
| Amortization & interest | 0.2 | 0.2 | | | |
| **Available financing** | **59.7** | **60.3** | **Total financing, excl. projects** | **0.0** | **0.5** |
| *of which:* | | | Net acquisition of financial assets | 0.1 | 0.6 |
| Current transfers (net) | 51.1 | 52.4 | Net incurrence of liabilities | -0.1 | -0.1 |
| Foreign Direct Investment | 5.7 | 5.4 | | | |
| **External financing gap** | **1.9** | **1.0** | **Fiscal financing gap** | **1.9** | **1.0** |
| **Financing commitments so far** | **1.9** | **1.0** | **Financing commitments so far** | **1.9** | **1.0** |
| IMF ECF | 0.2 | 0.2 | IMF ECF | 0.2 | 0.2 |
| World Bank budget support grants | 1.3 | 0.2 | World Bank budget support grants | 1.3 | 0.2 |
| World Bank concessional loans | 0.0 | 0.6 | World Bank concessional loans | 0.0 | 0.6 |
| Other | 0.4 | 0.1 | Other | 0.4 | 0.1 |

Sources: Somali authorities, and IMF staff estimates

**58. Somalia's capacity to repay the Fund remains adequate, albeit subject to risks.** Based on existing and prospective drawings, the IMF credit outstanding is projected to peak at 70.75 percent of quota in 2026 (SDR 115.6 million), below the applicable normal cumulative access limit. To mitigate debt servicing risks, the program includes reforms to increase revenues, in addition to ceilings on overall deficits and non-concessional borrowing.

[19] In the LIC DSA, full delivery of debt relief under the HIPC Initiative, MDRI, and beyond-HIPC assistance at the Completion Point reached in December 2023 is assumed, under Paris Club comparable treatment for all pending creditors.

[20] Since the 1st review, the authorities concluded agreements with the Islamic Development Bank and OPEC Fund for International Development.

**59. Somalia will continue to need extensive CD support, financed by the Somalia Country Fund (SCF).** Fund CD, supported through the SCF, has been instrumental for Somalia's reform implementation (Box 1). The SCF currently has sufficient funding until April 2026 but additional financing will be essential for CD activities that extend beyond this date.

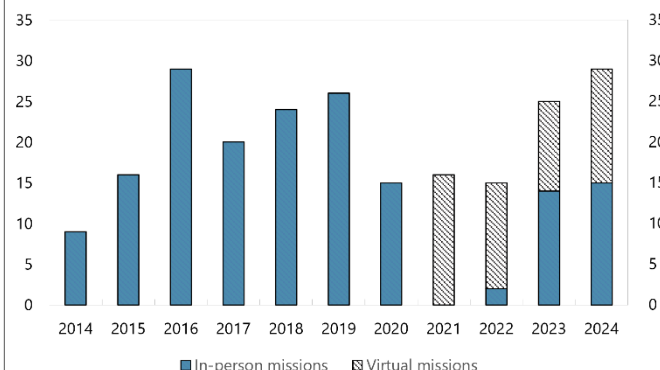
**60. Somalia avails itself of the transitional arrangements of Article XIV.** While the Somali shilling is the official currency, the de facto currency is the U.S. dollar. No exchange restrictions or multiple currency practices have been identified since the last Article IV consultation. In due course, Somalia should consider initiating the necessary steps to formally accept obligations under Article VIII.

### Box 1. Somalia: Integration of Program and Capacity Development Support

**Somalia has built a strong track record of reform implementation over the last decade.** This was achieved thanks to: (1) the authorities' strong and sustained ownership of the reform agenda; (2) careful prioritization and sequencing of reforms, taking into account Somalia's institutional and capacity constraints; (3) close integration between IMF program design and capacity development (CD) support, supported by the Somalia Country Fund; and (4) close coordination with development partners to ensure complementarities.

**Technical Assistance Delivery Since 2014**

(In number of missions)




Source: CDMAP and IMF Staff estimates

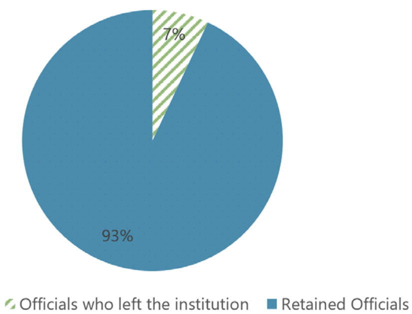
**Sustained IMF CD support has been essential for the successful implementation of the authorities' reform agenda supported by the ECF arrangement.** There has been a high-level of absorption of training and skill development by Somali officials. While absorption of CD faces constraints—including too few adequately trained and experienced staff—IMF CD experts have followed an approach that provides continuous support and CD activities are sequenced to support comprehensive rather than piecemeal interventions. Importantly, IMF CD support is closely integrated with Somalia's ECF-supported program and complements the activities of Somalia's other CD providers. Past CD activities focused on tax policy and revenue administration (including the extractive industries fiscal regime), public financial management, debt management, financial regulation and supervision, central bank institutional framework, AML/CFT, and macroeconomic and financial statistics. Going forward, IMF CD will continue to support reforms in these areas and expand to cover also public investment management, wage bill and pension reform, and implementation of a currency board arrangement.

**The Somalia Country Fund (SCF) has facilitated sustained IMF CD provision, which has been critical to support capacity-building in Somalia's fragile context.**[1] State building and institutional development in fragile states is a long-term process and progress is not always linear. The SCF has been instrumental in ensuring the continuity, predictability, and flexibility of IMF CD support since its launch in 2015. The SCF has (1) ensured that the IMF can deliver a predictable medium-term plan of CD activities to Somalia; (2) allowed Somalia to benefit from large amounts of CD, at an average of 20 missions per year; (3) allowed IMF CD experts to build strong working relationships and trust with Somali counterparts thanks to frequent

**Box 1. Somalia: Integration of Program and Capacity Development Support** (concluded)

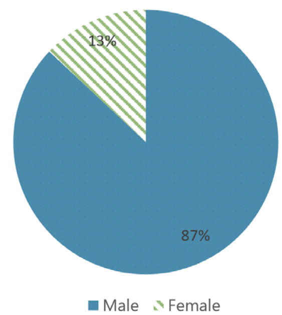
interactions, which has facilitated a better understanding of capacity constraints that in turn has helped the IMF to better tailor program design; (4) allowed CD plans to remain nimble to respond to urgent needs, scale up, or rephase activities to take advantage of windows of opportunity to advance critical reforms; and (5) provided flexibility in the number of Somali counterparts that can participate in missions, offering wider access to the training and capacity building. Current development partners providing financial support to the SCF are Canada, the European Union, Italy, Saudi Arabia, Sweden, and the United Kingdom. Additional funding is necessary to improve the financial sustainability of the SCF.

**Retention Rate of Authorities Trained through SCF from 2017-April 2024**
(Percent)



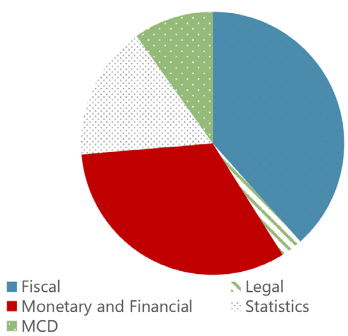

Source: SCF and IMF Staff estimates

**Authorities Trained by Gender 2017-April 2024**
(Percent)



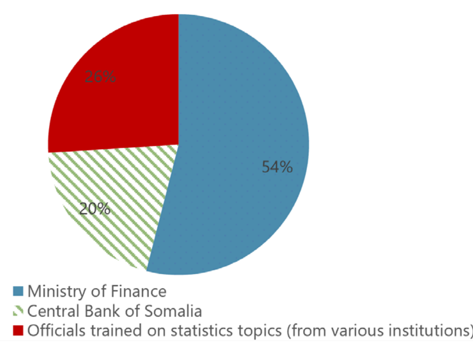

Source: SCF and IMF Staff estimates

**Total share of missions on Fiscal, Legal, Monetary and Financial, Statistics, and MCD missions since 2014**




Source: CDMAP and IMF Staff estimates

**Authorities trained by Institution**
(Percent)




Source: SCF and IMF Staff estimates

[1] CD on debt management and AML/CFT was provided by the IMF, outside the SCF.

# STAFF APPRAISAL

**61. Somalia has maintained a strong track record of reform implementation.** Notwithstanding significant domestic and regional challenges, the authorities remain committed to all program objectives, and see the engagement with the Fund and other international partners as key to building a stronger economy and more resilient institutions. Program performance has been strong, with all performance criteria met and significant progress on structural reforms.

**62. The 2025 budget is aligned with the objectives of the ECF arrangement, while continued access to grant financing remains critical.** The level of domestic revenues for 2025 is ambitious and realistic, anchored in the objectives and policies outlined in the MTRR. The budget accommodates higher spending on education and health, while moving towards the objective of fully covering operational expenditure with domestic revenues by 2027. Until the latter objective is met, Somalia would be best served with continued access to budget support grants. Access to grant financing also remains critical to support development expenditure. Over the medium-term, the authorities remain committed to a prudent fiscal framework that balances the need for higher development expenditure with protecting fiscal sustainability, while taking into account capacity constraints.

**63. Sustained revenue mobilization efforts are needed to fully cover operational expenditure and make room for development spending over time.** Somalia has been actively building its tax capacity, but domestic revenues remain insufficient to cover operational expenditure. In addition, there is heavy reliance on external grants that are expected to decline over time. To strengthen revenues and improve transparency—and as outlined in the MTRR—continued progress is needed on customs modernization, implementation of the Income Tax Law, stronger enforcement of sales and income taxes, and enhancement of revenue administration.

**64. The authorities should continue to strengthen public financial management and debt management capacity.** Key reforms include implementing digital signatures and outlining the steps to implement the Pay and Grade policies. Somalia also needs to build public investment management capacity (in particular in project appraisal and selection) and develop the PPP framework, to ensure the implementation of quality and affordable projects while safeguarding fiscal sustainability. Implementation of the pay and grade reform and new pension scheme for civil servants requires careful consideration to ensure fiscal costs are manageable. The application of the new pension law needs to be preceded by a fiscal impact assessment and a realistic implementation plan. The authorities also need to continue to strengthen the public debt management framework and capacity.

**65. It is important to continue advancing reforms to promote financial deepening and financial inclusion.** The CBS should further strengthen financial regulation and supervision capacity, including through measures to improve the quality of data submitted by commercial banks. It is encouraged for the CBS to continue implementing the remaining recommendations of the 2024 Safeguards Assessment in areas related to cyber security and business continuity. To enhance CBS autonomy and governance, the authorities should also move forward with the planned amendments to the CBS Law, while also incorporating currency board related amendments. Achieving timely enactment of key financial sector bills and the AML/CFT Bill is also important. Continued efforts are needed to address ML/FT risks and future reforms should be informed by the findings of the MENAFATF Mutual Evaluation.

**66. The launch of preparatory work on the currency exchange and the currency board arrangement is welcome.** The authorities are highly encouraged to secure co-financing and an agreement with all FMS on the currency exchange project. They are also encouraged to continue preparatory work on a currency board arrangement, with IMF CD assistance, which the authorities view as a good fit for Somalia, providing the country with a credible and predictable policy framework. Somalia will also need to maintain complementary policies to sustain the credibility of the currency board once implemented, including fiscal sustainability and central bank independence, among others.

**67. Implementation of a strong legal framework for the petroleum sector will ensure that that the sector is developed sustainably, fairly, and transparently.** The authorities should continue building capacity and ensure completion and implementation of the legal framework, including the necessary regulations to enhance transparency and accountability. Staff further recommended to refrain from issuing any new production sharing agreements until the legal framework is completed.

**68. Further reforms are needed to improve governance and fight corruption.** This includes strengthening the capacity of the Auditor General's Office, further progress on implementation of the UNCAC, and staffing of the IACC.

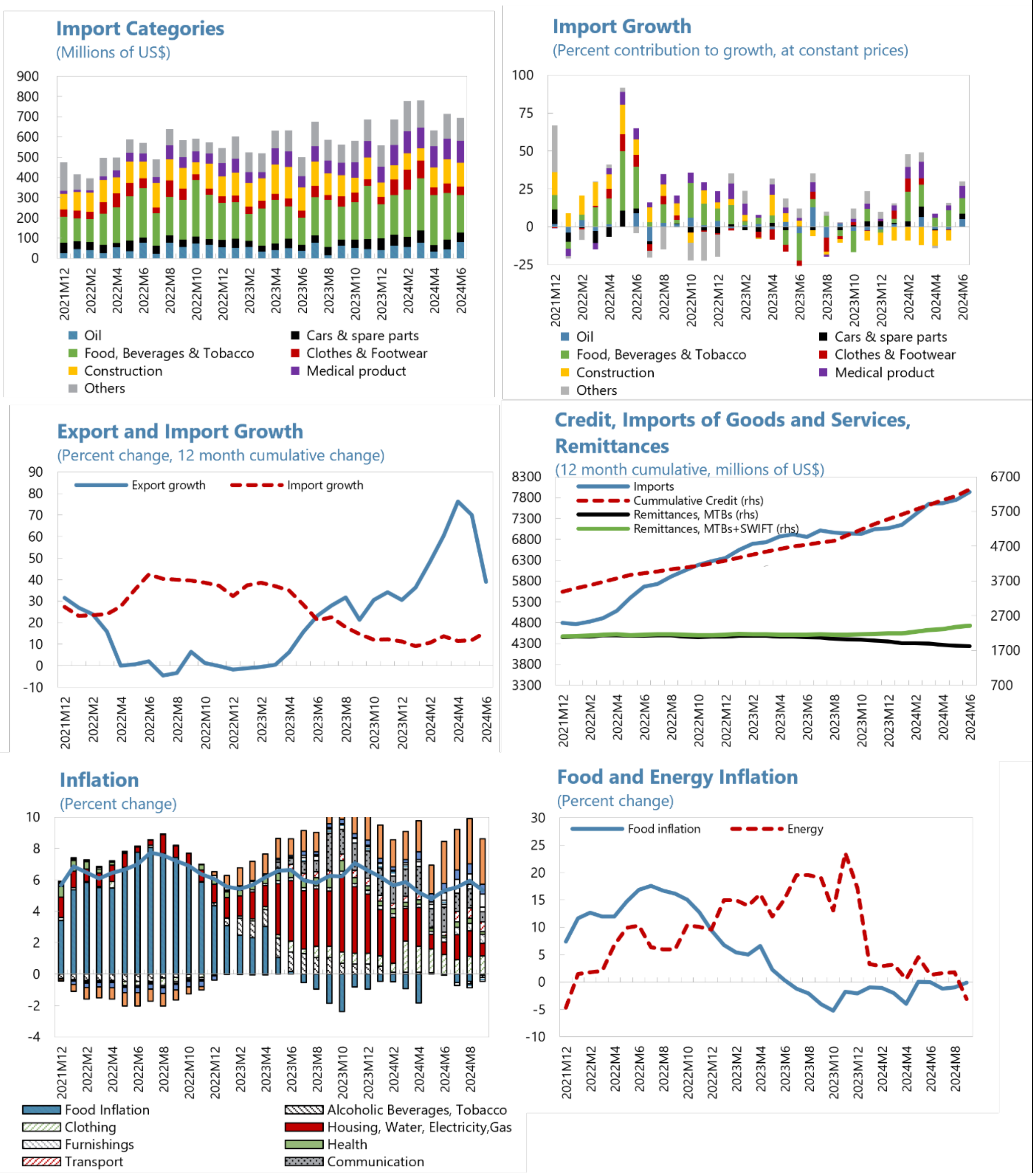
**69. Sustained efforts are crucial to increase resilience, reduce poverty, and promote inclusive growth, with the support of international partners.** Greater human capital is needed to boost growth, including by improving access to education for Somali children and closing gender gaps in education. Building resilience to climate shocks and strengthening food security requires large investments in disaster risk management, human capital, infrastructure, and the agriculture sector. Given Somalia's severe resource constraints, sustained support from development partners remains critical. The EAC accession presents opportunities, challenges, and risks, therefore the integration process needs to be managed carefully. To mitigate risks, Somalia should follow a gradual approach to EAC integration, maintain macroeconomic stability, and implement reforms to strengthen human capital and increase productivity.

**70. Despite the progress, downside risks remain significant.** Somalia faces important risks emanating from regional geopolitical developments and climate shocks, as well as lower global growth and higher commodity prices. Risks to the program are mitigated by continued program ownership, CD support, and sustained support from development partners.

**71. Staff supports the completion of the second review and disbursement of SDR 7.5 million under the ECF arrangement.** The authorities plan to use the disbursement for direct budget support, as indicated at the time of the approval of the ECF arrangement. In view of capacity constraints and progress to date, staff also supports the authorities' request for new target dates for two structural benchmarks. The attached Letter of Intent and the Memorandum of Economic and Financial Policies set out the appropriate policies that meet the program objectives.

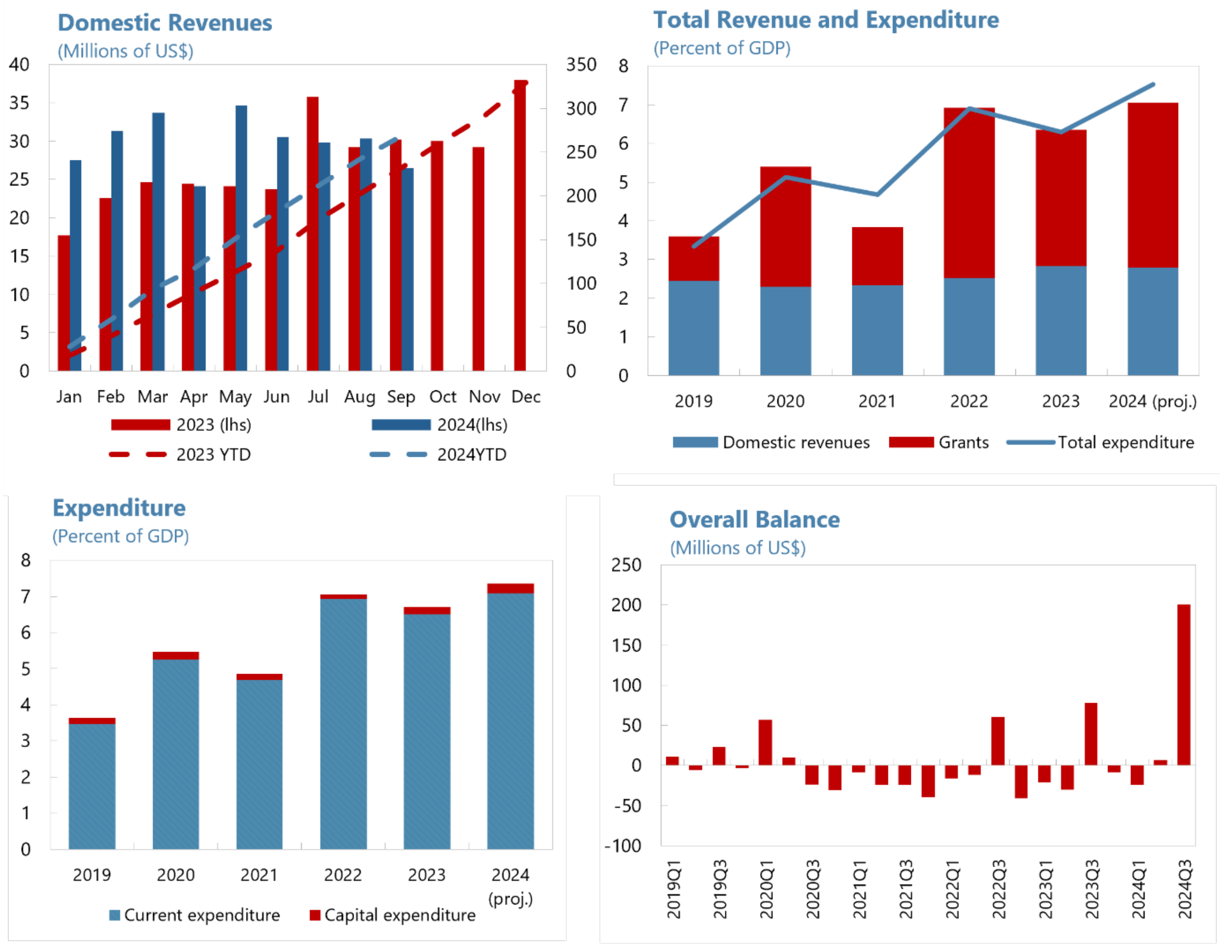
**72. It is recommended that the next Article IV consultation with Somalia be held on a twenty-four-month cycle.**

## Figure 1. Somalia: High Frequency Indicators, 2021–2024



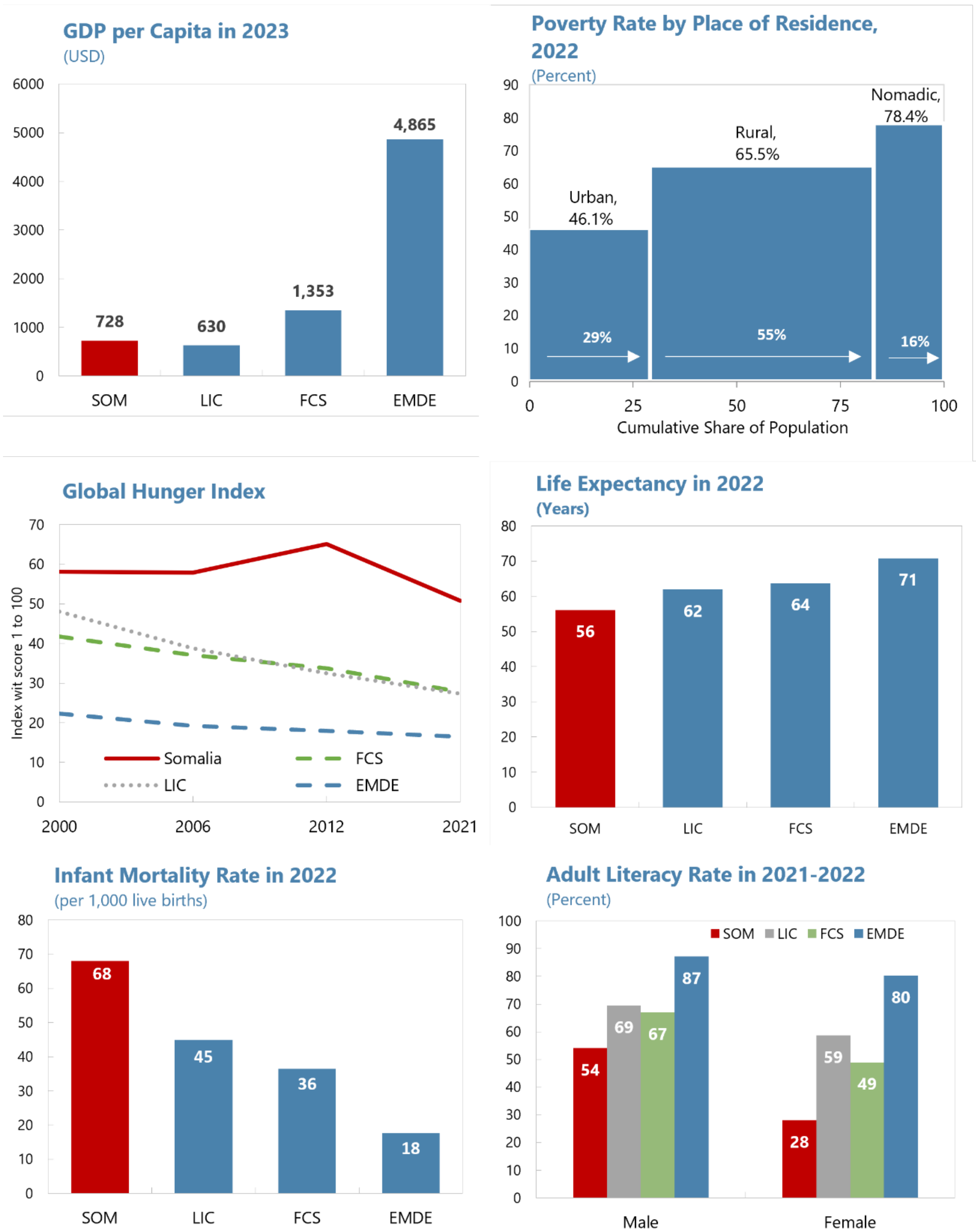

Source: Authorities' data and IMF Staff estimates

## Figure 2. Somalia: Fiscal Indicators, 2019–2024




Source: Authorities' data and IMF Staff estimates

**Figure 3. Somalia: Social Indicators**

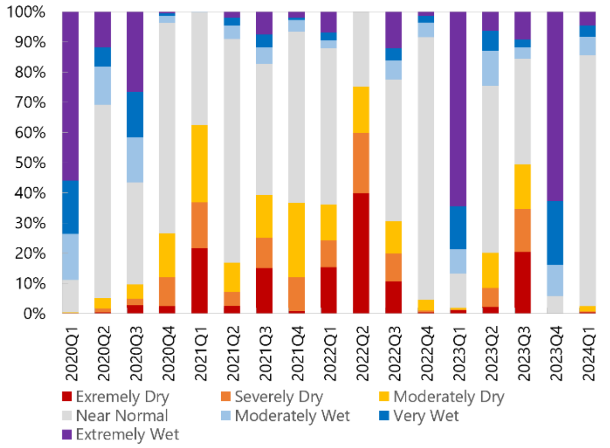



Sources: WEO, Somalia Poverty Report 2023, IMF Staff estimates, World Bank Development Indicators, Global Hunger Index, UNFPA, Educational Characteristics of the Somali People

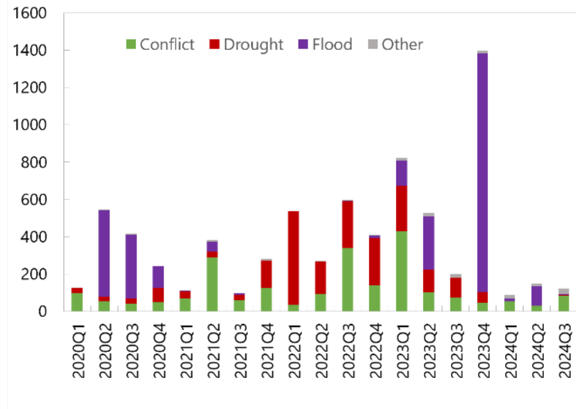
Note: SOM Somalia; LIC Low Income Countries; FCS Fragile and conflict-affected states; EMDE Emerging markets and developing economies

## Figure 4. Somalia: Exposure to Extreme Weather and Climate Change

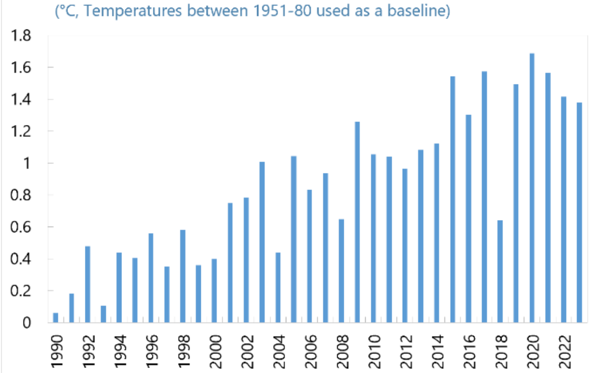
### Drought Monitoring with SPI
(3 month SPI, Percent of Area)



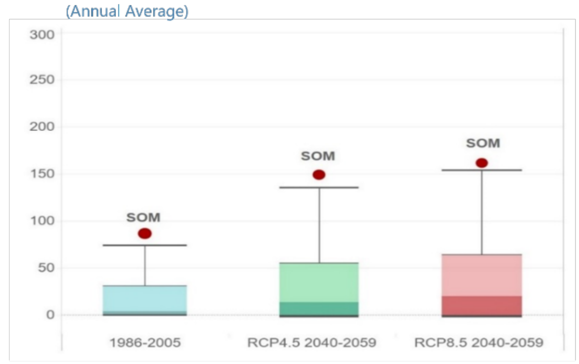

### Displaced Persons
(Thousands)



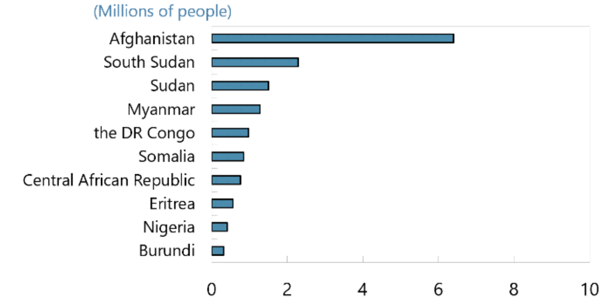

### Mean Temperature Change
(°C, Temperatures between 1951-80 used as a baseline)



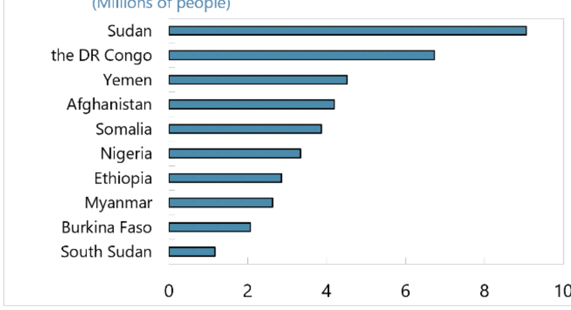

### Days Above 35° Celsius under Moderate and High Emissions Scenarios
(Annual Average)




### Refugee Population by Country of Origin in Fragile and Conflict-Affected States (FCS) and Low-Income Countries (LICs), 2023
(Millions of people)




### Internally Displaced Persons in Fragile and Conflict-Affected States (FCS) and Low-Income Countries (LICs), 2023
(Millions of people)




Source: East Africa Drought Watch, UNHCR, IMF Climate Change Portal, UNDP Human Climate Horizons, UNHCR Refugee Population Statistics Database, Global Internal Displacement Database | IDMC - Internal Displacement Monitoring Centre.
Note: SPI; Standardized Precipitation Index compares the total precipitation received during a period of n months with the long-term precipitation distribution for the same period. Reference period here is 1981-2010.
The data presented in the bottom two charts is limited to Fragile and Conflict-Affected States (FCS) and Low-Income Countries (LICs). Acknowledgment is extended to Annalaura Sacco, Patricia Escalante, and Dina Hamed for their guidance on the data, analytical work, and visualizations on forced displacement.

## Table 1. Somalia: Selected Economic and Financial Indicators, 2022–2029 1/

Population: 15.6 Million, 2022 Estimate

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog. | Proj. | Prog. | Proj. | | Proj. | | |
| **National income and prices** | | | | | | | | | | |
| Nominal GDP in millions of U.S. dollars | 10,203 | 10,969 | 12,804 | 12,111 | 13,891 | 13,018 | 14,197 | 15,584 | 16,973 | 18,205 |
| Real GDP in millions of U.S. dollars | 10,203 | 10,633 | 11,108 | 11,058 | 11,541 | 11,501 | 11,972 | 12,463 | 12,999 | 13,584 |
| Real GDP, annual percentage change | 2.7 | 4.2 | 3.7 | 4.0 | 3.9 | 4.0 | 4.1 | 4.1 | 4.3 | 4.5 |
| Real GDP per capita in U.S. dollars | 653 | 662 | 673 | 670 | 680 | 678 | 687 | 697 | 710 | 723 |
| CPI (period average, percent change) | 6.8 | 6.2 | 4.8 | 5.3 | 3.9 | 4.2 | 3.6 | 3.4 | 3.2 | 3.0 |
| CPI (e.o.p., percent change) | 6.1 | 6.6 | 4.3 | 4.5 | 3.7 | 3.9 | 3.5 | 3.3 | 3.1 | 2.6 |
| | | | | | (Percent of GDP) | | | | | |
| **Central government finances 1/** | | | | | | | | | | |
| Revenue and grants | 7.1 | 6.8 | 7.1 | 7.5 | 5.9 | 6.8 | 5.1 | 4.6 | 4.6 | 4.7 |
| *of which:* | | | | | | | | | | |
| Revenues | 2.6 | 3.0 | 2.8 | 3.0 | 2.1 | 3.3 | 3.6 | 3.9 | 4.2 | 4.5 |
| Grants 2/ | 4.5 | 3.8 | 4.3 | 4.6 | 2.8 | 3.5 | 1.5 | 0.8 | 0.5 | 0.3 |
| Expenditure (FGS) | 7.1 | 6.7 | 7.5 | 7.7 | 7.2 | 8.0 | 7.1 | 6.9 | 6.9 | 7.1 |
| Compensation of employees | 2.5 | 2.7 | 2.8 | 3.0 | 2.7 | 2.9 | 2.8 | 2.7 | 2.6 | 2.6 |
| Purchase of non-financial assets | 0.1 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.6 | 1.0 |
| Overall balance | 0.0 | 0.1 | -0.5 | -0.2 | -1.3 | -1.2 | -2.0 | -2.3 | -2.3 | -2.4 |
| Net change in the stock of cash | 0.4 | 0.3 | -0.4 | -0.1 | -0.3 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public debt 3/, 4/ | 38.2 | 7.0 | 6.1 | 6.4 | 6.6 | 6.6 | 8.1 | 9.6 | 11.1 | 12.7 |
| | | | | | (Percent of GDP) | | | | | |
| **Monetary Sector** | | | | | | | | | | |
| Net Foreign Assets | -1.4 | 1.6 | 1.5 | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 |
| Central Bank claims on non-residents 5/ | 3.1 | 3.3 | 2.8 | 3.0 | 2.6 | 2.8 | 2.5 | 2.3 | 2.0 | 1.8 |
| Net Dometic Assets | 15.5 | 14.3 | 12.7 | 14.2 | 12.0 | 14.1 | 13.9 | 13.0 | 12.2 | 11.7 |
| Credit to the private sector | 3.9 | 4.9 | 4.8 | 5.1 | 5.0 | 5.3 | 5.6 | 5.8 | 6.1 | 6.4 |
| Broad Money 6/ | 14.2 | 15.9 | 14.2 | 15.8 | 13.5 | 15.7 | 15.5 | 14.5 | 13.8 | 13.2 |
| Gross International Reserves (program definition, in millions of US$) | 265.5 | 265.3 | 265.3 | 265.3 | 265.3 | 265.3 | 263.4 | 259.6 | 251.1 | 230.7 |
| in months of next year's imports 7/ | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| | | | | | (Percent of GDP) | | | | | |
| **Balance of payments** | | | | | | | | | | |
| Current account balance | -8.6 | -9.3 | -8.7 | -8.9 | -8.8 | -8.7 | -9.8 | -10.0 | -10.0 | -10.0 |
| Trade balance | -62.9 | -60.8 | -58.2 | -61.4 | -57.2 | -61.1 | -58.5 | -57.8 | -57.6 | -57.4 |
| Exports of goods and services | 17.7 | 19.7 | 18.9 | 20.5 | 20.1 | 21.1 | 21.8 | 22.5 | 22.8 | 23.1 |
| Imports of goods and services | 80.6 | 80.6 | 77.1 | 81.8 | 77.2 | 82.2 | 80.3 | 80.3 | 80.5 | 80.4 |
| Remittances | 21.0 | 19.2 | 18.8 | 19.8 | 18.9 | 19.9 | 20.1 | 20.1 | 20.1 | 20.1 |
| Grants | 33.7 | 32.7 | 31.0 | 32.9 | 29.8 | 32.8 | 29.0 | 28.1 | 27.8 | 27.6 |
| Foreign Direct Investment | 5.2 | 5.2 | 5.4 | 5.7 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| External debt 3/, 8/ | 37.5 | 6.4 | 5.6 | 5.9 | 6.1 | 6.1 | 7.6 | 9.2 | 10.8 | 12.4 |

Sources: Somali authorities; and IMF 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/ A change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100 percent loans (with 50-year maturity), will impact Somalia starting in July 2025. Lower grants would result in deficits of 1.5 to 2.0 percent of GDP, higher than the ones projected under the alternative before this policy change. The difference with previous deficit projections would dissipate over time as the previous deficit projections already incorporated a gradual shift away from grants to loans.

3/ Includes HIPC debt relief, including HIPC interim assistance received between the Decision and Completion Points, and MDRI and beyond-HIPC debt relief at Completion Point in 2023.

4/ Public debt includes arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt. Consistent with the public debt definition in the DSA. It includes net SDR position of the FGS.

5/ Includes FGS grants held abroad.

6/ Primarily desposits at commercial banks.

7/ For Somalia's de facto dollarized economy, reserve to imports coverage is less applicable.

8/ Consistent with the DSA external debt definition, which reflects the external debt of the country as a whole. Includes the total net SDR position of the central bank. This differs from public external debt reported in Tables 2A, 2B, and 10.

## Table 2a. Somalia: Federal Government Operations, 2022-2029 1/

(Millions of U.S. Dollars) 2/

| | 2022 | 2023 | 2024 | | | 2025 | | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Budget | Prog. | Proj. | Budget | Prog. | Proj. | | Proj. | | |
| **Revenue and grants** | 721.9 | 741.3 | 1040.8 | 904.1 | 911.4 | 1332.0 | 814.2 | 884.3 | 724.3 | 721.6 | 783.1 | 861.9 |
| Revenue | 262.7 | 329.5 | 346.2 | 357.1 | 357.9 | 430.3 | 423.2 | 423.3 | 504.3 | 601.6 | 706.1 | 811.9 |
| Tax revenue | 181.7 | 224.6 | 241.4 | 253.7 | 253.9 | 295.3 | 297.9 | 295.3 | 351.6 | 419.5 | 492.3 | 566.1 |
| Tax on income, profit, and capital gains | 18.7 | 24.4 | 23.2 | 26.2 | 28.1 | 38.0 | 33.1 | 38.0 | 45.2 | 54.0 | 63.4 | 72.9 |
| Taxes on goods and services | 25.8 | 38.6 | 46.6 | 46.6 | 51.5 | 56.1 | 53.3 | 56.1 | 72.2 | 86.1 | 101.0 | 116.2 |
| Taxes on international trade and transactions | 116.2 | 154.1 | 164.5 | 173.4 | 162.7 | 186.2 | 203.4 | 186.2 | 212.2 | 253.1 | 297.1 | 341.6 |
| Other taxes | 21.1 | 7.6 | 7.0 | 7.4 | 11.6 | 14.9 | 8.1 | 14.9 | 22.0 | 26.3 | 30.8 | 35.5 |
| Non-tax revenue | 81.0 | 104.9 | 104.8 | 103.4 | 104.0 | 135.1 | 125.2 | 128.1 | 152.7 | 182.1 | 213.7 | 245.8 |
| Grants 2/ | 459.2 | 411.8 | 694.6 | 547.0 | 553.6 | 901.6 | 391.0 | 461.0 | 220.0 | 120.0 | 77.0 | 50.0 |
| Bilateral | 37.1 | 8.3 | 38.1 | 38.1 | 37.6 | 42.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Multilateral | 422.1 | 403.5 | 656.5 | 508.8 | 516.0 | 859.6 | 391.0 | 461.0 | 220.0 | 120.0 | 77.0 | 50.0 |
| *of which projects* | *287.8* | *270.5* | 509.7 | 389.0 | *351.2* | 731.7 | 376.0 | 423.6 | 220.0 | 120.0 | 77.0 | 50.0 |
| **Total expenditure 3/** | 719.5 | 735.5 | 1079.3 | 963.6 | 935.6 | 1359.7 | 996.3 | 1042.7 | 1015.0 | 1074.7 | 1169.4 | 1294.3 |
| Current | 706.3 | 713.0 | 1015.5 | 927.9 | 902.2 | 1177.6 | 958.5 | 998.6 | 964.0 | 1012.5 | 1061.2 | 1108.7 |
| Compensation of employees 4/ | 259.6 | 294.7 | 361.0 | 361.8 | 361.3 | 370.0 | 376.0 | 371.1 | 394.7 | 418.2 | 447.1 | 479.1 |
| Use of goods and services | 140.7 | 166.3 | 324.5 | 221.7 | 211.3 | 391.5 | 225.5 | 243.1 | 224.5 | 236.7 | 247.8 | 256.9 |
| Interest and other charges | 0.8 | 5.1 | 9.8 | 12.7 | 12.5 | 13.8 | 13.8 | 11.8 | 13.0 | 14.3 | 16.7 | 19.1 |
| Subsidies | 5.1 | 4.4 | 13.2 | 6.4 | 5.8 | 13.3 | 6.3 | 7.0 | 5.8 | 5.9 | 5.8 | 5.7 |
| Transfers to sub-national governments & Banadir Region | 111.2 | 107.8 | 218.5 | 127.9 | 132.7 | 238.7 | 139.9 | 112.1 | 146.8 | 156.8 | 165.7 | 173.3 |
| Social benefits | 188.9 | 134.6 | 85.6 | 193.5 | 174.7 | 77.0 | 192.0 | 210.8 | 176.1 | 177.6 | 175.1 | 171.7 |
| Other expenses | 0.0 | 0.0 | 0.0 | 0.9 | 0.9 | 68.4 | 2.0 | 37.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contingency | 0.0 | 0.0 | 3.0 | 3.0 | 3.0 | 5.0 | 3.0 | 5.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Purchase of non-financial assets | 13.2 | 22.6 | 63.8 | 35.8 | 33.4 | 182.1 | 37.8 | 44.1 | 51.0 | 62.2 | 108.2 | 185.6 |
| **Overall fiscal balance** | 2.4 | 5.8 | -38.5 | -59.6 | -24.1 | -27.7 | -182.2 | -158.4 | -290.7 | -353.1 | -386.3 | -432.4 |
| **Net cash inflow from financing activities** | 35.9 | 27.3 | 0.0 | 11.2 | 13.4 | -1.4 | 141.5 | 84.6 | 286.1 | 353.1 | 386.3 | 432.4 |
| Net accumulation of domestic debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -3.0 | -3.0 | -3.0 | -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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -3.0 | -3.0 | -3.0 | -3.0 |
| Net accumulation of external debt | 32.7 | 27.3 | 0.0 | 11.2 | 13.4 | -1.4 | 141.5 | 84.6 | 289.1 | 356.1 | 389.3 | 435.4 |
| New external borrowing (+) | 44.6 | 41.6 | 0.0 | 19.9 | 22.1 | 0.0 | 153.3 | 96.4 | 302.8 | 371.7 | 405.4 | 469.4 |
| *of which* | | | | | | | | | | | | |
| Multilateral, external | | | | | | | 133.3 | 75.0 | 282.6 | | | |
| IMF: ECF arrangement | | 40.0 | | 19.9 | 20.1 | | 20.0 | 20.2 | 20.2 | | | |
| Amortization of external debt (-) | -11.9 | -14.4 | 0.0 | -8.7 | -8.7 | -1.4 | -11.8 | -11.8 | -13.7 | -15.6 | -16.1 | -34.0 |
| Disposal of assets | 3.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net change in the stock of cash** | 38.3 | 33.0 | -38.5 | -48.4 | -10.7 | -29.1 | -40.7 | -73.7 | -4.6 | 0.0 | 0.0 | 0.0 |
| **Memorandum items** | | | | | | | | | | | | |
| Public debt 5/ | 3,895 | 766 | ... | 780 | 778 | ... | 921 | 861 | 1,147 | 1,500 | 1,887 | 2,319 |
| *of which external public debt* 6/ | 3,827 | 698 | ... | 712 | 710 | ... | 854 | 793 | 1,082 | 1,438 | 1,828 | 2,263 |
| Debt relief and rescheduling 7/ | ... | 3,129 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Accumulation of domestic arrears 8/ | 0.0 | 0.0 | ... | 0.0 | 0.0 | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Stock of domestic arrears 8/ | 67.8 | 67.8 | ... | 67.8 | 67.8 | ... | 67.8 | 67.8 | 64.8 | 61.8 | 58.8 | 55.8 |
| Stock of SDR allocations 9/ | 130.0 | 130.0 | ... | 130.0 | 130.0 | ... | 130.0 | 130.0 | 130.0 | 130.0 | 130.0 | 130.0 |
| Stock of SDR holdings 9/ | 13.8 | 21.3 | ... | 19.4 | 19.3 | ... | 19.4 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| Stock of cash and other balances 10/ | 56.1 | 89.0 | ... | 40.7 | 78.3 | ... | 0.1 | 4.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Budget grants | 171.4 | 141.3 | 185.0 | 158.0 | 202.4 | 170.0 | 15.0 | 37.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project grants | 287.8 | 270.5 | 509.7 | 389.0 | 351.2 | 731.7 | 376.0 | 423.6 | 220.0 | 120.0 | 77.0 | 50.0 |

Sources: Somali authorities; and IMF 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. A change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100 percent loans (with 50-year maturity), will impact Somalia starting in July 2025 because Somalia is assessed as having a moderate risk of debt distress.

3/ Advances and transfers to Ministries, Departments and Agencies (MDAs), and grants to other organizations not expensed are not included.

4/ Compensation of employees for 2023 in the budget column includes the expected spending for the hiring of teachers, which was classified under goods and services in the Parliament approved budget.

5/ Public debt stock reported herein includes debt relief under the Enhanced HIPC Initiative, and MDRI, and beyond-HIPC debt relief at Completion Point, which took place in December 2023.

6/ Consistent with the public debt definition in the DSA. It includes net SDR position of the FGS.

7/ Includes HIPC debt relief and interim HIPC assistance from the Decision Point, and MDRI and beyond-HIPC debt relief at Completion Point in 2023.

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

9/ The authorities decided to distribute the 2021 SDR Allocation by the IMF on August 23, 2021 for SDR156.6 million (about US$ 222.13 million) between the CBS (about US$ 90 million) and the FGS (about US$132 million). The actual MOF SDR holdings include the remaining SDR holdings related to the 2021 SDR allocation and the SDR 7 million windfall from the HIPC debt relief which were not converted into USD.

10/ The figure includes all cash balances, including fiscal buffers, projects and unused portion of the ECF budget support disbursements.

## Table 2b. Somalia: Federal Government Operations, 2022–2029 1/

(Percent of GDP) 2/ 3/

| | 2022 | 2023 | 2024 | | | 2025 | | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Budget | Prog. | Proj. | Budget | Prog. | Proj. | Proj. | | | |
| **Revenue and grants** | 7.1 | 6.8 | 8.6 | 7.1 | 7.5 | 10.2 | 5.9 | 6.8 | 5.1 | 4.6 | 4.6 | 4.7 |
| Revenue | 2.6 | 3.0 | 2.9 | 2.8 | 3.0 | 3.3 | 3.0 | 3.3 | 3.6 | 3.9 | 4.2 | 4.5 |
| Tax revenue | 1.8 | 2.0 | 2.0 | 2.0 | 2.1 | 2.3 | 2.1 | 2.3 | 2.5 | 2.7 | 2.9 | 3.1 |
| Tax on income, profit, and capital gains | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Taxes on goods and services | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 |
| Taxes on international trade and transactions | 1.1 | 1.4 | 1.4 | 1.4 | 1.3 | 1.4 | 1.5 | 1.4 | 1.5 | 1.6 | 1.8 | 1.9 |
| Other taxes | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Non-tax revenue | 0.8 | 1.0 | 0.9 | 0.8 | 0.9 | 1.0 | 0.9 | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 |
| Grants 2/ | 4.5 | 3.8 | 5.7 | 4.3 | 4.6 | 6.9 | 2.8 | 3.5 | 1.5 | 0.8 | 0.5 | 0.3 |
| Bilateral | 0.4 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Multilateral | 4.1 | 3.7 | 5.4 | 4.0 | 4.3 | 6.6 | 2.8 | 3.5 | 1.5 | 0.8 | 0.5 | 0.3 |
| **Total expenditure 3/** | 7.1 | 6.7 | 8.9 | 7.5 | 7.7 | 10.4 | 7.2 | 8.0 | 7.1 | 6.9 | 6.9 | 7.1 |
| Current | 6.9 | 6.5 | 8.4 | 7.2 | 7.4 | 9.0 | 6.9 | 7.7 | 6.8 | 6.5 | 6.3 | 6.1 |
| Compensation of employees 4/ | 2.5 | 2.7 | 3.0 | 2.8 | 3.0 | 2.8 | 2.7 | 2.9 | 2.8 | 2.7 | 2.6 | 2.6 |
| Use of goods and services | 1.4 | 1.5 | 2.7 | 1.7 | 1.7 | 3.0 | 1.6 | 1.9 | 1.6 | 1.5 | 1.5 | 1.4 |
| Interest and other charges | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Subsidies | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers to sub-national governments & Banadir Region | 1.1 | 1.0 | 1.8 | 1.0 | 1.1 | 1.8 | 1.0 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| Social benefits | 1.9 | 1.2 | 0.7 | 1.5 | 1.4 | 0.6 | 1.4 | 1.6 | 1.2 | 1.1 | 1.0 | 0.9 |
| Other expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contingency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Purchase of non-financial assets | 0.1 | 0.2 | 0.5 | 0.3 | 0.3 | 1.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.6 | 1.0 |
| **Overall fiscal balance** | 0.0 | 0.1 | -0.3 | -0.5 | -0.2 | -0.2 | -1.3 | -1.2 | -2.0 | -2.3 | -2.3 | -2.4 |
| **Net cash inflow from financing activities** | 0.4 | 0.2 | 0.0 | 0.1 | 0.1 | 0.0 | 1.0 | 0.7 | 2.0 | 2.3 | 2.3 | 2.4 |
| Net accumulation of 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 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net accumulation of external debt | 0.3 | 0.2 | 0.0 | 0.1 | 0.1 | 0.0 | 1.0 | 0.7 | 2.0 | 2.3 | 2.3 | 2.4 |
| New external borrowing (+) | 0.4 | 0.4 | 0.0 | 0.2 | 0.2 | 0.0 | 1.1 | 0.7 | 2.1 | 2.4 | 2.4 | 2.6 |
| *of which,* | | | | | | | | | | | | |
| Multilateral, external | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.6 | 2.0 | | | |
| IMF: ECF arrangement | 0.0 | 0.4 | 0.0 | 0.2 | 0.2 | 0.0 | 0.1 | 0.2 | 0.1 | | | |
| Amortization of external debt (-) | -0.1 | -0.1 | 0.0 | -0.1 | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 |
| Disposal of assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net change in the stock of cash** | 0.4 | 0.3 | -0.3 | -0.4 | -0.1 | 0.0 | -0.3 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Memorandum items** | | | | | | | | | | | | |
| Public debt 5/ | 38.2 | 7.0 | … | 6.1 | 6.4 | … | 6.6 | 6.6 | 8.1 | 9.6 | 11.1 | 12.7 |
| *of which external public debt 6/* | 37.5 | 6.4 | … | 5.6 | 5.9 | … | 6.1 | 6.1 | 7.6 | 9.2 | 10.8 | 12.4 |
| Debt relief and rescheduling 7/ | … | 28.5 | … | … | … | … | … | … | … | … | … | … |
| Accumulation of domestic arrears 8/ | 0.0 | 0.0 | … | 0.0 | 0.0 | … | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Stock of domestic arrears 8/ | 0.7 | 0.6 | … | 0.5 | 0.6 | … | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 | 0.3 |
| Stock of SDR allocations 9/ | 1.3 | 1.2 | … | 1.0 | 1.1 | … | 0.9 | 1.0 | 0.9 | 0.8 | 0.8 | 0.7 |
| Stock of SDR holdings 9/ | 0.1 | 0.2 | … | 0.1 | 0.2 | … | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Stock of cash and other balances 10/ | 0.5 | 0.8 | … | 0.3 | 0.6 | … | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Budget grants | 1.7 | 1.3 | 1.5 | 1.2 | 1.7 | 1.3 | 0.1 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project grants | 2.8 | 2.5 | 4.2 | 3.0 | 2.9 | 5.6 | 2.7 | 3.3 | 1.5 | 0.8 | 0.5 | 0.3 |

Sources: Somali authorities; and IMF 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. A change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100 percent loans (with 50-year maturity), will impact Somalia starting in July 2025 because Somalia is assessed as having a moderate risk of debt distress.

3/ Advances and transfers to Ministries, Departments and Agencies (MDAs), and grants to other organizations not expensed are not included.

4/ Compensation of employees for 2023 in the budget column includes the expected spending for the hiring of teachers, which was classified under goods and services in the Parliament approved budget.

5/ Public debt stock reported herein includes debt relief under the Enhanced HIPC Initiative, and MDRI, and beyond-HIPC debt relief at Completion Point, which took place in December 2023.

6/ Consistent with the public debt definition in the DSA. It includes net SDR position of the FGS.

7/ Includes HIPC debt relief and interim HIPC assistance from the Decision Point, and MDRI and beyond-HIPC debt relief at Completion Point in 2023.

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

9/ The authorities decided to distribute the 2021 SDR Allocation by the IMF on August 23, 2021 for SDR156.6 million (about US$ 222.13 million) between the CBS (about US$ 90 million) and the FGS (about US$132 million). The actual MOF SDR holdings include the remaining SDR holdings related to the 2021 SDR allocation and the SDR 7 million windfall from the HIPC debt relief which were not converted into USD.

10/ The figure includes all cash balances, including fiscal buffers, projects and unused portion of the ECF budget support disbursements.

## Table 2c. Somalia: Federal Government Operations Excluding Donor-Funded Projects, 2022–2029

(Millions of U.S. Dollars)

| | 2022 | 2023 | 2024 | | | 2025 | | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual | Est. | Budget | Prog. | Proj. | Budget | Prog. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Revenue excluding projects** | **434** | **471** | **531** | **515** | **560** | **600** | **438** | **461** | **504** | **602** | **706** | **812** |
| Domestic revenue | 263 | 329 | 346 | 357 | 358 | 430 | 423 | 423 | 504 | 602 | 706 | 812 |
| Tax | 182 | 225 | 241 | 254 | 254 | 295 | 298 | 295 | 352 | 419 | 492 | 566 |
| Non-tax | 81 | 105 | 105 | 103 | 104 | 135 | 125 | 128 | 153 | 182 | 214 | 246 |
| Budget support grant | 171 | 141 | 185 | 158 | 202 | 170 | 15 | 37 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | | |
| **Expenditure excluding projects** | **432** | **465** | **570** | **575** | **584** | **628** | **610** | **619** | **661** | **718** | **817** | **949** |
| Operational expenditure | 346 | 389 | 482 | 485 | 485 | 514 | 505 | 505 | 531 | 567 | 611 | 657 |
| Compensation of employee | 252 | 291 | 357 | 357 | 357 | 366 | 371 | 366 | 390 | 414 | 443 | 475 |
| Goods and services | 93 | 93 | 116 | 116 | 116 | 135 | 120 | 128 | 128 | 139 | 152 | 163 |
| Interest | 1 | 5 | 10 | 13 | 12 | 14 | 14 | 12 | 13 | 14 | 17 | 19 |
| Other expenditure | 86 | 76 | 87 | 90 | 100 | 114 | 105 | 114 | 130 | 150 | 206 | 293 |
| | | | | | | | | | | | | |
| **Overall balance excluding projects** | **2** | **6** | **-38** | **-60** | **-24** | **-28** | **-172** | **-158** | **-157** | **-116** | **-111** | **-137** |
| | | | | | | | | | | | | |
| **Projects** | | | | | | | | | | | | |
| Project grants | 287.8 | 270 | 510 | 389 | 351 | 732 | 376 | 424 | 220 | 120 | 77 | 50 |
| Project expenditure 1/ | 287.8 | 270 | 510 | 389 | 351 | 732 | 386 | 424 | 354 | 357 | 352 | 345 |
| | | | | | | | | | | | | |
| **Total revenues including projects** | **721.9** | **741** | **1041** | **904** | **911** | **1332** | **814** | **884** | **724** | **722** | **783** | **862** |
| **Total expenditure including projects** | **719.5** | **736** | **1079** | **964** | **936** | **1360** | **996** | **1043** | **1015** | **1075** | **1169** | **1294** |
| | | | | | | | | | | | | |
| **Overall balance including projects** | **2.4** | **6** | **-38** | **-60** | **-24** | **-28** | **-182** | **-158** | **-291** | **-353** | **-386** | **-432** |
| | | | | | | | | | | | | |
| | | | | | | (Percent of GDP) | | | | | | |
| | | | | | | | | | | | | |
| **Revenue excluding projects** | **4.3** | **4.3** | **4.4** | **4.0** | **4.6** | **4.6** | **3.2** | **3.5** | **3.6** | **3.9** | **4.2** | **4.5** |
| Domestic revenue | 2.6 | 3.0 | 2.9 | 2.8 | 3.0 | 3.3 | 3.0 | 3.3 | 3.6 | 3.9 | 4.2 | 4.5 |
| Tax | 1.8 | 2.0 | 2.0 | 2.0 | 2.1 | 2.3 | 2.1 | 2.3 | 2.5 | 2.7 | 2.9 | 3.1 |
| Non-tax | 0.8 | 1.0 | 0.9 | 0.8 | 0.9 | 1.0 | 0.9 | 1.0 | 1.1 | 1.2 | 1.3 | 1.4 |
| Budget support grant | 1.7 | 1.3 | 1.5 | 1.2 | 1.7 | 1.3 | 0.1 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | | | | | |
| **Expenditure excluding projects** | **4.2** | **4.2** | **4.7** | **4.5** | **4.8** | **4.8** | **4.4** | **4.8** | **4.7** | **4.6** | **4.8** | **5.2** |
| Operational expenditure | 3.4 | 3.5 | 4.0 | 3.8 | 4.0 | 3.9 | 3.6 | 3.9 | 3.7 | 3.6 | 3.6 | 3.6 |
| Compensation of employee | 2.5 | 2.7 | 2.9 | 2.8 | 2.9 | 2.8 | 2.7 | 2.8 | 2.7 | 2.7 | 2.6 | 2.6 |
| Goods and services | 0.9 | 0.8 | 1.0 | 0.9 | 1.0 | 1.0 | 0.9 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Interest | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other expenditure | 0.8 | 0.7 | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 | 0.9 | 0.9 | 1.0 | 1.2 | 1.6 |
| | | | | | | | | | | | | |
| **Overall balance excluding projects** | **0.0** | **0.1** | **-0.3** | **-0.5** | **-0.2** | **-0.2** | **-1.2** | **-1.2** | **-1.1** | **-0.7** | **-0.7** | **-0.8** |
| | | | | | | | | | | | | |
| **Projects** | | | | | | | | | | | | |
| Project grants | 2.8 | 2.5 | 4.2 | 3.0 | 2.9 | 5.6 | 2.7 | 3.3 | 1.5 | 0.8 | 0.5 | 0.3 |
| Project expenditure 1/ | 2.8 | 2.5 | 4.2 | 3.0 | 2.9 | 5.6 | 2.8 | 3.3 | 2.5 | 2.3 | 2.1 | 1.9 |
| | | | | | | | | | | | | |
| **Total revenues including projects** | **7.1** | **6.8** | **8.6** | **7.1** | **7.5** | **10.2** | **5.9** | **6.8** | **5.1** | **4.6** | **4.6** | **4.7** |
| **Total expenditure including projects** | **7.1** | **6.7** | **8.9** | **7.5** | **7.7** | **10.4** | **7.2** | **8.0** | **7.1** | **6.9** | **6.9** | **7.1** |
| | | | | | | | | | | | | |
| **Overall balance including projects** | **0.0** | **0.1** | **-0.3** | **-0.5** | **-0.2** | **-0.2** | **-1.3** | **-1.2** | **-2.0** | **-2.3** | **-2.3** | **-2.4** |

Source: IMF Staff estimates.

1/ Social benefits (cash transfers under the Baxnaano program) were sharply increased in 2022-2024 in the project budgets to help address multiple shocks (Covid-19, locust infestation, prolonged drought, severe flooding) which are expected to gradually subside over the medium term.

## Table 2d. Somalia: General Government Operations, 2022–2024Q2 1/

(Millions of U.S. Dollars)

| | 2022 | | | | | 2023 | | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Revenue and grants** | 118.3 | 202.8 | 284.9 | 324.4 | 930.4 | 121.4 | 126.2 | 304.0 | 334.0 | 885.7 | 165.4 | 304.6 |
| Revenue | 87.8 | 87.8 | 82.5 | 122.8 | 380.9 | 96.0 | 98.9 | 108.9 | 108.3 | 412.1 | 130.2 | 126.0 |
| Tax revenue | 65.5 | 63.7 | 59.8 | 87.7 | 276.6 | 70.7 | 65.9 | 77.8 | 72.1 | 286.5 | 98.6 | 93.4 |
| Tax on income, profit, and capital gains | 4.2 | 4.3 | 4.2 | 6.5 | 19.3 | 4.3 | 6.2 | 7.7 | 7.5 | 25.8 | 9.1 | 9.3 |
| Taxes on payroll and workforce 2/ | 2.2 | 2.3 | 2.3 | 3.2 | 10.0 | 2.6 | 1.8 | 1.2 | 1.6 | 7.1 | 2.9 | 3.4 |
| Taxes on property 2/ | 0.2 | 0.1 | 0.2 | 0.2 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Taxes on goods and services | 13.6 | 12.6 | 12.4 | 21.4 | 60.1 | 13.7 | 15.1 | 18.2 | 14.1 | 61.1 | 22.1 | 19.9 |
| Taxes on international trade and transactions | 41.8 | 39.8 | 36.9 | 51.4 | 169.8 | 48.0 | 40.4 | 48.2 | 46.7 | 183.3 | 61.8 | 56.8 |
| Other taxes | 3.5 | 4.5 | 3.8 | 5.0 | 16.8 | 2.2 | 2.5 | 2.3 | 2.1 | 9.2 | 2.7 | 4.1 |
| Non-tax revenue | 22.3 | 24.1 | 22.7 | 35.1 | 104.2 | 25.2 | 33.0 | 31.2 | 36.2 | 125.5 | 31.6 | 32.6 |
| Grants | 30.5 | 115.0 | 202.4 | 201.5 | 549.5 | 25.4 | 27.4 | 195.1 | 225.8 | 473.6 | 35.2 | 178.6 |
| Transfer from FGS 3/ | 7.2 | 10.9 | 38.2 | 17.2 | 73.6 | 6.0 | 7.1 | 23.7 | 10.6 | 47.4 | 5.5 | 9.5 |
| Bilateral | 0.0 | 29.6 | 7.5 | 0.3 | 37.4 | 0.5 | 1.4 | 0.5 | 0.8 | 3.3 | 5.6 | 11.0 |
| Multilateral | 23.4 | 74.5 | 156.7 | 184.0 | 438.5 | 19.0 | 18.9 | 170.9 | 214.3 | 423.0 | 24.0 | 158.2 |
| **Total expenditure 4/** | 133.7 | 215.6 | 205.5 | 384.5 | 939.4 | 144.0 | 147.8 | 214.4 | 352.7 | 858.9 | 170.8 | 214.0 |
| Current | 128.1 | 205.9 | 194.5 | 367.6 | 896.1 | 138.2 | 144.0 | 205.1 | 347.7 | 835.1 | 163.8 | 207.1 |
| Compensation of employees | 83.7 | 87.2 | 86.4 | 109.3 | 366.6 | 84.4 | 84.4 | 87.9 | 105.0 | 361.7 | 103.6 | 110.6 |
| Use of goods and services | 28.7 | 39.5 | 47.9 | 83.6 | 199.8 | 33.6 | 39.3 | 47.7 | 68.7 | 189.2 | 43.1 | 57.9 |
| Transfers to sub-national governments & Banadir Region | 12.1 | 27.3 | 42.3 | 29.3 | 111.1 | 12.3 | 14.3 | 42.7 | 59.2 | 128.5 | 14.6 | 36.1 |
| Contingency | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Purchase of non-financial assets | 5.6 | 9.7 | 10.9 | 17.0 | 43.3 | 5.8 | 3.8 | 9.2 | 5.0 | 23.8 | 7.0 | 7.0 |
| **Overall fiscal balance** | -15.4 | -12.8 | 79.4 | -60.2 | -9.0 | -22.6 | -21.5 | 89.6 | -18.7 | 26.8 | -5.4 | 90.6 |

Sources: Somali authorities; and IMF Staff estimates.

1/ Unconsolidated basis. Aggregates the fiscal accounts of the Federal Government of Somalia, Puntland, Galmudug, Hirshabelle, South West, and Jubaland. 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.

3/ Transfer from FGS to Banadir region is not included.

4/ Advances and transfers to MDAs are not included.

## Table 2e. Somalia: General Government Operations, 2022–2024Q2 1/

(Percent of GDP) 2/

| | 2022 | | | | | 2023 | | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 | Q3 | Q4 | Total | Q1 | Q2 |
| **Revenue and grants** | 1.2 | 2.0 | 2.8 | 3.2 | 9.1 | 1.1 | 1.2 | 2.8 | 2.8 | 6.8 | 1.4 | 2.3 |
| Revenue | 0.9 | 0.9 | 0.8 | 1.2 | 3.7 | 0.9 | 0.9 | 1.0 | 0.9 | 3.2 | 1.1 | 1.0 |
| Tax revenue | 0.6 | 0.6 | 0.6 | 0.9 | 2.7 | 0.6 | 0.6 | 0.7 | 0.6 | 2.2 | 0.8 | 0.7 |
| Tax on income, profit, and capital gains | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 |
| Taxes on payroll and workforce 3/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Taxes on property 3/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Taxes on goods and services | 0.1 | 0.1 | 0.1 | 0.2 | 0.6 | 0.1 | 0.1 | 0.2 | 0.1 | 0.5 | 0.2 | 0.2 |
| Taxes on international trade and transactions | 0.4 | 0.4 | 0.4 | 0.5 | 1.7 | 0.4 | 0.4 | 0.4 | 0.4 | 1.4 | 0.5 | 0.4 |
| Other taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Non-tax revenue | 0.2 | 0.2 | 0.2 | 0.3 | 1.0 | 0.2 | 0.3 | 0.3 | 0.3 | 1.0 | 0.3 | 0.2 |
| Grants 4/ | 0.3 | 1.1 | 2.0 | 2.0 | 5.4 | 0.2 | 0.2 | 1.8 | 1.9 | 3.6 | 0.3 | 1.4 |
| Transfer from FGS | 0.1 | 0.1 | 0.4 | 0.2 | 0.7 | 0.1 | 0.1 | 0.2 | 0.1 | 0.4 | 0.0 | 0.1 |
| Bilateral | 0.0 | 0.3 | 0.1 | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Multilateral | 0.2 | 0.7 | 1.5 | 1.8 | 4.3 | 0.2 | 0.2 | 1.6 | 1.8 | 3.2 | 0.2 | 1.2 |
| **Total expenditure 5/** | 1.3 | 2.1 | 2.0 | 3.8 | 9.2 | 1.3 | 1.3 | 2.0 | 2.9 | 6.6 | 1.4 | 1.6 |
| Current | 1.3 | 2.0 | 1.9 | 3.6 | 8.8 | 1.3 | 1.3 | 1.9 | 2.9 | 6.4 | 1.4 | 1.6 |
| Compensation of employees | 0.8 | 0.9 | 0.8 | 1.1 | 3.6 | 0.8 | 0.8 | 0.8 | 0.9 | 2.8 | 0.9 | 0.8 |
| Use of goods and services | 0.3 | 0.4 | 0.5 | 0.8 | 2.0 | 0.3 | 0.4 | 0.4 | 0.6 | 1.4 | 0.4 | 0.4 |
| Interest and other charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Subsidies | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfers to sub-national governments & Banadir Region | 0.1 | 0.3 | 0.4 | 0.3 | 1.1 | 0.1 | 0.1 | 0.4 | 0.5 | 1.0 | 0.1 | 0.3 |
| Social benefits | 0.0 | 0.4 | 0.1 | 1.3 | 1.9 | 0.0 | 0.0 | 0.2 | 0.9 | 1.0 | 0.0 | 0.6 |
| Other expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contingency | 0.0 | 0.0 | 0.0 | 0.0 | 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 | 0.1 | 0.2 | 0.4 | 0.1 | 0.0 | 0.1 | 0.0 | 0.2 | 0.1 | 0.1 |
| **Overall fiscal balance** | -0.2 | -0.1 | 0.8 | -0.6 | -0.1 | -0.2 | -0.2 | 0.8 | -0.2 | 0.2 | 0.0 | 0.7 |

Sources: Somali authorities; and IMF Staff estimates.

1/ Unconsolidated basis. Aggregates the fiscal accounts of the Federal Government of Somalia, Puntland, Galmudug, Hirshabelle, South West, and Jubaland. The numbers are based on preliminary reports from FMS and are subject to revision. The fiscal operations are recorded on a cash basis.

2/ In June 2023, the Somalia National Bureau of Statistics rebased GDP to 2022.

3/ Reporting on these categories commenced in 2020.

4/ Transfer from FGS to Banadir region is not included.

5/ Advances and transfers to MDAs are not included.

## Table 3. Somalia: Summary Accounts of the Central Bank, 2020–2024Q4
(Millions of U.S. Dollars)

| | 2020 | 2021 | 2022 | 2023 | 2024 Mar | 2024 June |
|---|---|---|---|---|---|---|
| **Net Foreign Assets** | (250) | (183) | (301) | 73 | 76 | 94 |
| **Foreign assets** | 193 | 322 | 346 | 407 | 406 | 421 |
| SDR holdings 1/ | 51 | 200 | 174 | 233 | 229 | 237 |
| Gold 2/ | 25 | 31 | 30 | - | - | - |
| Foreign exchange | 77 | 51 | 74 | 52 | 53 | 45 |
| *of which:* | | | | | | |
| Grants | 52 | 32 | 57 | 75 | 83 | 99 |
| Foreign Corresp. Banks | 43 | 33 | 56 | 52 | 53 | 45 |
| Other foreign assets | - | 8 | - | | | |
| Cash (US$) held locally | 40 | 40 | 68 | 122 | 124 | 139 |
| **Foreign liabilities** | 444 | 650 | 646 | 334 | 330 | 328 |
| IMF obligations | 371 | 360 | 371 | 56 | 56 | 55 |
| SDR allocations | 73 | 290 | 276 | 278 | 274 | 273 |
| **Net Domestic Assets** | 409 | 409 | 378 | (38) | (33) | (51) |
| **Domestic assets** | 525 | 498 | 519 | 148 | 148 | 138 |
| *of which:* | | | | | | |
| Claims on government 3/ | 392 | 451 | 472 | 101 | 101 | 91 |
| **Domestic liabilities** | 116 | 89 | 141 | 187 | 180 | 189 |
| **Government** | 73 | 54 | 94 | 123 | 121 | 126 |
| *of which:* | | | | | | |
| Grants | 52 | 103 | 103 | 103 | 103 | 103 |
| **Other domestic liabilities** | 42 | 34 | 43 | 56 | 50 | 52 |
| Commercial bank reserves 4/ | 20 | 20 | 20 | 23 | 23 | 23 |
| Other commercal bank deposits | 18 | 12 | 22 | 31 | 26 | 29 |
| Other demand deposits at the CBS | 1 | 0 | 0 | 0 | 0 | 0 |
| Microfinance grant | 3 | 1 | 1 | 1 | 0 | 0 |
| MTB deposits | 1 | 1 | 1 | 1 | 1 | 1 |
| Other demand deposits | | | | | | |
| **Equity and reserves** | 159 | 226 | 77 | 34 | 44 | 42 |
| *of which:* | | | | | | |
| Property and equipment 5/ | 129 | 45 | 45 | 45 | 45 | 45 |

Sources: Central Bank of Somalia (CBS); and IMF Staff estimates and projections.

1/ The authorities decided to distribute the 2021 SDR Allocation by the IMF on August 23, 2021 for the SDR 156.6 million (about US$ 222.13 million) between the CBS (about US$ 90 million) and the FGS (about US$ 133 million).

2/ Gold price as defined in the Technical Memorandum of Understanding (TMU).

3/ Corresponds to a claim on the FGS Ministry of Finance composed of (1) the IMF obligations prior to 2020, and (2) the net negative SDR position prior to 2020.

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

5/ Including revaluation reserves.

**Table 4. Somalia: Consolidated Commercial Banks Balance Sheet, 2020–2024**
(Millions of U.S. Dollars)

| | 2020 | 2021 | 2022 | 2023 | 2024 | |
|---|---|---|---|---|---|---|
| | | | | | Mar | June |
| **Total assets** | 764 | 1,182 | 1,259 | 1,617 | 1,675 | 1,727 |
| Cash on Hand | 285 | 553 | 476 | 616 | 653 | 711 |
| Balances with Central Bank | 29 | 28 | 41 | 55 | 62 | 54 |
| Deposits with other banks 1/ | 47 | 41 | 59 | 73 | 54 | 49 |
| Credit to private sector | 219 | 319 | 400 | 535 | 559 | 601 |
| Investment 2/ | 61 | 86 | 138 | 154 | 155 | 106 |
| Other Assets 3/ | 123 | 155 | 145 | 185 | 192 | 206 |
| Fixed Assets | 62 | 64 | 58 | 64 | 65 | 69 |
| Intangible Assets | 3 | 10 | 15 | 17 | 17 | 19 |
| Other Assets | 59 | 81 | 72 | 105 | 110 | 118 |
| **Total liabilities** | 704 | 975 | 1,247 | 1,506 | 1,520 | 1,611 |
| Customer Deposits | 659 | 900 | 1,164 | 1,431 | 1,463 | 1,555 |
| Financing Liabilities | 3 | 3 | 3 | 4 | 6 | 6 |
| Other Liabilities | 32 | 57 | 57 | 52 | 35 | 32 |
| **Equity** | 60 | 207 | 11 | 111 | 155 | 116 |
| **Memorandum items:** | | | | | | |
| Credit to private sector | | | | | | |
| share of total assets (percent) | 29 | 27 | 32 | 33 | 33 | 35 |
| share of GDP (percent) | 3 | 4 | 5 | 5 | 5 | 5 |
| y-o-y changes (percent) | 7 | 46 | 18 | 34 | 30 | 47 |
| Total capital to assets (percent) | 12 | 13 | 13 | 15 | 15 | 14 |
| Loan to deposits (percent) | 33 | 35 | 34 | 37 | 38 | 39 |
| Customer deposits to GDP (percent) | 8 | 9 | 11 | 13 | 12 | 13 |
| Liquid assets to total assets (percent) | 45 | 54 | 49 | 49 | 48 | 50 |

Sources: Central Bank of Somalia; and IMF Staff estimates and projections.
1/ Primarily deposits and placements with non-resident banks and other financial institutions.
2/ Primarilly investment in real estate.
3/ Fixed, intangible and other assets.

## Table 5. Somalia: Monetary Survey 2022–2029 1/

(Millions of U.S. Dollars)

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog. | Proj. | Prog. | Proj. | | Proj. | | |
| **Net foreign assets 1/** | -140 | 176 | 192 | 193 | 207 | 206 | 224 | 246 | 266 | 272 |
| Claims on nonresidents | 519 | 520 | 536 | 537 | 551 | 550 | 566 | 582 | 594 | 592 |
| Central Bank 2/ | 316 | 359 | 359 | 359 | 359 | 359 | 357 | 354 | 345 | 325 |
| *of which* gross reserves of the CBS (program definition) | 266 | 265 | 265 | 265 | 265 | 265 | 263 | 260 | 251 | 231 |
| Other Depository Corporations | 203 | 161 | 177 | 178 | 192 | 191 | 208 | 229 | 249 | 267 |
| Liabilities to Nonresidents | 659 | 344 | 344 | 344 | 344 | 344 | 342 | 336 | 328 | 320 |
| **Net Domestic Claims** | 1586 | 1567 | 1631 | 1721 | 1670 | 1833 | 1971 | 2019 | 2073 | 2134 |
| Net Claims on Central Government | 381 | 38 | 37 | 39 | 38 | 40 | 40 | 40 | 42 | 56 |
| *of which* CBS claim on government 1/ | 699 | 384 | 384 | 384 | 384 | 384 | 382 | 376 | 368 | 360 |
| Claims on private sector | 400 | 535 | 613 | 618 | 696 | 695 | 792 | 909 | 1036 | 1163 |
| Other net claims not included in broad money | 805 | 994 | 980 | 1064 | 936 | 1098 | 1138 | 1070 | 995 | 915 |
| Capital and Reserves | 228 | 246 | 281 | 293 | 304 | 330 | 364 | 399 | 435 | 467 |
| Other items, net | 15 | 13 | 12 | 12 | 13 | 13 | 15 | 15 | 16 | 16 |
| **Broad Money 3/** | 1446 | 1743 | 1822 | 1914 | 1876 | 2039 | 2195 | 2265 | 2339 | 2405 |
| **Memorandum items** | | | | | | | | | | |
| Deposits (percent of GDP) | 11.4 | 13.0 | … | 14.1 | … | 14.8 | 14.9 | 14.9 | 14.9 | 14.9 |
| Credit to the private sector (percent of GDP) | 3.9 | 4.9 | 4.8 | 5.1 | 5.0 | 5.3 | 5.6 | 5.8 | 6.1 | 6.4 |

Sources: Somali authorities, IMF staff estimates and projections.

1/ The authorities decided to distribute the 2021 SDR Allocation by the IMF on August 23, 2021 for the SDR 156.6 million (about US$ 222.13 million) between the CBS (about US$ 90 million) and the FGS (about US$ 132 million).

2/ Includes Federal Government of Somalia (FGS) grants held abroad.

3/ Primarily deposits at commercial banks. Data does not yet include balances held with Mobile Network Operators.

## Table 6a. Somalia: Balance of Payments, 2022–2029 1/

(Millions of U.S. Dollars)

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog. | Proj. | Prog. | Proj. | | Proj. | | |
| **Current account balance** | -877 | -1,021 | -1,108 | -1,082 | -1,228 | -1,138 | -1,385 | -1,552 | -1,703 | -1,828 |
| Overall trade balance | -6,418 | -6,672 | -7,446 | -7,431 | -7,941 | -7,959 | -8,311 | -9,015 | -9,781 | -10,443 |
| Goods balance | -5,676 | -5,946 | -6,563 | -6,445 | -7,004 | -6,933 | -7,353 | -7,953 | -8,513 | -9,098 |
| Exports of goods, f.o.b. | 704 | 1,009 | 1,016 | 1,148 | 1,205 | 1,257 | 1,446 | 1,664 | 1,872 | 2,030 |
| Imports of goods, f.o.b. | -6,380 | -6,955 | -7,579 | -7,593 | -8,209 | -8,190 | -8,799 | -9,617 | -10,384 | -11,128 |
| Services, net | -742 | -726 | -883 | -986 | -936 | -1,026 | -958 | -1,061 | -1,269 | -1,345 |
| Service credits | 1,100 | 1,155 | 1,408 | 1,332 | 1,584 | 1,484 | 1,647 | 1,839 | 2,003 | 2,166 |
| Service debit | -1,842 | -1,881 | -2,291 | -2,318 | -2,520 | -2,510 | -2,605 | -2,900 | -3,272 | -3,511 |
| Income (net) | -44 | -43 | -42 | -40 | -46 | -43 | -46 | -51 | -56 | -60 |
| Receipts | 56 | 61 | 71 | 67 | 77 | 72 | 78 | 86 | 94 | 100 |
| Payments | -100 | -103 | -113 | -107 | -123 | -114 | -125 | -137 | -149 | -160 |
| *of which:* | | | | | | | | | | |
| Interest payments, public debt | -1 | -5 | -13 | -12 | -14 | -12 | -13 | -14 | -17 | -19 |
| Multilateral, official | -1 | -5 | -5 | -5 | -6 | -4 | -5 | -7 | -9 | -12 |
| Bilateral, official | 0 | 0 | -8 | -8 | -8 | -8 | -8 | -8 | -7 | -7 |
| Current transfers (net) | 5,584 | 5,694 | 6,380 | 6,389 | 6,759 | 6,864 | 6,972 | 7,514 | 8,134 | 8,674 |
| Private (net), including remittances | 2,142 | 2,102 | 2,408 | 2,401 | 2,619 | 2,588 | 2,853 | 3,131 | 3,410 | 3,658 |
| Official | 3,443 0 | 3,592 | 3,972 | 3,987 | 4,140 | 4,275 | 4,120 | 4,382 | 4,723 | 5,016 |
| On budget aid 1/ | 459 | 412 | 547 | 554 | 391 | 461 | 220 | 120 | 77 | 50 |
| Off-budget aid | 2,983 | 3,180 | 3,425 | 3,434 | 3,749 | 3,814 | 3,900 | 4,262 | 4,646 | 4,966 |
| **Capital account and financial account** | 875 | 1,005 | 1,088 | 1,062 | 1,208 | 1,118 | 1,363 | 1,548 | 1,695 | 1,808 |
| *of which:* | | | | | | | | | | |
| Foreign direct investment | 531 | 570 | 691 | 690 | 750 | 703 | 767 | 842 | 917 | 983 |
| Other Investment | 0 | 0 | 0 | 0 | 133 | 75 | 283 | 372 | 405 | 469 |
| *of which:* | | | | | | | | | | |
| Long-term debt liabilities 2/ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Official concessional borrowing | 0 | 0 | 0 | 0 | 133 | 75 | 283 | 372 | 405 | 469 |
| Amortization, public debt 3/ | -11.9 | -14.4 | -8.7 | -8.7 | -12 | -11.8 | -13.7 | -15.6 | -16.1 | -34.0 |
| Multilateral, official | -11.9 | -14 | -5 | -5 | -6 | -6 | -7 | -9 | -13 | -32.5 |
| Bilateral, official | 0 | 0 | -4 | -4 | -6 | -6 | -6 | -6 | -3 | -2 |
| Errors and omissions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Overall balance and error and omissions** | -2 | -15 | -20 | -20 | -20 | -20 | -22 | -4 | -9 | -20 |
| **Financing** | 2 | 15 | 20 | 20 | 20 | 20 | 22 | 4 | 9 | 20 |
| Change in central bank reserves (- = increase) | -70 | -43 | 0 | 0 | 0 | 0 | 2 | 4 | 9 | 20 |
| Use of Fund resources (net) | 72 | -275 | 20 | 20 | 20 | 20 | 20 | 0 | 0 | 0 |
| Purchases and loans | 72 | 59 | 20 | 20 | 20 | 20 | 20 | 0 | 0 | 0 |
| of which: ECF arrangement | | 40.0 | 20 | 20 | 20 | 20 | 20 | 0 | 0 | 0 |
| Repayments | 0 | -334 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arrears, net change (+ = accumulation) | 0 | -2,795 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt relief and rescheduling 4/ | 0 | 3,129 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Memorandum items:** | | | | | | | | | | |
| Nominal GDP | 10,203 | 10,969 | 12,804 | 12,111 | 13,891 | 13,018 | 14,197 | 15,584 | 16,973 | 18,205 |
| Gross International Reserves (program definition) | 266 | 265 | 265 | 265 | 265 | 265 | 263 | 260 | 251 | 231 |
| in months of next year's imports 5/ | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Exports of goods and services | 1,804 | 2,164 | 2,424 | 2,480 | 2,788 | 2,742 | 3,093 | 3,503 | 3,874 | 4,197 |
| Exports of goods and services (percent change) | 18 | 20 | 16 | 15 | 15 | 11 | 13 | 13 | 11 | 8 |
| Exports of goods (percent change) | -2 | 43 | 19 | 14 | 19 | 10 | 15 | 15 | 12 | 8 |
| Imports of goods and services | -8,222 | -8,836 | -9,870 | -9,911 | -10,728.8 | -10,701 | -11,404 | -12,518 | -13,656 | -14,640 |
| Imports of goods and services (percent change) | 26 | 7 | 10 | 12 | 9 | 8 | 7 | 10 | 9 | 7 |
| Imports of goods (percent change) | 33 | 9 | 10 | 9 | 8 | 8 | 7 | 9 | 8 | 7 |
| Remittances (percent change) | 1 | -2 | 9 | 14 | 9 | 8 | 10 | 10 | 9 | 7 |
| Current transfers, official (percent change) | 52 | 4 | 11 | 11 | 4 | 7 | -4 | 6 | 8 | 6 |
| External debt 4/, 6/ | 3,827 | 698 | 712 | 710 | 854 | 793 | 1,082 | 1,438 | 1,828 | 2,263 |

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

1/ Includes only donor support provided to the federal government through treasury accounts at the Central Bank of Somalia. A change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100 percent loans (with 50-year maturity), will impact Somalia starting in July 2025 because Somalia is assessed as having a moderate risk of debt distress.

2/ Includes allocations of SDRs in August 2021, for SDR 156.6 million or US$ 222.13 million.

3/ From 2023, reflects payments on restructured debt, including IDA, HIPC, MDRI, and beyond-HIPC debt relief. Excludes payments to the IMF.

4/ Includes HIPC debt relief and interim HIPC assistance from the Decision Point, and MDRI and beyond-HIPC debt relief at Completion Point in 2023.

5/ For Somalia's de facto dollarized economy, reserve to imports coverage is less applicable.

6/ Consistent with the DSA external debt definition, which reflects the external debt of the country as a whole. Includes the total net SDR position of the central bank. This differs from public external debt reported in Tables 2A, 2B, and 10.

## Table 6b. Somalia: Balance of Payments, 2022–2029 1/

(Percent of GDP) 2/

| | 2022 | 2023 | 2024 | | 2025 | | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog. | Proj. | Prog. | Proj. | Proj. | | | |
| **Current account balance** | -8.6 | -9.3 | -8.7 | -8.9 | -8.8 | -8.7 | -9.8 | -10.0 | -10.0 | -10.0 |
| Overall trade balance | -62.9 | -60.8 | -58.2 | -61.4 | -57.2 | -61.1 | -58.5 | -57.8 | -57.6 | -57.4 |
| Goods balance | -55.6 | -54.2 | -51.3 | -53.2 | -50.4 | -53.3 | -51.8 | -51.0 | -50.2 | -50.0 |
| Exports of goods, f.o.b. | 6.9 | 9.2 | 7.9 | 9.5 | 8.7 | 9.7 | 10.2 | 10.7 | 11.0 | 11.2 |
| Imports of goods, f.o.b. | -62.5 | -63.4 | -59.2 | -62.7 | -59.1 | -62.9 | -62.0 | -61.7 | -61.2 | -61.1 |
| Services, net | -7.3 | -6.6 | -6.9 | -8.1 | -6.7 | -7.9 | -6.7 | -6.8 | -7.5 | -7.4 |
| Service credits | 10.8 | 10.5 | 11.0 | 11.0 | 11.4 | 11.4 | 11.6 | 11.8 | 11.8 | 11.9 |
| Service debit | -18.1 | -17.1 | -17.9 | -19.1 | -18.1 | -19.3 | -18.3 | -18.6 | -19.3 | -19.3 |
| Income (net) | -0.4 | -0.4 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 |
| Receipts | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Payments | -1.0 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 | -0.9 |
| Current transfers (net) | 54.7 | 51.9 | 49.8 | 52.7 | 48.7 | 52.7 | 49.1 | 48.2 | 47.9 | 47.6 |
| Private (net), including remittances | 21.0 | 19.2 | 18.8 | 19.8 | 18.9 | 19.9 | 20.1 | 20.1 | 20.1 | 20.1 |
| Official | 33.7 | 32.7 | 31.0 | 32.9 | 29.8 | 32.8 | 29.0 | 28.1 | 27.8 | 27.6 |
| On budget aid 1/ | 4.5 | 3.8 | 4.3 | 4.6 | 2.8 | 3.5 | 1.5 | 0.8 | 0.5 | 0.3 |
| Off-budget aid | 29.2 | 29.0 | 26.8 | 28.4 | 27.0 | 29.3 | 27.5 | 27.4 | 27.4 | 27.3 |
| **Capital account and financial account** | 8.6 | 9.3 | 8.7 | 8.9 | 8.8 | 8.7 | 9.8 | 10.0 | 10.0 | 10.0 |
| *of which:* | | | | | | | | | | |
| Foreign direct investment | 5.2 | 5.2 | 5.4 | 5.7 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 | 5.4 |
| Other Investment | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.6 | 2.0 | 2.4 | 2.4 | 3.6 |
| *of which:* | | | | | | | | | | |
| Long-term debt liabilities 2/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| New concessional borrowing | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.6 | 2.0 | 2.4 | 2.4 | 2.6 |
| Amortization 3/ | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 |
| **Overall balance and error and omissions** | 0.0 | -0.1 | -0.2 | -0.2 | -0.1 | -0.2 | -0.2 | 0.0 | -0.1 | -0.1 |
| Change in central bank reserves (- = increase) | -0.7 | -0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| **Memorandum items:** | | | | | | | | | | |
| Nominal GDP (Million of U.S. dollars) | 10,203 | 10,969 | 12,804 | 12,111 | 13,891 | 13,018 | 14,197 | 15,584 | 16,973 | 18,205 |
| External debt 4/, 5/ | 37.5 | 6.4 | 5.6 | 5.9 | 6.1 | 6.1 | 7.6 | 9.2 | 10.8 | 12.4 |
| Exports of goods and services | 17.7 | 19.7 | 18.9 | 20.5 | 20.1 | 21.1 | 21.8 | 22.5 | 22.8 | 23.1 |
| Imports of goods and services | 80.6 | 80.6 | 77.1 | 81.8 | 77.2 | 82.2 | 80.3 | 80.3 | 80.5 | 80.4 |

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

1/ Includes only donor support provided to the federal government through treasury accounts at the Central Bank of Somalia. A change in World Bank policy for countries with moderate risk of debt distress that replaces the previous 50:50 mix of grants and loans with 100 percent loans (with 50-year maturity), will impact Somalia starting in July 2025 because Somalia is assessed as having a moderate risk of debt distress.

2/ Includes allocations of SDRs in August 2021, for SDR 156.6 million or US$ 222.13 million.

3/ From 2023, reflects payments on restructured debt, including IDA, HIPC, MDRI, and beyond-HIPC debt relief. Excludes payments to the IMF.

4/ Includes HIPC debt relief and interim HIPC assistance from the Decision Point, and MDRI and beyond-HIPC debt relief at Completion Point in 2023.

5/ Consistent with the DSA external debt definition, which reflects the external debt of the country as a whole. Includes the total net SDR position of the central bank. This differs from public external debt reported in Tables 2A, 2B, and 10.

## Table 7. Somalia: Schedule of Reviews and Disbursements

| Availability date | Amount of Disbursements | | Conditions |
|---|---|---|---|
| | Millions of SDRs | Percent of quota 1/ | |
| December 19, 2023 | 30.000000 | 18.359853 | Approval of arrangement |
| April 15, 2024 | 7.500000 | 4.589963 | First review and end-December 2023 performance criteria |
| October 15, 2024 | 7.500000 | 4.589963 | Second review and end-June 2024 performance criteria |
| April 15, 2025 | 7.500000 | 4.589963 | Third review and end-December 2024 performance criteria |
| October 15, 2025 | 7.500000 | 4.589963 | Fourth review and end-June 2025 performance criteria |
| April 15, 2026 | 7.500000 | 4.589963 | Fifth review and end-December 2025 performance criteria |
| October 15, 2026 | 7.500000 | 4.589963 | Sixth review and end-June 2026 performance criteria |
| Total | 75.000000 | 45.899633 | |

Source: IMF

1/ Somalia's quota is SDR163.4 million.

## Table 8. Somalia: External Financing Needs and Sources, 2022–2029 1/

(Millions of U.S. Dollars)

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|
| *Gross financing requirement* | *6,500.6* | *9,863.3* | *7,452.1* | *7,982.6* | *8,335.6* | *9,040.6* | *9,805.7* | *10,475.5* |
| Trade deficit | 6,417.5 | 6,672.0 | 7,430.9 | 7,959.1 | 8,310.9 | 9,014.6 | 9,781.5 | 10,442.9 |
| Amortization | 11.9 | 14.4 | 8.7 | 11.8 | 13.7 | 15.6 | 16.1 | 34.0 |
| Interest on external obligations | 0.8 | 5.1 | 12.4 | 11.8 | 13.0 | 14.3 | 16.7 | 19.1 |
| Official arrears/repayments | 0.0 | 3,128.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Of which*: IMF | 0.0 | 334.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in reserves (increase = +) | 70.4 | 43.3 | 0.0 | 0.0 | -1.9 | -3.8 | -8.5 | -20.5 |
| *Available financing* | *6,256.7* | *6,533.1* | *7,227.6* | *7,848.8* | *8,032.8* | *8,668.9* | *9,400.3* | *10,006.1* |
| Current transfers (net) 1/ | 5,413.0 | 5,552.7 | 6,186.2 | 6,826.3 | 6,972.4 | 7,513.8 | 8,133.7 | 8,674.1 |
| *Of Which*: Remittances | 2,141.7 | 2,102.4 | 2,401.4 | 2,588.3 | 2,852.6 | 3,131.4 | 3,410.4 | 3,657.9 |
| Foreign Direct Investment | 530.6 | 570.4 | 690.3 | 703.0 | 766.6 | 841.6 | 916.5 | 983.0 |
| Other flows 2/ | 313.1 | 410.1 | 351.0 | 319.5 | 293.8 | 313.6 | 350.0 | 349.0 |
| *Financing gap* | *243.9* | *3,330.2* | *224.5* | *133.8* | *302.8* | *371.7* | *405.4* | *469.4* |
| Exceptional Financing | 0.0 | 3,128.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| HIPC interim assistance (Excl. IMF) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| HIPC debt relief | 0.0 | 3,128.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Of which*: IMF 3/ | 0.6 | 334.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Remaining gap* | *243.9* | *201.7* | *224.5* | *133.8* | *302.8* | *371.7* | *405.4* | *469.4* |
| Identified financing | 243.9 | 201.7 | 224.5 | 133.8 | 302.8 | 371.7 | 405.4 | 469.4 |
| Official budget grants | 171.4 | 141.3 | 202.4 | 37.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| IMF 4/ | 27.9 | 58.7 | 20.1 | 20.2 | 20.2 | 0.0 | 0.0 | 0.0 |
| ECF 2020 | 27.9 | 18.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECF: 2023 arrangement | … | 40.0 | 20.1 | 20.2 | 20.2 | … | … | … |
| EFF | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SDR | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Official loans (net) 5/ | 44.6 | 1.6 | 2.0 | 76.3 | 282.6 | 371.7 | 405.4 | 469.4 |

Sources: Somali authorities; and IMF staff estimates and projections.
1/ On-budget project grants, off-budget grants, and private remittances.
2/ Includes other financial account flows.
3/ Includes HIPC interim assistance received between the Decision and Completion Points, and HIPC and beyond-HIPC debt relief at Completion Point in 2023.
4/ Disbursements in 2024-26 are conditional on Board approval of ECF reviews.
5/ Includes WB loan financing only from 2025 onwards.

## Table 9. Somalia: Indicators of Fund Credit and Capacity to Repay, 2023–2038
(In millions of SDR, unless otherwise noted)

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Obligations from existing and prospective drawings | | | | | | | | | | | | | | | | |
| 1. Principal | | | | | | | | | | | | | | | | |
| Repurchases and Repayments | 250.4 | 0.0 | 0.0 | 1.4 | 2.8 | 6.3 | 15.2 | 18.2 | 19.8 | 20.6 | 17.1 | 8.3 | 5.3 | 2.3 | 0.0 | 0.0 |
| 2. Charges and interest 1/ | | | | | | | | | | | | | | | | |
| SDR related charges | 0.0 | 1.5 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Total obligations | 250.4 | 1.5 | 0.9 | 2.3 | 3.7 | 7.2 | 16.1 | 19.1 | 20.7 | 21.5 | 18.0 | 9.2 | 6.2 | 3.2 | 0.9 | 0.9 |
| Outstanding Fund credit, end of period | 72.0 | 87.0 | 102.0 | 115.6 | 112.8 | 106.5 | 91.4 | 73.2 | 53.5 | 32.9 | 15.8 | 7.5 | 2.3 | 0.0 | 0.0 | 0.0 |
| Net Use of Fund Credit | -206.4 | 15.0 | 15.0 | 13.6 | -2.8 | -6.3 | -15.2 | -18.2 | -19.8 | -20.6 | -17.1 | -8.3 | -5.3 | -2.3 | 0.0 | 0.0 |
| Disbursements and Purchases | 44.0 | 15.0 | 15.0 | 15.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments and Repurchases | 250.4 | 0.0 | 0.0 | 1.4 | 2.8 | 6.3 | 15.2 | 18.2 | 19.8 | 20.6 | 17.1 | 8.3 | 5.3 | 2.3 | 0.0 | 0.0 |
| Memorandum items: | | | | | | | | | | | | | | | | |
| Outstanding Fund credit, in percent of | | | | | | | | | | | | | | | | |
| Exports of goods and services | 4.4 | 4.7 | 4.9 | 5.0 | 4.3 | 3.7 | 2.9 | 2.1 | 1.4 | 0.8 | 0.4 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| External public debt | 13.7 | 16.3 | 17.1 | 14.3 | 10.5 | 7.8 | 5.4 | 3.6 | 2.2 | 1.2 | 0.5 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 |
| Gross official reserves | 36.1 | 43.6 | 51.1 | 58.4 | 57.8 | 56.4 | 52.6 | 44.5 | 32.5 | 20.0 | 9.6 | 4.6 | 1.4 | 0.0 | 0.0 | 0.0 |
| GDP | 0.9 | 1.0 | 1.0 | 1.1 | 1.0 | 0.8 | 0.7 | 0.5 | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Quota | 44.1 | 53.2 | 62.4 | 70.7 | 69.0 | 65.2 | 55.9 | 44.8 | 32.7 | 20.1 | 9.6 | 4.6 | 1.4 | 0.0 | 0.0 | 0.0 |
| Total Obligations, in percent of | | | | | | | | | | | | | | | | |
| Exports of goods and services | 15.4 | 0.1 | 0.0 | 0.1 | 0.1 | 0.2 | 0.5 | 0.6 | 0.6 | 0.5 | 0.4 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 |
| External public debt | 47.7 | 0.3 | 0.2 | 0.3 | 0.3 | 0.5 | 0.9 | 0.9 | 0.8 | 0.8 | 0.6 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 |
| Gross official reserves | 125.5 | 0.7 | 0.5 | 1.2 | 1.9 | 3.8 | 9.3 | 11.6 | 12.6 | 13.1 | 11.0 | 5.6 | 3.8 | 1.9 | 0.6 | 0.6 |
| GDP | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Quota | 153.3 | 0.9 | 0.6 | 1.4 | 2.3 | 4.4 | 9.8 | 11.7 | 12.7 | 13.2 | 11.0 | 5.6 | 3.8 | 2.0 | 0.6 | 0.6 |
| 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 | 163.4 | 163.4 |

Source: IMF staff estimates and projections.
1/ Projections are based on current IMF charges.

## Table 10. Somalia: Quantitative Performance Indicators and Indicative Targets Under the ECF Arrangement (March 2024–September 2025) 1/

(Millions of U.S. Dollars)

| | | Mar. 2024 | | | Jun. 2024 4/ | | | Sept. 2024 | | | Dec. 2024 4/ | Mar. 2025 | Jun. 2025 4/ | Sept. 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Prog. | Act. | Status | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. | Prog. | Proposed | Proposed |
| | **Quantitative Performance Criteria** | | | | | | | | | | | | | |
| 1 | FGS domestic revenue, floor 2/ | | | | 150 | 181 | Met | | | | 357 | | 178 | |
| 2A | Spending on FGS compensation of employees, goods & services, & contingency, ceiling 2/ 8/ | | | | | | | | | | | | | |
| 2B | Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/ 8/ | | | | 252 | 202 | Met | | | | 468 | | 260 | |
| 3A | Net international reserves, floor 7/ 8/ | | | | | | | | | | | | | |
| 3B | Net international reserves (excl. all SDR holdings of MoF), floor 7/ 8/ | | | | 1.5 | 2.5 | Met | | | | 1.5 | | 1.5 | |
| 4 | Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/ | | | | 0 | 0 | Met | | | | 0 | | 0 | |
| 5 | Accumulation of new external arrears, ceiling 3/ | | | | 0 | 0 | Met | | | | 0 | | 0 | |
| | **Indicative Targets** | | | | | | | | | | | | | |
| 1 | FGS domestic revenue, floor 2/ | 69 | 92 | Met | | | | 239 | 268 | Met | | 85 | | 283 |
| 2A | Spending on FGS compensation of employees, goods & services, & contingency, ceiling 2/ | 118 | 99 | Met | | | | | | | | | | |
| 2B | Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/ 8/ | | | | | | | 374 | 312 | Met | | 131 | | 387 |
| 3A | Net international reserves, floor 7/ 8/ | 0.7 adjusted | 12 | Met | | | | | | | | | | |
| 3B | Net international reserves (excl. all SDR holdings of MoF), floor 7/ 8/ | | | | | | | 1.5 | 2.7 | Met | | 1.5 | | 1.5 |
| 4 | Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/ | 0 | 0 | Met | | | | 0 | 0 | Met | | 0 | | 0 |
| 5 | Accumulation of new external arrears, ceiling 3/ | 0 | 0 | Met | | | | 0 | 0 | Met | | 0 | | 0 |
| 6 | Fiscal balance, floor (cash basis) 2/ 5/ | -48 | -11 | Met | -82 adjusted | -23 | Met | 6 | 73 | Met | -38 | -47 | -62 | -86 |
| 7 | Contracting of new domestic debt, ceiling 3/ | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | 0 | 0 |
| 8 | Accumulation of new domestic expenditure arrears, ceiling 3/ | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | 0 | 0 |
| | ***Memorandum item*** | | | | | | | | | | | | | |
| | Contracting or guaranteeing of new external concessional debt 5/ 6/ | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | 0 | 75 |

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

1/ The quantitative targets, indicative targets, and program exchange rates are defined in the Technical Memorandum of Understanding (TMU).

2/ Cumulative from the beginning of the fiscal year.

3/ This target is applied on a continuous basis.

4/ Test date for the second, third reviews, and fourth reviews, respectively.

5/ The fiscal balance floor for 2024 is in line with the authorities' 2024 budget (-US$38 million), which is consistent with the IMF staff forecast (-US$24 million). The difference is explained by different assumptions regarding budget support grants. The authorities' budget included US$185 million in budget support grants (including US$75 million DPF from the World Bank), while the IMF staff forecast incorporates US$202 million in grants (including US$125 million DPF from the World Bank). In addition, in the authorities' 2024 budget, interest payments are estimated based on signed agreements with creditors (US$10 million), while the IMF forecast shows interest payments assuming agreements are reached with all creditors (US$12.4 million). Similarly, the fiscal balance floor for 2025 is in line with the authorities' 2025 budget (-US$28 million), which is consistent with the IMF staff forecast (-US$158 million). The authorities' 2025 budget includes US$170 million in budget support grants (assuming World Bank budget support is provided as grants), while the IMF staff forecast incorporates US$37.4 million in grants (assuming World Bank budget support is provided as concessional loans). As per the TMU, the fiscal balance floor would be adjusted downward by any delays or shortfalls in budget support grants as compared to the budget estimate, or if interest payments are higher than the budget estimate.

6/ Excludes IMF disbursements.

7/ The floor on NIR would be adjusted downward if the CBS transfers distributable earnings to the government, and if the CBS provides temporary liquidity advances to the government, as per the TMU.

8/ Up to March-2024, based on the definition from the ECF program appoval. From June-2024, revised definition introduced in the 1st review.

## Table 11. Somalia: Structural Benchmarks Under the ECF, March 2024–November 2025

| | Benchmarks | Target dates | Proposed new target date | Sector/FGS Agency | Rationale | Monitoring | Status |
|---|---|---|---|---|---|---|---|
| 1 | Publish a Tax Policy and Revenue Administration Roadmap approved by the Minister of Finance, in line with IMF staff recommendations | End-June 2024 | | Domestic revenue / MOF | Support domestic revenue generation and revenue administration | Publish roadmap approved by the Minister of Finance on the MOF website. | Met |
| 2 | Submit the Income Tax Bill to Parliament | End-June 2024 | | Domestic revenue / MOF | Support domestic revenue generation and revenue administration | Send to the IMF staff the version of the Bill submitted to Parliament | Not met, implemented with delay on July 9, 2024 |
| 3 | Ensure full payroll integration of FGS employees in the SFMIS payroll module by reducing the ratio of non-payroll compensation of employee payments to total compensation of employees to less than 1 percent | End-June 2024 | | PFM / MOF NCSC MOLSA | Strengthen payroll integrity, expenditure controls, and governance | Submit to IMF staff monthly SFMIS reports detailing amount of payroll and non-payroll payments for FGS compensation of employees. A ratio of non-payroll compensation of employee payments to total compensation of employees to be decreased to less than 1 percent on average between April and June 2024 (relative to 10.9 percent in May-July 2023) | Met |
| 4 | (1) Issue a Prime Ministerial Decree that articulates the key parameters for debt policy and establishes the procedures to be followed for entering into new borrowing and issuing sovereign guarantees, in line with IMF staff recommendations; (2) amend the PFM regulations to include a clear definition of "other financial liabilities" that are considered guarantees as per Article 37 (6) of the PFM Act, in line with IMF staff recommendations | End-June 2024 | | Public debt/ MOF | Define debt policy and strengthen debt management framework and capacity, in order to preserve fiscal sustainability. | Publish the approved Prime Ministerial Decree on the MoF website. Publish the amended PFM regulations on the MoF website. | Not met, implemented with delay on July 15, 2024 |
| 5 | Submit the PPP Bill to Parliament with a framework that adequately manages fiscal risks and establishes a gateway process managed by the Ministry of Finance | End-June 2024 | | Governance / MOF | Reduce fiscal risks and contingent liabilities/ Strengthen governance and reduce corruption risks | Send to the IMF staff the version of the Bill submitted to Parliament | Not met, implemented with delay on August 12, 2024 |
| 6 | Develop an action plan to improve the quality of data submitted by commercial banks, in line with IMF recommendations, and communicate the action plan to commercial banks | End-July 2024 | | Financial Supervision / CBS | Improve risk-based financial supervision | Provide IMF staff with the action plan approved by the CBS Board and copies of the letters from the CBS Governor to commercial banks with the details of the action plan approved by the CBS Board. | Met |
| 7 | Develop a roadmap to implement the Pay and Grade policy, which would include as elements (i) a plan and timeline for the development of a strategy to align the salaries of temporary workers with the pay scale of permanent workers and (ii) a plan and timeline for conducting a costing exercise to understand the fiscal implications of the proposed shift of permanent and temporary workers to a new pay scale | End-December 2024 | End-February 2025 | PFM / MOF NCSC MOLSA | Strengthen payroll integrity, expenditure controls, and governance | Publish the roadmap approved by the Cabinet on the Ministry of Finance website. | |
| 8 | (i) Publish the updated PFM regulations relating to digital signatures for the purchase order to payment process; and (ii) implement the digital signatures in the SFMIS | End-June 2025 | | PFM / MOF | Strengthen expenditure controls and improve transparency and accountability | Publish the amended PFM regulations on the MoF website. Confirm implementation of digital signatures in SFMIS. Provide a list of users using digital signatures and the number and amount of payment vouchers processed using digital signatures. | |
| 9 | Submit to Parliament amendments to the CBS Law, including to cover the currency board arrangement, in line with IMF recommendations | End-March 2025) | End-December 2025 | Financial Supervision / CBS | Enhance central bank operations and independence under the currency board arrangement | Send to the IMF staff the version of the Bill submitted to Parliament | |

## Table 11. Somalia: Structural Benchmarks Under the ECF, March 2024–November 2025 (concluded)

| | Benchmarks | Target dates | Sector/FGS Agency | Rationale | Monitoring |
|---|---|---|---|---|---|
| | ***Proposed Structural Benchmarks*** | | | | |
| 10 | Ensure sustained end-to-end use of the Somalia Customs Automated System (SOMCAS) in the Mogadishu seaport and airport by fully discontinuing the use of the Port Customs Management Information System (PCMIS) | End-June 2025 | Domestic revenue / MOF | Enhance customs administration and revenue collections | The ratio of total customs duties reported in the Treasury Single Account (SFMIS) to the total customs duties paid through SOMCAS should be at least 99 percent on average across May and June 2025 and letter from the Minister of Finance confirming that PCMIS is no longer being used at Mogadishu seaport nor airport. |
| 11 | Publish an Annual Debt Management Report (ADMR) for FY2024 in line with IMF TA recommendations | End-April 2025 | Public debt/ MOF | Enhance debt transparency and management | Publish the ADMR, approved by the Minister of Finance, on the MoF website. |
| 12 | Issue detailed instructions to capital adequacy (CAR) and liquidity coverage ratios (LCR) templates reported by banks | End-July 2025 | Financial Supervision / CBS | Improve the quality of supervisory data | Send IMF staff the detailed instructions communicated to banks. |
| 13 | Publish regulations for the Extractive Industries Fiscal Regime Law (EIFRL), in line with the IMF recommendations | End-January 2025 | Governance / MOF | Strengthen governance and improve transparency | Publish the approved EIFRL regulations on the MoF website. |
| 14 | Publish a new regulation for the Petroleum Act clarifying publication standards for all production sharing agreements (including timeframe and coverage), in line with IMF recommendations | End-March 2025 | Governance / MOF MPMR | Strengthen governance and improve transparency | Publish the approved Petroleum Act regulation on the MPMR website. |
| 15 | Publish the amended regulation harmonizing the Petroleum and Procurement Acts to cement the procedure that all production sharing agreements (PSAs) to be negotiated (PSAs for direct negotiations and PSAs under a licensing round) must be submitted to IMCC for review and approval | End-December 2024 | Governance / MOF | Strengthen governance and improve transparency | Publish the approved regulation harmonizing the Petroleum and Procurement Acts on the MoF website. |
| 16 | No new production sharing agreements (PSAs) in the petroleum sector will be signed until the legal framework is completed (including issuance of the EIFRL regulations, the Petroleum Act regulations on the publication standards for PSAs, the amendment to the regulation harmonizing the Petroleum and Procurement Acts to cement IMCC review and approval of all PSAs, and the Petroleum Act regulations)—with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which would be submitted to IMCC for review and approval. | Continuous until the EIFRL regulations, the Petroleum Act regulations on the publication standards for PSAs, the amendment to the regulation harmonizing the Petroleum and Procurement Acts, and the Petroleum Act regulations are issued. | Governance / MOF | Strengthen governance and improve transparency | Ministry of Petroleum will refrain from signing any new PSAs until the legal framework is completed, with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which would be submitted to IMCC for review and approval. MoF will provide IMF staff a monthly letter (within 30 days of the end of the month) confirming that no new PSAs have been signed. |

Source: IMF

Note: Ministry of Finance (MOF), Central Bank of Somalia (CBS), Federal Member States (FMS), Financial Reporting Center (FRC), Ministry of Justice (MOJ) public financial management (PFM), Somalia Financial Management Information System (SFMIS), Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT).

**Table 12. Somalia: Summary Table on Projected External Borrowing Program**

(January 1, 2024 -December 31, 2024)

| PPG external debt contracted or guaranteed | Volume of new debt, USD million | Percent |
|---|---|---|
| **Sources of debt financing** | **20.1** | **100** |
| ***Concessional debt,*** **1/** | **20.1** | **100** |
| o/w IMF prospective | 20.1 | |
| o/w Other 2/ | 0.0 | 0 |
| ***Non-concessional debt*** | **0.0** | **0** |
| o/w Semi-concessional 3/ | 0.0 | 0 |
| o/w Commercial terms 4/ | 0.0 | 0 |
| **Uses of debt financing** | **20.1** | **100** |
| Project Financing | 0.0 | 0 |
| Budget Financing | 20.1 | 100 |
| **Type of interest rate** | **20.1** | **100** |
| Fixed Interest Rate | 20.1 | 100 |
| Variable Interest Rate | 0.0 | 0 |
| **Currency denomination** | **20.1** | **100** |
| USD denominated loans | 20.1 | 100 |
| Loans denominated in other currency | 0.0 | 0 |
| *Memorandum items* 5/ | | |
| Indicative projection FY2025 | **95.2** | |
| Indicative projection FY2026 | **302.8** | |

1/ Debt with a grant element of at least 35 percent.

2/ Can include multilateral lenders such as the World Bank and the AfDB.

3/ Debt with a positive grant element that is lower than the minimum grant element of 35 percent.

4/ Debt without a positive grant element.

5/ HIPC Completion Point reached in December 2023.

## Table 13. Somalia: Decomposition of Public Debt and Debt Service by Creditor, 2022-2025

| | Debt Stock (end of period) | | | Debt Service 10/ | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | (In millions of US$) | (Percent total debt) | (Percent GDP) | (In millions of US$) | | | | (Percent GDP) | | | |
| **Total 1/** | 3894.8 | 100.0 | 38.2 | 16.4 | 17.4 | 12.6 | 12.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| **External** | 3827.0 | 98.3 | 37.5 | 16.4 | 17.4 | 12.6 | 12.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Multilateral creditors | 1074.8 | 27.6 | 10.5 | 16.4 | 17.4 | 9.7 | 9.4 | 0.2 | 0.2 | 0.1 | 0.1 |
| IMF 2/ | 370.5 | 9.5 | 3.6 | 0.0 | 2.0 | 2.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| World Bank 3/ | 104.6 | 2.7 | 1.0 | 13.4 | 12.5 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| AfDB | 20.1 | 0.5 | 0.2 | 2.5 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Multilaterals | 579.6 | 14.9 | 5.7 | 0.5 | 0.5 | 7.6 | 8.2 | 0.0 | 0.0 | 0.1 | 0.1 |
| Arab Monetary Fund | 298.6 | 7.7 | 2.9 | 0.0 | 0.0 | 1.8 | 2.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Arab Fund for Economic and Social Development | 191.5 | 4.9 | 1.9 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| International Fund for Agricultural Development | 26.2 | 0.7 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Islamic Development Bank | 27.2 | 0.7 | 0.3 | 0.0 | 0.0 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| OPEC Fund for International Development | 36.1 | 0.9 | 0.4 | 0.0 | 0.0 | 0.6 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bilateral Creditors | 2749.7 | 70.6 | 26.9 | 0.0 | 0.0 | 2.9 | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Paris Club 4/ | 2004.6 | 51.5 | 19.6 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Denmark | 2.8 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| France | 109.7 | 2.8 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Italy 5/ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Japan 6/ | 109.0 | 2.8 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Netherlands | 2.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Norway | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Russia 7/ | 711.1 | 18.3 | 7.0 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Spain | 40.9 | 1.1 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| United Kingdom | 28.6 | 0.7 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| United States | 998.4 | 25.6 | 9.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EEC IDA Administered Loans 8/ | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-Paris Club 9/ | 745.1 | 19.1 | 7.3 | 0.0 | 0.0 | 2.7 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Algeria | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bulgaria | 11.0 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Iraq | 201.9 | 5.2 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Kuwait | 125.3 | 3.2 | 1.2 | 0.0 | 0.0 | 2.7 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Libya | 30.4 | 0.8 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Romania | 2.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Saudi Arabia | 118.9 | 3.1 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| United Arab Emirates | 253.5 | 6.5 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial creditors | 2.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Serbia | 2.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Domestic** | 67.8 | 1.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Of which: in arrears | 67.8 | 1.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nominal GDP (in millions of US$) | | | 10,203 | | | | | 10,203 | 10,969 | 12,111 | 13,018 |

Sources: Somalia Debt Management Unit; IMF; World Bank; and AfDB.

1/ Debt records provided by the authorities and reconciled with creditor statements include loans that were contracted from 1965 to 2002. These loans include loans that financed projects in pre-civil war subnational jurisdictions, including Somaliland. For all loans, the recognized debtor is the Ministry of Finance of the FGS or a line ministry of the FGS. Note that this excludes a Russian claim on the Central Bank of Somalia totaling about $7.5 million (or 0.1 percent of GDP), which has been deemed to be not eligible for HIPC debt relief.

2/ IMF debt stock reported in 2022 includes net SDR position of government (used for budget support).

3/ All obligations due the World Bank are to the International Development Association (IDA).

4/ Consistent with the HIPC Debt Reconciliation Exercise in 2023. Updated 2022 debt stock as reported by Somali Debt Management Unit (DMU) reflects interim debt relief under signed bilateral agreements with the PC creditors. The amount reported under debt service reflects estimates of interim debt relief under Cologne terms computed as part of the HIPC DRA.

5/ Debt cancellation of 100 percent of ODA debt became effective on March 2021.

6/ No debt reduction at the HIPC Decision Point, Japan will cancel 100% of their debt stock under the HIPC Completion Point.

7/ Debt stock as of end-2022, consistent with the HIPC Debt Reconciliation Exercise in 2023. The bilateral agreement between Russia and Somalia was signed in 2023.

8/ IDA-administered European Economic Commission (EEC) loans are treated as Paris Club debt.

9/ The amount reported for non-PC creditors assumes PC comparable treatment and reflects estimates of interim debt relief under Cologne Terms computed as part of the HIPC DRA exercise. This follows 2018 Guidance Note for Bank-Fund Debt Sustainablity Framework for Low-Income Countries. Total debt stock for non-PC reported herein is lower than reported by the DMU, which reflects contractual owed debt less any debt relief expected. Debt service reported reflects actual debt service expected.

10/ Debt service for 2024 assumes full delivery of debt relief under the HIPC Initiative, MDRI, and beyond-HIPC assistance at the Completion Point reached in December 2023, assuming PC comparable treatment for all pending creditors.

## Table 14. Somalia: Progress on Negotiations with Creditors for Restructuring Outstanding HIPC-Eligible Debt (As of September 21, 2024)

| | Enhanced HIPC debt relief in PV terms (in US$ million) 1/ | Percentage of total assistance under HIPC | Status of Negotiations |
|---|---|---|---|
| AFESD | 99.1 | 5.2 | The authorities and AFESD have reached a general consensus on the terms of a debt relief agreement in line with the HIPC Common Reduction Factor (CRF). Negotiations continue on further softening of debt servicing terms. |
| AMF | 155.6 | 8.2 | The authorities and AMF have reached a general consensus on the terms of a debt relief agreement in line with the HIPC Common Reduction Factor (CRF). Negotiations continue on further softening of debt servicing terms. Joint efforts have been made by the authorities and AMF to secure grants from a number of Arab member countries to cover the AMF debt repayment for three and a half years. |
| IsDB | 15.5 | 0.8 | A debt rescheduling agreement over 30-years maturity period including zero grace period and zero interest rate with first principle repayment beginning on 31st December 2024 was officially signed on July 16, 2024. |
| OFID | 19.3 | 1.0 | A debt rescheduling agreement over 20-years maturity period including 10-years grace period with interest rate of 0.5% per annum was officially signed on June 25, 2024, on the sidelines of the OFID development forum held in Vienna, Austria. |
| **Total Multilateral** | **822.5** | **43.2** | |
| **o/w Pending** | **254.7** | **13.4** | |
| Paris Club Creditors | 806.6 | 42.4 | The Paris Club completed debt treatment for Somalia under the HIPC process during the March 13, 2024 HIPC exit debt treatment for Somalia. In addition to HIPC debt relief, various bilateral PC creditors also agreed to provide beyond-HIPC debt relief. In terms of bilateral agreements, such an agreement has been signed with the United Kingdom, the United States, Norway, Netherlands, and Denmark. The governments of Japan, France, Russia, and Spain have shared their draft agreements, which are at different stages of processing. |
| Non-Paris Club Creditors | | | |
| Algeria | 0.3 | 0.0 | The authorities continue to reach out to their Algerian counterparts. An official response is awaited. |
| Bulgaria | 1.9 | 0.1 | Following the signing of the Paris Club Agreed Minutes on March 13th, 2024, the authorities wrote a letter on July 16, 2024 to their Bulgarian counterparts. Creditor response is awaited. |
| Iraq | 32.3 | 1.7 | The Somali authorities met their Iraqi counterparts on the sidelines of the Somali PM's visit to Baghdad in July 2024. Following the discussions, the authorities officially wrote a letter to the Iraqi authorities to request 100% debt cancellation of the remaining 33% of the outstanding debt. The request is being considered by Iraq. |
| Libya | 14.0 | 0.7 | On August 19, 2024, a fresh letter was sent to the Government of Libya to resume negotiations and reschedule outstanding claims. Creditor response is awaited. |
| Romania | 0.5 | 0.0 | Following the signing of the Paris Club Agreed Minutes on March 13th, 2024, the authorities wrote a letter on July 16, 2024 to their Romanian counterparts. Creditor response is awaited. |
| United Arab Emirates | 131.0 | 6.9 | Negotiations for debt relief on Paris Club comparable terms with the Abu Dhabi Fund for Development have advanced, especially on softening of debt servicing terms further. |
| Commercial | | | |
| Serbia 2/ | 0.4 | 0.0 | Following the signing of the Paris Club Agreed Minutes on March 13th, 2024, the authorities wrote a letter on July 16, 2024 to their Serbian counterparts. Creditor response is awaited. |
| **Total Bilateral and Commercial** | **1,081.0** | **56.8** | |
| **o/w Pending** | **180.4** | **9.5** | |
| **TOTAL** | **1,903.5** | **100.0** | |
| **o/w Total Pending** | **435.1** | **22.9** | |

Sources: Somali authorities; and IMF and World Bank staff estimates.

1/ The data are in December 31, 2018 PV terms as revised at completion point.

2/ Serbia's loan was classified as other official bilateral debt at the decision point; then it was reclassified as commercial debt at completion point based on updated information provided by the creditor to the authorities.

## Table 15. Somalia: Selected Macro-Critical Gender-Related Indicators, 2017-2023

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Latest year available | MCD Countries 1 / 25th Percentile | MCD Countries 1 / 75th Percentile | MCD Countries 1 / Median | MCD Countries 1 / Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Composite Gender Indices** | | | | | | | | | | | | |
| Female Human Capital Index (HCI) 2/ | ... | ... | ... | ... | ... | ... | ... | 2020 | 0.47 | 0.62 | 0.59 | 0.55 |
| Gender Development Index (GDI) | ... | ... | ... | ... | ... | 0.77 | ... | 2022 | 0.85 | 0.98 | 0.92 | 0.89 |
| Gender Inequality Index (GII) 3/ | ... | ... | ... | ... | ... | 0.67 | ... | 2022 | 0.24 | 0.49 | 0.35 | 0.38 |
| Global Gender Gap Index 2/ | ... | ... | ... | ... | ... | ... | ... | 2022 | 0.62 | 0.69 | 0.64 | 0.64 |
| Women Business and the Law Index (WBL) 4/ | 46.88 | 46.88 | 46.88 | 46.88 | 46.88 | 46.88 | 46.88 | 2023 | 46.25 | 75.63 | 58.75 | 59.04 |
| **Labor and Income** | | | | | | | | | | | | |
| Gender Gap (F-M) in Employment-to-Population Ratio, Modeled ILO Estimate (15+ yrs) | -23.97 | -23.75 | -23.55 | -23.11 | -22.96 | -23.51 | -23.52 | 2023 | -41.81 | -27.26 | -38.41 | -47.32 |
| Gender Wage Gap 5/ | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Informal Employment Rate | ... | ... | 4.42 | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Labor Force Participation Rate, Modeled ILO Estimate (15+ yrs) | -26.56 | -26.34 | -26.10 | -25.85 | -25.69 | -26.12 | -26.12 | 2023 | -45.51 | -28.29 | -42.17 | -49.66 |
| Gender Gap (F-M) in Unemployment Rate, Modeled ILO Estimate (15+ yrs) | 7.98 | 8.07 | 8.08 | 8.01 | 8.12 | 8.28 | 8.24 | 2023 | 1.86 | 11.81 | 4.93 | 5.20 |
| Gender Gap in Gross Pension Replacement Rate (as share of average worker earnings) | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Leadership and Social** | | | | | | | | | | | | |
| Proportion of Seats Held By Women in National Parliaments | 24.36 | 24.36 | 24.36 | 24.36 | 24.36 | 19.71 | 19.71 | 2023 | 10.80 | 25.60 | 19.71 | 18.64 |
| Proportion of Women in Managerial Positions | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Prevalence of Intimate Partner Violence among Ever-partnered Women (in percent) | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| **Access to Finance** | | | | | | | | | | | | |
| Gender Ratio: Number of Household Loan Accounts with Commercial Banks (Females' Accounts for 1,000 Female Adults / Males' Accounts per 1,000 Male Adults) | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Gender Ratio: Number of Household Deposit Accounts with Commercial Banks (Females' Accounts per 1,000 Female Adults/ Males' Accounts per 1,000 Male Adults) | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Gender Gap in Adults Who Borrowed From a Financial Institution (Share of Female - Share of Male, percentage points) | ... | ... | ... | ... | ... | ... | ... | 2021 | -1.99 | -3.01 | -4.62 | -3.58 |
| Gender Gap in Adults Who Own a Financial Institution Account (Share of Female - Share of Male, percentage points) | ... | ... | ... | ... | ... | ... | ... | 2021 | -6.16 | -6.76 | -18.29 | -11.76 |
| Gender Gap in Adults with Mobile Money Account (Share of Female - Share of Male, percentage points) | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| percentage points) | ... | ... | ... | ... | ... | ... | ... | 2021 | -9.20 | 2.64 | -16.75 | -12.90 |
| **Education** | | | | | | | | | | | | |
| Gender Gap (F-M) in Adult Literacy Rate | ... | ... | ... | ... | ... | -26.04 | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Mean Years of Schooling | ... | ... | ... | ... | ... | -2.03 | ... | ... | ... | ... | ... | ... |
| Gender Gap (F-M) in Primary Gross Enrollment Rate | ... | ... | ... | ... | ... | ... | -3.87 | 2022 | -0.25 | -1.60 | -1.01 | -0.84 |
| Gender Gap (F-M) in Secondary Gross Enrollment Rate | ... | ... | ... | ... | ... | ... | -1.15 | 2020 | -3.72 | -0.69 | 3.34 | -1.45 |
| Gender Gap (F-M) in Tertiary Gross Enrollment Rate | ... | ... | ... | ... | ... | ... | ... | 2022 | 10.47 | 16.66 | 16.86 | 2.63 |
| **Health** | | | | | | | | | | | | |
| Gender Gap (F-M) in Adult Mortality Rate per 1,000 Adults 6/ | -80.34 | -79.36 | -72.27 | -79.48 | -85.58 | -84.44 | ... | 2022 | -48.24 | -116.70 | -94.24 | -74.64 |
| Gender Gap (F-M) in Life Expectancy at Birth | 4.23 | 4.26 | 3.97 | 4.08 | 4.17 | 4.16 | ... | 2022 | 6.40 | 5.64 | 6.72 | 5.23 |
| Maternal Mortality Ratio per 100,000 Live Births, Modeled Estimate (15-49 yrs) | 683.00 | 651.00 | 606.00 | 621.00 | ... | ... | ... | 2020 | 17.00 | 77.00 | 30.00 | 103.63 |
| Total Fertility Rate (Births Per Woman) | 6.74 | 6.63 | 6.53 | 6.42 | 6.31 | 6.20 | ... | 2022 | 2.07 | 3.36 | 2.73 | 3.07 |

Source: GenderDataHub 7/

1/ Group aggregates are calculated where data are available for at least 50 percent of countries for a given indicator, and for weighted averages, where the relevant weights are also available. Data are reported for the latest year for which aggregates are available. Detailed metadata, including weights used for averages, are available on the Gender Data Hub.
2/ This index is scored on a scale of 0-1, with a higher score corresponding to better outcomes for women.
3/ This index is scored on a scale of 0-1, with a higher score corresponding to higher inequality (worse outcomes for women).
4/ The Women, Business, and the Law Index is reported on a scale of 0-100, with a higher score corresponding to better outcomes for women.
5/ The Gender Wage Gap is the difference between average earnings of men and average earnings of women expressed as a percentage of average earnings of men (as calculated by the International Labor Organization). The gap listed here is for Occupation = "Total" under the ICSO
6/ The adult mortality rate refers to the probability that those who have reached age 15 will die before reaching age 60 (shown per 1,000 persons). In other words, a value of 150 means that out of 1,000 persons who have reached age 15, 150 are expected to die before reaching age 60, and 850 are expected to survive to age 60. This is based on a "synthetic cohort": current life-table mortality rates are applied to the current cohort of 15 year olds, assuming no changes in mortality.
7/ See Gender Data Hub metadata for original data sources and definitions.

# Annex I. Implementation of IMF Recommendations

| | 2022 Article IV Recommendations | Actions Since 2022 Article IV |
|---|---|---|
| Revenue Mobilization | Strengthen revenues through customs modernization, new taxes, and better administration. | The Somalia authorities introduced turnover tax, deployed point-of-sale machines in the tourism sector, and extended the scope of application of the sales tax to a range of services. The authorities also developed a Medium-Term Revenue Roadmap for 2024-2027, which specifies several reforms to expand the tax base, improve tax compliance, and digitalize collections. The new Income Tax Bill was submitted to Parliament. In Mogadishu and Kismayo, the authorities implemented SOMCAS to improve the efficiency of customs administration. |
| Strengthen PFM | Implement the pay and grade policy.<br>Fully integrate all compensation of employees into the payroll.<br>Implement the invoice tracking functionality and emergency procurement guidelines.<br>Continue to enhance fiscal reporting and accountability of both FGS and FMS. | The authorities approved the Pay and Grade policy and roadmap for payroll integration. The share of non-payroll payments to total compensation was reduced to less than 1 percent by June-2024. The authorities launched the invoice tracking functionality of SFMIS for electricity and internet service. They also issued the guidelines on emergency procurement. A debt reconciliation exercise was carried out in 2023 prior to the HIPC Completion Point, which helped improve debt transparency. The Audit Law was enacted in September 2023, which laid the legal groundwork necessary for a robust federal audit system. |
| Ensure fiscal sustainability | Maintain a prudent fiscal deficit, and only access concessional financing | The authorities have been fiscally prudent, only tapping into concessional and grant sources of financing, while refraining from contracting non-concessional debt. Debt management was improved by the issuance of a Prime Ministerial Decree and regulations on debt policy. |
| Financial Supervision | Continue to bolster financial regulation and supervision capacity.<br>Improve the quality of data reporting. | The CBS issued banking regulations on capital and liquidity requirements which also covered risk management aspects. Moreover, the CBS developed an action plan to improve the quality of data submitted by commercial banks. |

| | 2022 Article IV Recommendations | Actions Since 2022 Article IV |
|---|---|---|
| Monetary policy | Define the monetary and exchange rate policy framework in the context of the currency reform. | The authorities have decided to adopt currency board arrangement as the monetary and exchange rate policy framework for the planned currency reform. |
| Build CBS Capacity | Build capacity in systemic financial stability oversight, monetary and exchange policy and operation, and reserve and debt management. | The CBS continued to improve the technical capacity of the staff working on financial supervision and audit, including through IMF technical assistance. |
| AML/CFT | Continue to address ML/FT risks.<br>Enact the Targeted Financial Sanctions Law.<br>Make progress with the National ML/FT Risk Assessment action plan. | The authorities enacted the Targeted Financial Sanctions Act and issued related regulations. They also enacted the Counter Terrorism Act and issued AML/CFT guidance and directives to financial institutions. The amendments to the AML/CFT Act were submitted to parliament. The rollout of the Somali National Digital ID was initiated. |
| Address governance weaknesses | Finalize the legal framework for the extractive industries.<br>Improve the control of government lands and real estate.<br>Advance the implementation of the NACS and the UNCAC. | The Extractive Industries Fiscal Regime Law was enacted in 2023. The same year, the PFM Regulations were amended to implement the PFM Act's provisions on public property and the Asset Management Guidelines, that provide a standard approach for government assets management, enhance transparency and accountability, and promote a prudent use of public lands and real estate, were issued. Somalia became a state party to Arab Anti-Corruption Convention. |
| Promote Inclusive growth | Advance further reforms across all pillars of the National Development Plan 9. | Reforms across most pillars of the NDP9 have progressed, and the 2024 budget included a costing of NDP9. |

# Annex II. Risk Assessment Matrix[1]

<table>
<tr><th rowspan="2">Nature/Source of Main Risks</th><th colspan="2">Overall Level of Concern</th></tr>
<tr><th>Relative Likelihood</th><th>Expected Impact if Threat Materializes</th></tr>
<tr><th colspan="3">CONJUNCTURAL RISKS</th></tr>
<tr><td>Intensification of regional conflict(s). Escalation or spread of the conflict in Gaza and Israel, Russia’s war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.</td><td>High</td><td rowspan="2">High<br>Intensifying spillovers from Russia’s war in Ukraine or the conflict in Gaza and ensuing or independent commodity price shocks can exacerbate inflation in Somalia. Humanitarian support to Somalia can also be affected by the supply shock (of food). Resultant drag on global growth could reduce remittances, affecting local consumption and investment. Escalation of regional conflicts can have negative repercussions on security, trade, and fiscal revenues in Somalia.</td></tr>
<tr><td>Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.</td><td>High</td></tr>
<tr><td>Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading to policy uncertainty and market repricing.</td><td>High</td><td>High<br>A social discontentment shock may intensify the already precarious security situation in Somalia.</td></tr>
</table>

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff’s subjective assessment of the risks surrounding the baseline (“low” is meant to indicate a probability below 10 percent, “medium” a probability between 10 and 30 percent, and “high” a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

| Nature/Source of Main Risks | Overall Level of Concern | |
|---|---|---|
| | **Relative Likelihood** | **Expected Impact if Threat Materializes** |
| **CONJUNCTURAL RISKS** | | |
| **Global growth surprises:**<br>• **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.<br>• **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions. | **Medium**<br><br>**Low** | **Medium**<br>A slowdown in major economies can impact the macro-fiscal indicators through reduced remittances and suppressed exports due to the contraction in global demand.<br><br>**Medium**<br>Converse to a deceleration, an acceleration of global growth will have positive effects on remittances, exports, and domestic growth. |
| **Monetary policy miscalibration.** Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs. | **Medium** | **High**<br>As a de facto dollarized economy, Somalia does not conduct active monetary policy but imports monetary policy from advanced economies. Global food and commodity price shocks can significantly impact poor households in Somalia, exacerbating food insecurity. |
| **Systemic financial instability.** High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs. | **Medium** | **Low**<br>Financial instability will negatively affect the incipient financial system and reduce the availability of credit. |

| Nature/Source of Main Risks | Overall Level of Concern | |
|---|---|---|
| | **Relative Likelihood** | **Expected Impact if Threat Materializes** |
| **CONJUNCTURAL RISKS** | | |
| **Sovereign debt distress.** Domino effects from high global interest rates, deteriorating debt sustainability in some AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, loss of market access, and contraction of growth and social spending | **Medium** | **Low**<br>Somalia's external, and overall public debt-to-GDP ratios are low following the country reaching HIPC completion point. Further, Somalia does not have access to international capital markets, and the domestic financial sector is nascent. Any impact of sovereign debt distress will be limited. |
| **STRUCTUAL RISKS** | | |
| **Deepening geoeconomic fragmentation.** Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth. | **High** | **Low**<br>Somalia has limited trade partners and exports products, and the initial impact of deepening geoeconomic fragmentation will be limited. However, such fragmentation will constrain Somalia's potential to integrate into value addition chains in the medium- to long-term. |
| **Cyberthreats.** Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability. | **High** | **Low**<br>Somalia's digital infrastructure base is weak, with minimal participation in digital currencies and crypto assets. |
| **Climate change.** Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment | **Medium** | **High**<br>Pastoral agriculture plays a key role in the economy and livestock is the most important export for Somalia. Recurring droughts can be macro-critical and cause widespread suffering for the population. |

# Annex III. Progress in Improving Governance and Transparency

*In their National Anti-Corruption Strategy of Somalia, the authorities acknowledge the ubiquity of corruption, and its threat to security, justice, and development. They recognize the governance and anti-corruption challenges that they face and have identified steady, incremental progress on governance as one of the key pillars of the National Development Plan 2020-24 as well as the National Transformation Plan 2025-2029. This annex outlines improvements made by Somalia in governance practices and transparency across multiple governance dimensions, as part of IMF-supported programs and with support from IMF CD and other partners. Nonetheless, sustained efforts are needed to promote good governance and reduce vulnerabilities to corruption, including reforms being implemented under the ECF arrangement in the areas of revenue, PFM, fiscal transparency, financial governance, AML/CFT, petroleum sector legal framework, and procurement and concessions.*

## 1. Fiscal Governance

- **Revenue.** Important improvements have been made in revenue mobilization. Somalia increased domestic revenues from about 1 percent of GDP in 2013 to an estimated 3 percent of GDP in 2023, through the implementation of tax policy and revenue administration reforms, including the introduction of income and sales taxes, development of the Revenue Law, and the establishment of a large- and medium-taxpayers' office. More recently, key initiatives have included: (1) customs modernization with the implementation of the Somalia Customs Automated System (SOMCAS) in October 2023 in Mogadishu and Kismayo; (2) new spectrum fees for telecom operators were introduced in September 2022; (3) a new turnover tax for micro and small businesses was introduced in July 2023; (4) digitalization of rental income tax and road tax; and (5) regular reporting on tax exemptions. As part of the 2023 ECF arrangement, in July 2024, the authorities submitted the Income Tax bill to Parliament and published the new Medium-term Revenue Roadmap for 2024-2027. In August 2024, a new sales tax electronic system was implemented that collects sales tax directly from consumers paying into merchant mobile money/mobile wallet accounts.

- **Public financial management (PFM).** Key reforms to strengthen PFM have included: (1) the 2019 PFM Act, with supporting regulations; (2) updated core PFM processes for budget preparation, payment, accounting, and payroll management; (3) implementation of the Somalia Financial Management Information System (SFMIS) that works as the digitalization platform to configure and implement improved PFM processes and reporting; (4) link between SFMIS and the Central Bank of Somalia to facilitate electronic payments, and automatic bank account reconciliation; (5) regular publication of audited annual financial statements for the FGS since 2019. More recently, reforms have included: (1) introduction of an Invoice Tracking System in May 2023 to streamline procedures and minimize delays in financial transactions; and (2) establishment of Ministry of Finance authority over the financial clearance of compensation of FGS employees in October 2023. As part of the 2023 ECF arrangement, the authorities fully integrated all compensation of employees into the single payroll in SFMIS as of June 2024 and issued a new decree to articulate the key parameters for debt policy.

- **Procurement, Concessions, and Asset Management.** Recent reforms include: (1) issuance of emergency procurement guidelines in July 2023; (2) issuance in September 2023 of standard operating procedures for the Inter-Ministerial Concessions Committee to strengthen its strategic and oversight role; (3) new regulations to implement the PFM Act's provisions on public property and the Asset Management Guidelines were published in September 2023; and (4) submission of the PPP bill to Parliament in August 2024, which envisages to set up a framework that adequately manages fiscal risks and establishes a gateway process managed by the Ministry of Finance.

**2. Financial Sector Governance**

- **Central bank governance.** The CBS has made important progress in improving its governance, transparency, and capacity. The authorities implemented most of the recommendations of the 2020 and 2024 IMF Safeguards Assessment, including the publication of audited CBS financial statements with a clean auditor's opinion, improvements to internal controls, and expanded disclosures to CBS financial statements. Progress is ongoing in implementing the remaining recommendations of the 2024 safeguards assessment. Financial reporting transparency improved with the implementation of the International Financial Reporting Standards, and governance bodies—the Board and Audit Committee—have been restored and exercise their oversight responsibilities.

- **Financial sector regulation and supervision.** The resources and capacity of the CBS Licensing and Supervision Department have been strengthened. Several critical prudential regulations and guidelines for commercial banks have been issued since 2015. All commercial banks and money transfer businesses operating in Somalia are now licensed by the CBS and are subject to regular on- and off-site supervision. Mobile money operators (MMOs) are regulated since 2020, and licenses have been issued to 5 MMOs that account for more than 80 percent of the mobile money market in Somalia. More recent reforms include the issuance of banking regulations on capital adequacy and liquidity coverage ratios in July 2023. As part of the 2023 ECF arrangement, in July 2024, the CBS finalized an action plan to improve the quality of supervisory data submitted by commercial banks.

**3. Anti-corruption.** Good progress has been made in the development of some actions under the National Anti-Corruption Strategy (NACS), and additional efforts must ensue. NACS progress includes: (1) establishment of the Code of Conducts for civil servants and ethics training; (2) clear policies have been developed on dismissal, career advancement, career development, benefits, ethics, inclusivity and discrimination, health and sanitation; and (3) the National Civil Service Commission has been modernized and restructured. Somalia accessed the UN Convention Against Corruption and Parliament ratified the African Union Convention and Preventing and Combating Corruption and Arab Anti-corruption Convention. The Independent Anti-Corruption Commission

(IACC) was established, though resources, staffing and capacity need to be strengthened. A new Audit Law was enacted in September 2023 laying the groundwork necessary for a robust federal audit system, followed by issuance of the Audit law regulations in June 2024. In February 2024, the authorities submitted to Parliament the United Nations Convention Against Transnational Organized Crime (UNTOC) and its protocols for ratification.

**4. Market regulation.** The Telecommunications Act was passed in 2017 and the National Communication Agency was established to regulate the telecommunications industry. Awarded licenses in key sectors (including mobile network operators and mobile money operators) and licensing condition have been published. Significant progress on the petroleum legal framework including: (1) the Petroleum Act was enacted in 2020, establishing the framework for exploration and production of hydrocarbons; (2) the National Petroleum Authority was formed to regulate, influence, and promote the Somali petroleum industry; (3) the Model Oil and Gas Production Sharing Agreement (PSA) was approved by the Inter-ministerial Concessions Committee in November 2021; (4) the PFM regulations on natural resource revenue management were issued in May 2022; (5) the revised tender protocol was approved by the IMCC in November 2022; and (6) the Extractive Industries Fiscal Regime Law was enacted in June 2023.

**5. AML/CFT.** Somalia passed the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Act in 2016. The Financial Reporting Center was set up, responsible for the receipt, analysis and appropriate dissemination of financial intelligence. The National AML/CFT Taskforce has been operational since February 2021 to support the National Anti-Money Laundering Committee (NAMLC). The National ML/FT Risk Assessment (NRA) was finalized and published in 2022. More recent reforms include: (1) publication of the NRA action plan, currently being implemented, with improvements to coordination, capacity, and targeted financial sanctions; (2) enactment of the Targeted Financial Sanctions Law in March 2023 and issuance of the corresponding regulations in July 2023, in addition to the publication of the List of Financial Sanctions Targets (April 2024), which was expanded further in July 2024; (3) the CBS issued a guidance on Know-Your-Customer and customer due diligence risk-based approach and large cash transactions and suspicious transactions reporting for commercial banks in July 2023; and (4) NAMLC issued a guideline on mobile money transaction limits in July 2023, which was amended in September 2024 to expand coverage to mobile wallets. The launch of the national digital ID in September 2023 is expected to improve know-your-customer requirements to enhance the AML/CFT efforts. As part of the 2023 ECF arrangement, amendments to the AML/CFT Law were submitted to Parliament in March 2024. Further improvements are needed in the following areas: preventive measures, entity transparency, criminal justice, and international cooperation.

# Annex IV. Data Issues

## Table 1. Somalia: Data Adequacy Assessment for Surveillance

### Data Adequacy Assessment Rating 1/

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| C | | | | | | | |
| Questionnaire Results 2/ | | | | | | | |
| **Assessment** | National Accounts | Prices | Government Finance Statistics | External Sector Statistics | Monetary and Financial Statistics | Inter-sectoral Consistency | Median Rating |
| | C | C | A | C | C | B | C |
| Detailed Questionnaire Results | | | | | | | |
| **Data Quality Characteristics** | | | | | | | |
| Coverage | C | C | B | D | C | | |
| Granularity 3/ | C | | A | C | C | | |
| | | | A | | D | | |
| Consistency | | | B | C | | B | |
| Frequency and Timeliness | B | B | A | B | B | | |

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

| | |
|---|---|
| A | The data provided to the Fund is adequate for surveillance. |
| B | The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. |
| C | The data provided to the Fund has some shortcomings that somewhat hamper surveillance. |
| D | The data provided to the Fund has serious shortcomings that significantly hamper surveillance. |

**Rationale for staff assessment**. Rationale for staff assessment. Data provided to the Fund has some shortcomings that somewhat hamper surveillance. Notwithstanding recent efforts to develop macroeconomic and financial statistics, there are few data sources and information systems that are not yet adequate. Limited availability and coverage are a key shortcoming, while frequency and timeliness are generally satisfactory. These limitations have not impeded effective program monitoring. On national accounts, steps have been taken to improve GDP by expenditure data (notably through the 2022 Somalia Integrated Household Budget Survey, which provided a foundation for estimating household consumption levels) though several limitations remain, including the absence of GDP by production, limited coverage for export and import data, and the lack of direct measures for private consumption. Disaggregated current account data is effectively limited to data on goods from Mogadishu, with informed factors applied to extrapolate data for the rest of the country, and similarly for services trade. Data on remittances has continued to improve. Authorities do not currently share data on the composition of the financial and capital accounts, or information on International Investment Position (IIP), which impacts the rating for coverage in ESS. The Fund has continued to provide TA on the improvement of these items. Furthermore, the delay in implementing the Direct Investment (DI) survey of enterprises has negatively impacted the expansion and accuracy of the respective components of the primary income, direct investment, and other investments accounts. Due to the lack of clarification in relevant regulatory concepts and the absence of instructions manual for report preparation, banks may be applying uneven criteria in the elaboration of the financial statements and in the calculation of capital adequacy and liquidity coverage ratios, which can affect aggregate analysis and comparability across institutions. Moreover, Somalia does not submit Financial Soundness Indicators to the IMF's enhanced General Data Dissemination System (e-GDDS), which results in low rating on financial statistics. For Government finance statistics, fiscal reports for the Federal Government are submitted on a monthly, consistently within four weeks after the end of the month, with good coverage of revenues, expenditure and financing, and with only a few minor data inconsistencies.

**Changes since the last Article IV consultation**. The authorities have advanced key statistical projects that support surveillance, helped by Fund TA. The authorities have benefited from multiple ESS capacity development support from the Fund, and the CBS has made good progress in implementing most recommendations, especially in relation to the current account. The authorities have also begun to produce aggregated statistics on the capital and financial accounts, but these need to be validated. On GFS, the authorities have continued expanding the additional disclosures in the monthly and annual financial statements, including a memorandum annex on SDR holdings of the MoF. The 2022 Somalia Integrated Household Budget Survey (SIHBS), the first since 1985, was published in February 2023 and has been used to rebase GDP and produce a national CPI to be published starting in January 2025. SNBS has received technical assistance to help develop a business register to support a business survey, which in turn will allow it to compile estimates of GDP by production (expected in 2025). To promote data transparency, Somalia continues to implement the enhanced e-GDDS framework.

**Corrective actions and capacity development priorities.** The mission consulted with the authorities on measures to strengthen data adequacy. Suggested corrective actions include the need to adopt SRFs for MFS data and to use the latest 2019 FSI Guide methodology for FSI compilation and reporting, which would help improve data consistency. To support economic management and governance, continued IMF CD support is needed to strengthen the compilation and dissemination of macroeconomic and financial statistics, including national accounts, consumer price index, government finance statistics, external sector statistics, and monetary and financial statistics. To improve regulatory data submitted by banks, the authorities have adopted an action plan, which envisages to issue detailed instructions to data templates and adopt IT solutions to data collection and processing. Training on non-traditional data is also being explored. Two staff from the CBS attended the IMF/AfDB/UN Workshop on Big Data for Macroeconomics Statistics. IMF CD support is closely integrated with Somalia's ECF-supported program and complements the activities of Somalia's other CD providers..

**Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.** The team prioritizes data from authorities when possible. Other data sources include WDI World Development Indicators, UNESCO data on education, FAO, FSNAU data on prices and World Food Program data.

**Other data gaps.** Mobile money operators' balance sheets have not yet been included in the monetary and financial statistics. A workplan to assist CBS improve MFS compilation including addressing this issue has been developed under the Financial Sector Statistics Sub-module of the Somalia FSSR project. Somalia joined the East African Community this year, which will increase the need for statistics as well as providing opportunities for training and sharing statistical expertise within the community.

## Table 2. Somalia: Data Standards Initiatives

Somalia participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since June 2022.

## Table 3. Somalia: Table of Common Indicators Required for Surveillance

As of August 2024

| | Data Provision to the Fund | | | | Publication under the Data Standards Initiatives through the National Summary Data Page | | | |
|---|---|---|---|---|---|---|---|---|
| | Date of Latest Observation | Date Received | Frequency of Data[6] | Frequency of Reporting[6] | Expected Frequency[6,7] | Somalia[8] | Expected Timeliness[6,7] | Somalia[8] |
| Exchange Rates | 24-Jun | 24-Aug | Q | Q | D | 30 | ... | 30 |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | 24-Jul | 24-Sep | M | M | M | ... | 1M | ... |
| Reserve/Base Money | 24-Jun | 24-Aug | M | M | M | 30 | 2M | 90 |
| Broad Money | 24-Jun | 24-Aug | M | M | M | 30 | 1Q | 90 |
| Central Bank Balance Sheet | 24-Jul | 24-Sep | M | M | M | 30 | 2M | 90 |
| Consolidated Balance Sheet of the Banking System | 24-Jun | 24-Aug | Q | Q | M | 30 | 1Q | 90 |
| Interest Rates[2] | NA | NA | NA | NA | M | ... | ... | ... |
| Consumer Price Index | 24-Aug | 24-Sep | M | M | M | 30 | 2M | 30 |
| Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4] | 24-Jul | 24-Aug | M | M | A | ... | 3Q | ... |
| Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government | 24-Jul | 24-Aug | M | M | Q | 30 | 1Q | 90 |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | 24-Jul | 24-Aug | M | M | Q | ... | 2Q | ... |
| External Current Account Balance | 24-Jun | 24-Sep | M | Q | Q | ... | 1Q | ... |
| Exports and Imports of Goods and Services | 24-Jun | 24-Aug | Q | Q | M | 30 | 12W | 90 |
| GDP/GNP | 23-Dec | 24-Jun | A | A | Q | 365 | 1Q | 180 |
| Gross External Debt | 24-Aug | 24-Aug | M | M | Q | ... | 2Q | ... |
| International Investment Position | NA | NA | NA | NA | A | ... | 3Q | ... |

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

# Annex V. Reporting of SDRs in the Balance Sheets of the Ministry of Finance and the Central Bank[1]

*Domestically, Somalia has distributed SDR-related assets and liabilities across the CBS and FGS. This note lays out the common understanding reached among the FGS Ministry of Finance (FGS), Central Bank of Somalia (CBS), the Accountant General's Office, and the Debt Management Unit on how SDR holdings and liabilities are to be reported in the balance sheets of the FGS and the CBS.[2]*

**Table 1. Somalia: Financial Position of Somalia vs the IMF and the Domestic Distribution of SDR Assets and Liabilities Across the FGS and CBS 1/**

(In millions of SDRs, unless otherwise indicated)

| | Dec-20 | Dec-21 | Dec-22 | Dec-23 |
|---|---|---|---|---|
| **Financial Position of Somalia vis-a-vis the IMF** | | | | |
| **Total assets** | **199.1** | **306.0** | **294.5** | **337.1** |
| Quota | 163.4 | 163.4 | 163.4 | 163.4 |
| SDR holdings | 35.7 | 142.6 | 131.1 | 173.7 |
| **Total liabilities 1/** | **471.5** | **628.1** | **649.0** | **442.6** |
| IMF holdings | 203.0 | 203.0 | 203.0 | 163.4 |
| IMF borrowing | 217.9 | 217.9 | 238.9 | 72.0 |
| SDR allocations | 50.6 | 207.2 | 207.2 | 207.2 |
| **Total SDR assets minus total SDR liabilities** | **-272.4** | **-322.1** | **-354.5** | **-105.5** |
| Total SDR holdings minus SDR allocation | -15.0 | -64.6 | -76.1 | -33.5 |
| **Domestic Distribution of SDR Assets and Liabilities to the CBS** | | | | |
| **Total assets** | **199.1** | **263.2** | **284.1** | **291.1** |
| Quota | 163.4 | 163.4 | 163.4 | 163.4 |
| SDR holdings | 35.7 | 99.8 | 120.7 | 127.7 |
| **Total liabilities 1/** | **471.5** | **535.3** | **556.3** | **319.9** |
| IMF holdings | 203.0 | 203.0 | 203.0 | 163.4 |
| IMF borrowing | 217.9 | 217.9 | 238.9 | 42.0 |
| SDR allocations | 50.6 | 114.5 | 114.5 | 114.5 |
| **Total SDR assets minus total SDR liabilities** | **-272.4** | **-272.1** | **-272.2** | **-28.8** |
| Total SDR holdings minus SDR allocation | -15.0 | -14.7 | 6.3 | 13.3 |
| **Domestic Distribution of SDR Assets and Liabilities to the FGS** | | | | |
| **Total assets** | **0.0** | **42.8** | **10.4** | **46.0** |
| Quota | 0.0 | 0.0 | 0.0 | 0.0 |
| SDR holdings | 0.0 | 42.8 | 10.4 | 46.0 |
| **Total IMF liabilities** | **0.0** | **92.8** | **92.8** | **122.8** |
| IMF holdings | 0.0 | 0.0 | 0.0 | 0.0 |
| IMF borrowing | 0.0 | 0.0 | 0.0 | 30.0 |
| SDR allocations | 0.0 | 92.8 | 92.8 | 92.8 |
| **Total SDR assets minus total SDR liabilities** | **0.0** | **-50.0** | **-82.4** | **-76.8** |
| Total SDR holdings minus SDR allocation | 0.0 | -50.0 | -82.4 | -46.8 |
| ***Memorandum items:*** | | | | |
| FGS promissory note to CBS 2/ | | | | |
| *in SDR millions* | 272.5 | 272.5 | 273.0 | 29.7 |
| Balance on FGS SDR allocation | | | | |
| *in SDR millions* | 0.0 | 42.8 | 10.4 | 15.97 |
| SDR/USD exchange rate | 1.4 | 1.4 | 1.4 | 1.3 |

Sources: IMF; CBS Annual financial statements; IMF staff estimates

1/ For ease of presentation, both assets and liabilities exclude accrued interest revenue and spending, which are less than SDR 2 million.

2/The value of the promissory note is a balancing item for the CBS balance sheet that is reported in US$. The promissory notes balance also changes due to accrued interest at the end of the year. The initial stock of the 2018 promissory note was SDR 272.2 million, corresponding to the pre-HIPC Decision Point arrears (SDR 243.4 million) and SDR 28.9 million which is the difference between the SDR holdings (SDR 17.6 million) and SDR allocation (SDR 46.5 million) preceding the 2020 EFF/ECF disbursements.

[1] This note was prepared by Botir Baltabaev in consultation with Somalia authorities.

[2] References include: IMF Somalia staff reports; Somalia's financial position at the IMF: Somalia: transactions with the IMF: CBS annual financial statements 2020: CBS annual financial statements 2021; CBS 2022 financial statements.

## Table 2. Somalia: Domestic Distribution of the 2021 General SDR Allocation Across the FGS and CBS, and Use of SDRs

(SDRs, unless otherwise indicated)

| SDR Allocation and Uses | Date | Reporting on the CBS Balance Sheet 1/ | | | Reporting on the FGS MoF Balance Sheet 2/ | Adjustments to reach MoF SDR balance as reported by CBS | |
|---|---|---|---|---|---|---|---|
| | | MoF | CBS | Total | MoF report 2/ | SDR conversion | SCA-1 redistribution |
| **SDR Allocation** | **Aug-21** | **92,776,683** | **63,834,868** | **156,611,551** | | | |
| Redistribution from the SCA-1 account | Aug-21 | 2,306,128 | | | | | |
| Sale 1 | Jun-21 | -10,000,000 | | | | | |
| Sale 2 | Aug-21 | -5,430,000 | | | | | |
| Sale 3 | Sep-21 | -36,555,000 | | | | | |
| Interest payment to the CBS | | -264,397 | | | | | |
| SDR net charges | | -7,786 | | | | | |
| **Balance 2021** | **Dec-21** | **42,825,628** | **63,834,868** | **106,660,496** | **42,825,628** | | |
| Sale 3 | Jan-22 | -2,300,000 | | | | | |
| Sale 4 | Jan-22 | -23,240,000 | | | | | |
| Sale 5 | Jul-22 | -6,170,000 | | | | | |
| GRA charges | | -122,351 | | | | | |
| SDR net charges | | -524,641 | | | | | |
| **Balance (2022)** | **Dec-22** | **10,468,636** | **63,834,868** | **74,303,504** | **10,393,419** | **81,345** | **-6,128** |
| SDR net charges | | -2,638,710 | | | | | |
| Purchase of SDR | | 1,218,890 | | | | | |
| HIPC windfall | | 7,000,000 | | | 7,000,000 | | |
| **Balance (2023)** | **Dec-23** | **16,048,816** | **63,834,868** | **79,883,684** | **15,973,599** | **81,345** | **-6,128** |

Soure: IMF Staff estimates

1/ CBS report includes SDR 81.3 thousand convered into USD and kept at NY Fed.

2/ MoF report includes the balance of SCA-1 redistribution of SDR 6.1 thousand, plus HIPC windfall of SDR 7 million, which CBS excludes in annual reports.

## Table 3. Somalia: Disbursements from the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) and IMF HIPC Debt Relief 2020–2023

(In millions of SDRs)

| Program review | Date | Amount | Recipient | Purpose |
|---|---|---|---|---|
| **2020 ECF/EFF** | | | | |
| Program approval | Mar-20 | 250.4 | MoF | The Extended Fund Facility (EFF) and Extended Credit Facility (ECF) disbursement of SDR 250.4 million was used to repay the SDR 243.4 million bridge loan from Italy that had been used to clear arrears to the IMF and the remainder (SDR 7 million) was kept as a deposit at the CBS. |
| First review | Dec-20 | 7.0 | CBS | Disbursement used for reserve accumulation |
| Combined second and third reviews | Jun-21 | 14.0 | CBS | Disbursement used for reserve accumulation |
| Fourth review | Dec-22 | 7.0 | CBS | Disbursement used for reserve accumulation |
| Fifth review | May-23 | 7.0 | CBS | Disbursement used for reserve accumulation |
| Sixth and final review | Dec-23 | 7.0 | CBS | Disbursement used for reserve accumulation |
| **HIPC debt relief 2/** | Dec-23 | 250.4 | MoF | The IMF provided HIPC and beyond HIPC debt relief for SDR 250.4 million that was used for early repayment of the IMF loans to Somalia disbursed in March 2020 totaling SDR 250.4 million. The "windfall" from HIPC debt relief corresponds to the SDR 7 million from the March 2020 disbursement that had been kept as deposits at the CBS and that now do not need to be serviced. |
| **2023 ECF** | | | | |
| Program approval | Dec-23 | 30.0 | MoF | Budget support |
| ***Memorandum items:*** | | | | |
| Total disbursements to the CBS from the 2020 ECF | | 42.0 | CBS | |
| Total disbursements to the MoF from the 2023 ECF | | 30.0 | MoF | |

Soure: IMF Staff estimates

## Net SDR Charges and Debt Service Due to the IMF

1. **MoF payment of net SDR charges.**[3] Currently, Somalia's total SDR holdings minus the SDR allocation is negative (- SDR 33.5 million at end-2023), which generates net SDR charges every quarter. The MoF is responsible for paying the net SDR charges as follows:

- (1) Based on the September 1, 2021 Memorandum of Understanding (MOU) between the MoF and the CBS on the distribution of the 2021 IMF General SDR allocation, the MoF should cover the net SDR charges associated with the use of the MoF share of the 2021 IMF General SDR allocation;
- (2) Based on the December 31, 2018 Promissory Note between the MoF and the CBS[4], the MoF should cover the net SDR charges associated with the remaining post-HIPC balance of the promissory note of about SDR 28.9 million, which equals the difference between the SDR holdings (SDR 17.6 million) and SDR allocation (SDR 46.5 million) preceding the 2020 EFF/ECF disbursements.
- It is advised that the MoF treat the net SDR charges similar to other external interest payments with a corresponding budget allocation and disbursement. Operationally, the following procedures were agreed between the CBS and the MoF: (i) the IMF Finance department debits Somalia's SDR account for the corresponding quarter's net SDR charges; (ii) subsequently, the CBS notifies the MoF about the IMF transaction and sends a request to the MoF to purchase the SDRs; (iii) the MoF responds to the CBS with an approval to purchase SDRs from the IMF, using its US$ deposits at the CBS.

2. **Servicing of debt service on the ECF loans.** Disbursements under the ECF approved in March 2020 (that concluded in December 2023) were used for CBS reserve accumulation and therefore the CBS is responsible for the corresponding debt servicing if used. Disbursements under the new ECF approved in December 2023 are being used for budget support and therefore the MoF is responsible for the corresponding debt servicing, in line with the MOU between the CBS and MoF from November 19, 2023. MoF should treat ECF debt servicing the same as other external interest payments, with a corresponding budget allocation and disbursement.

[3] Currently, the MoF pays the net SDR charges due to the IMF by Somalia as a whole.

[4] The 2018 Promissory Note for SDR 272.2 million covered the pre-HIPC DP arrears (SDR 243.4 million) and SDR 28.9 million (the difference between SDR holdings and SDR allocation preceding the 2020 EFF/ECF disbursements.

# Appendix I. Letter of Intent

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

Mogadishu, Somalia
November 14, 2024

Dear Ms. Georgieva:

Somalia has made great progress in rebuilding the economy since the end of the devastating civil strife and the subsequent international recognition of the Federal Government of Somalia (FGS) in 2012. The FGS, with the support of its development partners, has maintained strong implementation of wide-ranging reforms to help strengthen our key economic and financial policy institutions. Thanks to these steadfast efforts, and sustained support from the IMF, World Bank, and other international partners, full debt relief at the HIPC Completion Point was reached in December 2023.

Despite the progress achieved under the HIPC process and the 2020 IMF-supported program completed in December 2023, our country continues to face significant challenges ahead, including those stemming from economic, social, security, and climate risks. Growth is currently insufficient to reduce widespread poverty, address large social needs, and create sufficient jobs for the youth. Somalia is highly vulnerable to climate shocks that hurt growth and hinder poverty reduction efforts. The security situation remains challenging, as the government has scaled up its military, financial, and ideological campaign against Al-Shabab amid the gradual withdrawal of the African Union Transition Mission in Somalia.

Sustained efforts are needed to promote economic and social development, protect macroeconomic stability, and build resilience to climate and other shocks. Our government remains strongly committed to the economic and political reform process, which will benefit current and future generations of Somalis.

We are resolved to maintain the strong reform momentum, supported by the 3-year Extended Credit Facility (ECF) arrangement approved in December 2023. The program and the related capacity development support will help Somalia further strengthen key economic institutions and promote macroeconomic stability and growth, in line with Somalia's Ninth National Development Plan, and the forthcoming National Transformation Plan and Centennial Vision 2060. Building on progress so far, policy priorities are to maintain macroeconomic stability, increase domestic revenues, strengthen public financial management, promote financial deepening and financial inclusion, improve the business environment and governance, and enhance statistics. We are also taking steps to strengthen our capacity for public debt management and debt risk assessments—as Somalia is expected to face a structural shift in the size and composition of the FGS external financing following the HIPC Completion Point—and also for public investment management as the FGS is expected to gradually scale up quality investment projects. We will also work, with support from the IMF, on implementing a currency board arrangement as the new monetary and exchange rate policy framework in the context of the currency reform to reintroduce the Somali shilling as legal tender.

Considering Somalia's satisfactory performance under the ECF arrangement and the commitments laid out in the attached Memorandum of Economic and Financial Policies (MEFP), we request IMF Executive Board approval of the completion of the 2$^{nd}$ review of the program and disbursement of SDR 7.5 million (about 4.56 percent of quota). We met all quantitative performance criteria (QPCs) and indicative targets (ITs) for end-June 2024. As previously communicated, we plan to use the disbursement under this 2$^{nd}$ review of the ECF arrangement for budget support.

The attached MEFP (Attachment I) sets out the economic policies and reform measures that we intend to implement to achieve the objectives of the three-year ECF arrangement. It identifies specific reforms and conditionality between September 2024 and November 2025. Additional reforms will be detailed on a 12- month rolling basis during reviews as information on needs and priorities continue to emerge. 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).

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.

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, in accordance with the IMF's transparency policy.

We are grateful to the IMF for the ongoing support to Somalia and we look forward to continuing our close engagement under the new ECF arrangement.

Sincerely yours,

| | |
|---|---|
| /s/ | /s/ |
| **Bihi Iman Egeh** | **Abdirahman M. Abdullahi** |
| Minister of Finance of Somalia | Governor of the Central Bank of Somalia |

Attachments (2)

# Attachment I. Memorandum of Economic and Financial Policies for 2024–2026

*This Memorandum of Economic and Financial Policies (MEFP) reviews recent economic developments and reforms, and describes the policies that the Federal Government of Somalia (FGS) plans to implement in 2024-2026 under the 3-year Extended Credit Facility (ECF) arrangement.*

**Background and Program Performance**

**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. Somalia's strong reform commitment and international support create a unique window of opportunity to address low growth and poverty in Somalia.** In 2022, an estimated 54 percent of the population was living below the poverty line of US$ 2 per day based on the 2022 Somalia Integrated Household Budget Survey. Growth is currently insufficient to reduce poverty and address large social needs, including in health, education, and job creation. Somalia is also highly vulnerable to climate shocks that aggravate food insecurity, hurt growth, and hinder poverty reduction efforts. Large, multi-year investments in human and physical capital are needed to improve resilience and lead to higher and more inclusive growth. We remain committed to macroeconomic stability and staying the course of reform and continuing to deepen political cooperation at the federal and regional levels. Timely financing and capacity development support from development partners is essential for the successful implementation of our reform strategy.

**3. We are taking action to address food insecurity in several districts.** Food insecurity remains critical due to a combination of factors including climate shocks. The government has been coordinating with the UN system on delivery of humanitarian assistance. The Baxnaano cash transfer program continues to provide a safety net for 50,000 households.

**4. The government has stepped up its fight against terrorism to improve security across the country.** In December 2023, the UN Security Council lifted the arms embargo on the FGS, which had been in place since 1992. Since mid-2022, the government has scaled up the military, ideological, and financial campaign against Al-Shabab. The Somali military—with support of the community defense, the general population, and international partners —has gained ground against Al- Shabab in the central Somali regions, which has facilitated the delivery of humanitarian assistance, with the Somalia Disaster Management Agency (SODMA) providing the emergency response. Stabilization efforts in these regions include delivery of health and education services and the beginnings of the establishment of local governance. At the same time, the Somali National Armed Forces are gradually taking over security responsibilities from the African Union Transition Mission in Somalia (ATMIS), which is expected to gradually withdraw its forces by December 2024. The ATMIS transition, the scale-up of the military campaign, as well as the stabilization policies for the liberated areas are generating pressures on government finances. Somalia is engaging with the United Nations, African Union, and key partners to secure support for a new African Union Support and Stabilization Mission in Somalia (AUSSOM) starting in early 2025.

5. **Economic activity has accelerated supported by a rebound in agriculture production, livestock exports, and remittances.** Real GDP growth was 4.2 percent in 2023, compared to 2.7 percent in 2022. Crops and livestock have recovered, though they remain affected by recent severe flooding. Remittances growth has strengthened. Although food and fuel prices have been moderating, inflation remains at 5.3 percent in September 2024, compared to 6.6. percent in December 2023.

6. **Somalia joined the East African Community (EAC) as its eighth Partner State in March 2024.** A roadmap for Somalia's full integration into the EAC has been developed. Full integration, including the adoption of a customs union and common market, can span several years as Somalia builds capacity and aligns its institutional and policy framework with the EAC.

7. **In 2024, domestic revenues have performed strongly, and expenditures have been within the budget.** Strong domestic revenue performance was supported by the implementation of higher customs duties, the implementation of the sales tax electronic system, and tax administration improvements. Total expenditure has been slightly below budget expectations, and a small overall deficit is expected for the year. We expect domestic revenues in 2024 to be larger than the cost of compensation of employees, as was the case in 2023. Revenue overperformance and budget support grants will allow us to maintain a cash balance to partially address liquidity needs in early 2025.

8. **We continued to make progress in revenue administration reforms.**

- **Medium-Term Revenue Roadmap (MTRR) for 2024-2027**. We finalized our MTRR on June 29, 2024 (structural benchmark (SB) #1, met). The MTRR provides a framework for mobilizing more revenues to finance the government operations and, more importantly, to deliver public services. The MTRR sets as quantitative targets to raise revenue to GDP by 0.3 percentage points every year and cover the operational expenditure of the government by 2027. Priorities are to continue revenue mobilization, improve the administrative capacity of our tax administration, and advance on fiscal (tax) harmonization and EAC integration.

- **Customs modernization.** Implementation of the Somalia Customs Automated System (SOMCAS) and ad valorem tariffs are key to improving the efficiency of customs administration and increasing revenue over time. Before this reform was implemented, the authorities charged customs duties depending on the size of bundles and cartons, regardless of their content. Key elements of the customs modernization have included: (1) enactment of the ad valorem tariff schedule in June 2022; (2) issuance of customs regulations on valuation and declarations in September 2022; and (3) the SOMCAS being rolled out to different ports and airports has incorporated harmonized tariffs, Harmonized System (HS) codes, and harmonized item descriptions. SOMCAS has been operationalized in Mogadishu port and airport as of early

October 2023. In Kismayo port and airport in Jubaland State, SOMCAS has been also implemented.

- **Income tax bill.** We finalized the Income Tax bill and submitted to Parliament on July 9, 2024 (SB#2, implemented with delay).

- **New spectrum fees.** In September 2022, we issued a spectrum fee schedule for telecom operators approved by the National Communications Authority (NCA) in agreement with the Ministry of Finance (MoF). Revenue collection from the spectrum fee schedule is expected to be US$ 6 million per year for the next 10 years.

- **New turnover tax.** We introduced turnover taxes with 2,597 newly registered taxpayers who commenced paying taxes in July 2023. Introducing a turnover tax expands the tax net to a large number of micro and small retailers and businesses in Mogadishu, helping to promote formalization, promoting a culture of tax compliance, and signaling that everybody is required to pay their fair share of tax.

- **Reporting on tax exemptions.** We published the annual report on tax exemptions as part of the 2023 budget package, the first quarterly report for 2022Q4 was published in January 2023, and regular quarterly reports have followed.

- **Digitalization of rental income tax and road tax.** To improve the efficiency of tax administration and tax compliance, we developed a new IT system for generating electronic invoices and receipts and tracking payments of rental income tax for all rental properties in Mogadishu. In addition, we developed a mobile app—Somalia Road Tax—that allows users to manage and pay their road tax bills, and to view their payment receipts.

- **Extension of sales tax to services.** To broaden the tax base, as part of the 2024 Appropriations Law, we extended the scope of application of the sales tax to a range of services (including telecom, electricity, and TV cable providers) that had not been taxed before under the 1984 Sales Tax Law, and issued the related regulations.

- **Sales tax electronic system.** In August 2024, a new sales tax electronic system was implemented that collects sales tax directly from consumers paying into merchant mobile money/mobile wallet accounts. Sales tax revenues collected are automatically transmitted to the Treasury Single Account.

- **Revenue administration measures.** We issued the Revenue Administration Law regulation in April 2024, which covers a range of enforcement issues. We continue rolling out Point of Sales (POS) machines at restaurants and hotels in Mogadishu that transmit sales data to tax offices on a real-time basis, which has had positive effects on data integrity and revenue collection. Following a first round of tax audits in 2020, we have since undertaken new rounds of tax audits every year, which has helped improve the quality of tax returns, particularly those submitted by small and medium-sized enterprises. Personal income tax withholding at source was implemented for workers in the health and education sector. A new regulation establishing civil penalties for the violation of revenue laws was issued on September 14, 2024. As part of our efforts to implement the 2019 Revenue Administration Law, we held public awareness events to improve taxpayer's understanding of the new legal requirements. Capacity of the revenue administration has also been strengthened.

**9. Public financial management (PFM) was strengthened.**

- **Reporting.** To strengthen transparency, we have been regularly publishing the annual financial statements of the Federal Government of Somalia (FGS) since 2019. The aggregated budget—which combines budgets of the FGS, five Federal Member States (FMS) and Banaadir Regional Administration (BRA)—was published for the first time as part of the 2021 Budget Policy Framework and has been published on an annual basis since. We have been publishing the monthly consolidation reports of fiscal outturns of the FGS and five FMS on the MoF website since January 2021. At the FGS level, we have continued expanding the additional disclosures in the monthly and annual financial statements, including a memorandum annex on SDR holdings of the MoF.

- **PFM Act regulations.** The PFM Act regulations on debt, public investment, and natural resource revenue management were issued in May 2022.

- **PPP bill.** On August 12, 2024, we submitted the PPP Bill to Parliament (SB#5, implemented with delay). The bill describes the process for the assessment of PPP projects, establishes the Technical Unit within the Ministry of Finance, and clearly established that review and approval of the IMC is needed for any PPP to move forward.

- **Expenditure controls.** To strengthen expenditure controls, we have fully operationalized the functionality of the Somalia Financial Management Information System (SFMIS) to control commitments within allocations and warrants, which are guided by monthly cash forecasts. Parliament approved a resolution in September 2024 mandating government institutions in the process of developing new legislation to get clearance from the Ministry of Finance if the proposed legislation has any fiscal implications.

- **Payroll integration.** The Pay and Grade policy and roadmap for payroll integration were approved by the Cabinet on December 1, 2022. The policy sets out salary scales for temporary workers and other employees, eligibilities for allowances included in non-payroll payments, and clarifies the roles and responsibilities of the MoF and National Civil Service Commission in their controls and financial clearance. To strengthen controls on compensation and ensure payroll integrity: (1) in October 2023, we configured the SFMIS to allow only the MoF to change the payroll entries with financial implications; (2) a provision specifying the MoF's authority over the financial clearance of compensation of all FGS employees was included in the 2023 Appropriations Law and in the 2024 Appropriations Bill approved by Cabinet in October 2023; and (3) we have fully integrated all compensation of employees into the single payroll included in the SFMIS (SB#3, met).

- **Streamlining of business processes.** Building on the experience of invoice tracking for electricity and internet, a roadmap to expand the coverage of invoice tracking to all goods and services was approved on February 28, 2024, and we have been implementing it according to schedule.

- **Public procurement.** We continue to develop an open and transparent process for public procurement through implementation of the Public Procurement Law and regulations. In July 2023, the Prime Minister issued the guidelines on emergency procurement, which define emergency situations, set out permissible procurement methods for a given situation, and require use of standardized specifications and framework contracts that would facilitate the procurement process while creating safeguards against wastage. We are also reinforcing the strategic and oversight role of the Inter-Ministerial Concessions Committee (IMCC) with Cabinet approval of standard operating procedures for the IMCC, in line with the requirements of the Procurement Act. The standard operating procedures specify, among others: (i) the administrative procedures for presenting projects to be discussed by the IMCC, including sufficient lead time to prepare the necessary technical assessments for projects to be reviewed by the IMCC; and (ii) the interim role of the MoF Procurement Department in providing technical support to the IMCC and preparing technical assessments of projects to be considered until the Concessions Technical Unit is established and has built adequate capacity. A Prime Ministerial decree was issued in October 2023 to reinforce to the public institutions and the general public the due process to be followed for procurement and concessions, without which any agreement will be void and criminal procedures followed. A cabinet resolution approved on August 21, 2024 reinforces transparency in the management of contracts and concessions by making clear that all concessions should be reviewed in line with the law.

- **Public lands and real estate.** To strengthen governance and prevent misuse of government lands and nonfinancial assets, in September 2023 we amended the PFM Regulations to implement the PFM Act's provisions on public property and issued the Asset Management Guidelines that provide a standard approach for government assets management, enhance transparency and accountability, and promote a prudent use of public lands and real estate.

**10. Debt management has continued to improve.** The Debt Management Unit (DMU) has successfully upgraded its debt recording management system with the Commonwealth Meridian System. The DMU has been publishing consecutive quarterly public debt reports since 2020Q4. A debt reconciliation exercise was carried out in 2023 in preparation for the HIPC Completion Point. We have strengthened the public debt management framework by more fully articulating and disseminating the procedures for initiating loan negotiations and entering into loan agreements. On July 15, 2024, we issued a decree and regulation on debt policy that articulate the key parameters for debt policy; establish the procedures for entering into new borrowing and issuing sovereign guarantees; and amend the PFM regulations to include a clear definition of "other financial liabilities" that are considered guarantees as per Article 37 (6) of the PFM Act, in line with IMF staff recommendations (SB#4, implemented with delay).

**11. Progress continues on the federalism agenda and amendments to the Constitutions**. In March 2023, the National Consultative Council brought together leaders of the FGS, four out of five FMS, and the Mayor of Mogadishu. High-level agreements were reached on creating a National Revenue Authority, the assignment of revenue responsibilities across levels of government, and the pool of revenues that are to be shared between the FGS and FMS. In July 2023, the same group agreed on the distribution of external budget support. In March 2024, Parliament ratified amendments to the first four chapters of the Provisional Constitution.

**12. The CBS is making significant progress on promoting financial stability and financial deepening.** The launch of the National Payment System (NPS) in 2021 was a major milestone, enabling a safer and more efficient payment infrastructure. Transactions through the NPS have been increasing. IBAN account standardization was launched March 27, 2023 to improve cross-border payments and reduce operational risks within the NPS. The Gargaara program, with World Bank support, continues to support access to financing for micro, small, and medium-sized enterprises. In February 2024, the CBS joined the Alliance for Financial Inclusion (AFI). The guidance for Islamic bank financial reporting and the guidance for the Shariah bank governance framework were issued in 2020. In January 2024, the CBS joined the Islamic Financial Services Board (IFSB), which will provide technical support to improve our capacity to regulate Islamic banks. The CBS issued the banking regulations on capital and liquidity requirements in July 2023, also covering risk management aspects, which became effective in January 2024. The capital adequacy regulation incorporates risk weighting of exposures to credit and operational risks according to the Basel III framework, in a proportionate manner and considering Islamic financing. The liquidity regulation clarifies and simplifies the liquidity coverage ratio (LCR) requirement in addition to qualitative requirements on risk management, in line with Basel III. We have been engaging with banks to ensure they meet the new requirements. As of September 2024, five mobile money operators have been granted licenses. Mobile money regulations were issued, the payment system and mobile money oversight division was established, and a regulation manual drafted. Capacity in financial supervision has been improving through increased resources and we are moving towards risk-based prudential supervision. In July 2024, the CBS adopted an action plan to improve the quality of data submitted by commercial banks and communicated the action plan to commercial banks (SB#6, met).

**13. The CBS is strengthening its institutional framework and capacity, including through implementation of IMF safeguards assessment recommendations.** The performance criteria on net international reserves (NIR) has been consistently met. The CBS is enhancing its governance and decision-making arrangements. A function-based organizational structure was adopted, and a performance management system was established. Most recommendations from the March 2020 safeguards assessment have been implemented. Financial reporting transparency improved with the implementation of International Financial Reporting Standards, and governance bodies—the Board and the Audit Committee—have been restored and exercise their oversight responsibilities. The 2023 audited financial statements were published in June 2024 with a clean auditor opinion, and the period-end closing procedures were established in January 2023. We have addressed most 2024 Safeguards recommendations, including in the area of internal controls and expanded disclosures to CBS financial statements. The CBS joined the World Bank's Reserve Advisory and Management Partnership (RAMP) in October 2024, underscoring the commitment to adopting global best practices in reserve management.

**14. Some important steps have been taken on AML/CFT.** The National AML/CFT Taskforce has been operational since February 2021 to support the National Anti-Money Laundering Committee (NAMLC). The National Risk Assessment (NRA) on ML/FT was finalized and published in 2022. The NRA Action Plan was published in February 2023. The Targeted Financial Sanctions Law (TFSL) was enacted in March 2023 and the related regulations were approved in July 2023. In April 2024, we published the List of Financial Sanctions Targets, which was expanded further in July 2024. Key infrastructure and IT systems were acquired to support the Financial Reporting Center's capacity to review and assess suspicious transactions. Efforts have been made to improve the integrity of the financial sector through outreach and training. The CBS issued a guidance on Know-Your-Customer and customer due diligence risk-based approach and large cash transactions and suspicious transactions reporting for commercial banks in July 2023. NAMLC issued a guideline on mobile money transaction limits in July 2023, which was expanded in September 2024 to include mobile wallets. As part of our preparations for the MENA-FATF Mutual Evaluation Assessment, we submitted amendments to the 2016 AML/CFT Law to Parliament on March 30, 2024.

**15. We continue our governance and anti-corruption efforts.** To enhance the transparency in the regulatory process for key industries, the CBS and National Communication Authority (NCA), respectively, have published on their websites the outcomes of licensing applications for Mobile Network Operators and Mobile Money Operators. We acceded to the UN Convention Against Corruption (UNCAC) in August 2021 and to the Arab Anti-Corruption Convention in October 2023, and we have also deposited the African Union Convention on Preventing and Combating Corruption. On February 4, 2024, we submitted to Parliament the United Nations Convention Against Transnational Organized Crime (UNTOC) and its protocols for ratification. Once acceded, it will enhance the fight against transitional organized crime including money laundering, which is part of the FATF recommendations. In 2019, we published the National Anti-Corruption Strategy (NACS) and we have conducted outreach to public sector employees for ethics training and to increase awareness of the NACS.

**16. The Audit Law, which was enacted in September 2023, lays the legal groundwork necessary for a robust federal audit system.** The law strengthens the independent oversight of the use of public resources at the federal and state level, including for intergovernmental transfers; outlines the checks and balances for appointing and dismissing the Auditor General; and clearly separates the responsibilities of federal and state Auditors General related to special audits of grant transfers. We issued the corresponding regulations in June 2024, which further align the functions of the Office of the Auditor General (OAGS) with international standards and reinforce OAGS's autonomy in critical areas of staffing, operational, and financial management, as well as delineate responsibilities between OAGS and FMS auditors general.

**17. We continue to make progress on the petroleum sector legal framework.** The Model Oil and Gas Production Sharing Agreement (PSA) was approved by the IMCC in November 2021. The PFM regulations on natural resource revenue management were issued in May 2022. The revised tender protocol was approved by the IMCC in November 2022. The Extractive Industries Fiscal Regime Law was enacted in June 2023.

**18. We have also enacted several new key pieces of legislation and implemented reforms to support inclusive growth and resilience to climate shocks.** *We passed the Somali Standards and Quality Control Bill and established the Somali Bureau of Standards in 2020. 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. In May 2022, we issued* a second set of regulations to the Company Act specifically covering the issue of *minority shareholder protection to encourage private sector investment. The Electricity Act was enacted in March 2023 and the Electricity Service Provider (ESP) Licensing Regulations and the ESP Tariff Regulations were approved. Additional key pieces of legislation that support development efforts were passed by Parliament in March 2023, in particular the Data Protection Law, the Digital ID System Law, the Investment and Investor Protection Act, and the Federal Law on Fisheries. A new Pension Law for Civil Servants was enacted in April 2024.*

**19. We launched the national digital ID in September 2023.** As of August 2024, we have enrolled 60 thousand individuals in the National Identification and Registration Agency (NIRA). The digital ID will support the implementation of targeted social protection programs and improve know-your-customer requirements to enhance the AML/CFT efforts.

**20. The FGS and FMS are working jointly to enhance human capital development.** The FGS and FMS Ministers of Education adopted an agreement defining their respective roles and responsibilities on curriculum and examinations. The FGS and FMS Ministers of Health also adopted a joint national health sector strategy, which will support effective functions and accountability across different levels of governments.

**21. We have established a national Unified Social Registry (USR), a necessary building block for a comprehensive shock response safety net system.** The USR is a functional platform that supports the registration and determination of potential eligibility for social programs. The registry is undertaking a nationwide survey targeting approximately 1.9 million households. We are implementing a social safety net scheme—Baxnaano—with the support of the World Bank and using the systems of the World Food Program.

**22. We continue to enhance our capacity to produce macroeconomic and financial statistics.** The Somalia National Bureau of Statistics (SNBS) has published the Somalia Facts and Figures annually since 2018. National accounts and consumer price index are published annually and monthly, respectively. The 2022 Somalia Integrated Household Budget Survey (SIHBS), the first since 1985, was published in February 2023 and has been used to rebase GDP and produce a national CPI to be published starting in January 2025. To promote data transparency, Somalia continues to implement the enhanced General Data Dissemination System (e-GDDS) framework.

## Outlook and Risks

**23. Growth is expected to strengthen in the near term, supported by continued recovery in agriculture, remittances, and investment**. Real GDP growth for 2024 is forecast at 4 percent. Livestock exports will continue to grow, as Somalia gains some export market share, and remittance inflows are expected to remain strong. Inflation is expected to decline to 4.5 percent (eop) in 2024 reflecting lower commodity prices. Growth is expected to increase to 4.5 percent by 2029, as financial and structural reforms facilitate a gradual scaling up of public spending and foster greater private investment.

**24. We have considered how best to safeguard our objectives under the ECF-supported program in case downside risks materialize.** Significant near-term risks include climate shocks (drought, floods, and related impact on food insecurity), security risks, lower than anticipated global growth, and additional pressures on international food and energy prices. Shortfalls or delays in disbursement of budget support financing also create risks for the budget. Our policy efforts aim to improve our ability to deal with these risks. If any of these risks materialize, revenue shortfalls could be partly absorbed by our continued fiscal discipline, drawing on available cash buffers, and our sequestration rule that prioritizes critical expenditure. Importantly, we would seek additional financing from development partners.

## Economic and Financial Policies

**25. Under the Fund-supported ECF program, we will continue our efforts to further strengthen key economic institutions and promote macroeconomic stability and growth, in line with Somalia's Ninth National Development Plan and the forthcoming National Transformation Plan and Centennial Vision 2060.** Reform priorities in the ECF-supported program include: (i) increasing domestic revenues; (ii) strengthening PFM (including the legal and regulatory framework, internal and external audit, expenditure controls, cash management, accounting and reporting, debt management, and public investment management); (iii) promoting financial deepening and financial inclusion, including the currency reform and currency board arrangement; (iv) improving the business environment and governance (including AML/CFT); and (v) enhancing statistics. Quantitative performance criteria and indicative targets consist of a floor for domestic revenue, a ceiling on recurrent operating expenditures, a floor on the cash-based fiscal balance, no new external arrears, no new accumulation of domestic arrears, no new accumulation of non-concessional external debt, a ceiling on new domestic debt, and a floor on the net international reserves of the CBS (see MEFP Table 1 and TMU). We do not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, introduce new, or intensify existing import restrictions for balance of payments purposes, or enter into bilateral payments agreements that are inconsistent with Article VIII of the IMF's Articles of Agreement. Structural benchmarks (MEFP Table 2) involve key reform objectives in the areas of revenue administration, public financial management, financial stability, and governance and AML/CFT. Additional reforms to meet program objectives, beyond those discussed below, will continue to be introduced on a 12-month rolling basis as information on needs and priorities emerges. By the conclusion of the arrangement, we expect to have improved the efficiency and transparency of fiscal processes, as domestic revenues and expenditures increase; strengthened debt management and public investment management capacity; made progress on the currency reform and currency board arrangement; and enhanced statistics and governance across all macro-critical sectors.

**Fiscal Policy and Reforms**

**26. The FGS will continue to improve the fiscal framework and fiscal sustainability over the medium term.** While providing space for higher expenditure to address the country's still significant development needs, we will follow a prudent fiscal policy that preserves fiscal sustainability while taking into account Somalia's need to build debt management capacity and public investment capacity over time. We will anchor policy in a medium-term fiscal framework (MTFF) and for external financing we will rely solely on grants and concessional loans to preserve debt sustainability. We will seek to maintain overall fiscal deficits of up to 3.5 percent of GDP financed with concessional loans, of which at a minimum 1.5 percent of GDP will come from multilateral creditors that provide highly concessional financing terms as well as capacity development support.[1] This will be reviewed periodically in line with our borrowing capacity. Borrowing capacity will increase over time as Somalia strengthens its revenue capacity, debt management capacity, and public investment management capacity. Specific fiscal conditionality for the program will be set on a 12-month rolling basis during program reviews, taking into account the authorities' policy objectives, project pipeline, economic developments, and other information, and in consultation with IMF staff. We will also implement measures to accelerate the mobilization of domestic revenues; improve budget execution; improve public financial management to safeguard fiscal resources and strengthen governance; integrate the costs of national development plan priorities into our budgets going forward; and strengthen inter-governmental fiscal relations.

**27. In 2025, we will continue to improve revenue collection and make room for priority spending, while containing discretionary expenditure pressures.** The 2025 budget is expected to have a small overall fiscal deficit of 0.2 percent of GDP. Implementation of measures outlined in the MTRR will raise domestic revenues to at least 3.3 percent of GDP, a level that exceeds by a margin the cost of compensation of employees. This would improve the ratio of domestic revenues to GDP by 0.3 percentage points in 2025 as compared to 2024. The Budget accommodates expenditure that is supportive of growth, security, and development while limiting other discretionary spending. Any new hires will be incorporated in the payroll system, with wages in line with existing pay scales.

**28. Domestic revenue mobilization is a cornerstone of our fiscal program, and we aim to raise domestic revenue to fully cover operational expenditure by 2027.** We see the importance of raising domestic revenues and restraining operational expenditure to reduce the need for

[1] For the purposes of the program, highly concessional financing is defined as borrowing with at least 50 percent grant element.

borrowing to cover operational costs, and to facilitate an expansion in public services and investment over time. We will intensify efforts to increase domestic revenues so that they fully cover operational expenditure (including non-project compensation of employees, goods and services, and interest payments) by 2027. The MTRR for 2024-2027 has outlined the following key revenue reforms, among others:

- **Customs modernization.** We will complete the ad valorem customs reform. To ensure sustained end-to-end use of SOMCAS in the Mogadishu seaport and airport, we will fully discontinue the use of the Port Customs Management Information System (PCMIS) by end-June 2025 (proposed SB#10). Once all stakeholders have gained sufficient experience with the full end-to-end use of the SOMCAS system at ports and airports of Mogadishu and Kismayo, we will begin application of ad valorem tariffs that rely on invoice values, initially keeping the common valuation table to provide minimum values for duty calculation. We will advance with the customs reform in the remaining ports of Somalia once political conditions allow. Our strategy for customs modernization will also align with requirements under the EAC membership.

- **Modern income tax law.** Once enacted, we will swiftly move forward with implementation. The new law will streamline definitions of taxable income and deductions in both FGS and FMSs and is expected to increase income tax collection over the medium-term.

- **Revenue mobilization from large businesses, in particular the telecom sector.** We will speed up the pace of revenue mobilization from sectors that offer significant revenue potential for the government, including the telecom sector. Bringing effective tax rates on the telecom sector up to a level comparable to that of peers and other countries in the region is essential to achieve the domestic revenue targets. To further strengthen revenue collection, we will leverage the expansion in tax registrations that has taken place in the context of the implementation of the sales tax electronic system.

- **Other revenue administration measures.** To leverage information and communication technologies for revenue administration, we will develop the Integrated Tax Administration System (ITAS). Once operationalized, the ITAS will enable the collection and use of third-party data and enhance tax audits, automate collection processes, and improve inland tax administration effectiveness. We will develop and rollout a non-tax revenue portal, which will channel all fees charged by different MDAs to the Treasury Single Account. We will continue strengthening tax audits by implementing the new audit manual, which draws lessons from rounds of audits since 2020.

**29. We will bolster efforts to improve PFM, which is important to strengthen expenditure controls and fiscal transparency:**

- **Streamlining of business processes.** We will streamline the budget execution and Treasury management process in order to enhance financial controls and reporting. To improve efficiency and accuracy, we plan to accelerate automation of cash planning and revenue management through the SFMIS by eliminating paper-based parallel processes and utilizing the interfaces with the SOMCAS and ITAS. Moving towards a paperless environment in PFM systems, we will update the PFM regulations relating to digital signatures for the purchase order to payment process and we will implement the digital signatures in the SFMIS by end-June 2025 (SB#8), including training of MDAs.

- **Debt management.** By end-April 2025, we will publish an Annual Debt Management Report (ADMR) for FY2024 in line with IMF TA recommendations (proposed SB#11), to strengthen analytical capacity for debt management, enhance debt transparency, and provide a source to government and external stakeholders to assess the state of debt management in Somalia.

- **Fiscal transparency and accountability.** We will amend the PFM Regulations to require costing of the NDP in the annual and supplementary budgets. To expand the coverage of general government fiscal reports, we will coordinate with the Banaadir to develop their regular fiscal reporting process and ensure their participation in aggregated reporting.

- **Public investment management and public-private partnerships (PPP).** To facilitate a gradual increase in public investment over time, we will take steps to develop capacity in public investment management, in particular project appraisal and selection, to ensure the implementation of quality and affordable projects while ensuring fiscal sustainability. We will develop a strong legal and fiscal institutional framework for PPPs to promote investment while adequately managing fiscal risks. Important elements to contain fiscal risks related to PPPs include (i) a sound PPP framework; (ii) controlling costs, including by establishing a gateway process managed by the MoF; and (iii) disclosure of costs and risks. The PPP bill has been submitted to Parliament in August 2024 and we are committed to incorporating edits to the bill that are needed to (i) ensure consistency between the PPP process and the budget process, (ii) update affordability and project selection criteria, and (iii) ensure that PPPs are assessed along with other investment projects as part of the strategic allocation phase in the budget preparation process—in line with IMF staff recommendations.

- **Public procurement.** We will continue to develop an open and transparent process for public procurement through implementation of the Public Procurement Law and regulations. To foster more effective regulatory compliance, we will strengthen capacity of MDAs through the training in and sensitization to the procurement laws and guidelines.

- **Public lands and real estate.** We will proceed with implementation of the PFM Regulations on public property and the Asset Management Guidelines to promote a prudent use of public lands and real estate.

**30. Implementation of expenditure policies will be carefully assessed to ensure fiscal costs are manageable.** We will develop a roadmap to implement the Pay and Grade policies, which would include as elements (i) a plan and timeline for the development of a strategy to align the salaries of temporary workers with the pay scale of permanent workers and (ii) a plan and timeline for conducting a costing exercise to understand the fiscal implications of the proposed shift of permanent and temporary workers to a new pay scale (SB#7, with a reset target date to end-February 2025 to allow sufficient time for technical assistance support). Application of the Civil Service Pension Act will be preceded by a fiscal impact assessment informed by the planned civil service pay and grade reform and information about the number and age structure of dependents that could become eligible for survivor benefits.

**31. In the context of the Constitutional review process, we will seek to strengthen the links between the Constitution's fiscal provisions and the primary legislation and policy agreements that have been established over the past decade**. We will also seek to ensure consistency between the Fiscal Chapter of the Constitution and other chapters in the Constitutions with fiscal provisions.

**32. We have continued to make good faith efforts to reach agreement with pending creditors to restructure Somalia's HIPC-eligible external public debt.** Since reaching HIPC Completion Point in December 2023, we have made significant progress on negotiating with pending multilateral creditors and bilateral creditors. On March 13, 2024, the Paris Club agreed upon a HIPC Initiative exit debt treatment for Somalia. In addition to required HIPC Initiative debt relief, Paris Club creditors also agreed to provide beyond-HIPC debt relief to Somalia, and 5 Paris Club members have already signed the debt cancelation agreement. Efforts with pending non-Paris Club bilateral creditors have also gained speed. In 2024, we also concluded agreements with the Islamic Development Bank and OPEC Fund for International Development.

**33. We are working towards finalizing and implementing a harmonized legal framework for the extractive industries.** By end January 2025, we will publish the Extractive Industries Fiscal Regime Law (EIFRL) regulations, in line with the IMF recommendations (proposed SB#13). By end-March 2025, we will publish a new regulation for the Petroleum Act clarifying publication standards for all production sharing agreements (PSAs) (including timeframe and coverage), in line with IMF recommendations (proposed SB#14, end-March 2025). Once issued, this regulation will apply to all new PSAs, with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security. By end-December 2024, we will amend the regulation harmonizing the Petroleum and Procurement Acts to cement the procedure that all PSAs to be negotiated (PSAs under direct negotiation and PSAs under a licensing round) must be submitted to IMCC for review and approval (proposed SB#15). We will also finalize the regulations for the Petroleum Act. We commit to not signing any new production sharing agreements until the legal framework is completed (including issuance of the EIFRL regulations, the Petroleum Act regulations on the publication standards for PSAs, the amendment to the regulation harmonizing the Petroleum and Procurement Acts to cement IMCC review and approval of all PSAs, and the Petroleum Act regulations)—with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which would be submitted to IMCC for review and approval (proposed continuous SB#16 until the EIFRL regulations, the Petroleum Act regulations on the publication standards for PSAs, the amendment to the regulation harmonizing the Petroleum and Procurement Acts, and the Petroleum Act regulations are issued). Any direct negotiations will be limited and informed by price discovery through previous competitive licensing rounds.

**Monetary and Financial Sector Reforms**

**34. We will continue implementing reforms to strengthen CBS institutional capacity and support financial deepening**. Bills for the revised Financial Institutions, National Payments System, and Islamic Insurance have been submitted to Parliament. We are developing a National QR code and National SWITCH to support the national payment system. Staffing and capacity of the CBS Licensing and Supervision Department will continue to be strengthened to improve the quality of supervision. We will continue to address the remaining recommendations of the 2024 IMF safeguards assessment, including in the areas of cyber security and business continuity, and the CBS Law (see below). To enhance data reporting by banks, by end-July 2025 we will issue detailed instructions to capital adequacy (CAR) and liquidity coverage ratios (LCR) templates reported by banks (proposed SB#12).

**35. In the context of the planned the currency reform, we plan to adopt a currency board arrangement as the monetary and exchange rate framework, with the support of IMF technical assistance.** Reintroducing the Somalia shilling as legal tender will restore the credibility of the national currency, promote financial inclusion for the most vulnerable populations that have limited access to formal financial services, and fulfill an important liquidity function by facilitating payments for small value transactions. We also see the currency reform as an opportunity to contribute to peacebuilding as the national currency will be a symbol of national sovereignty and unity. We are taking steps to address the operational and financial needs associated with the currency exchange project, including securing a firm agreement between the FGS and all FMS and addressing the funding gap, including discussions with the World Bank. Along with the currency exchange, we are starting preparations for introducing a currency board arrangement with IMF CD support. A currency board will provide a stable and predictable policy environment to ensure confidence in the national currency across Somalia, while maintaining a dual currency regime with the U.S. dollar. We will submit amendments to the CBS Law to Parliament, including to cover the currency board arrangement, in line with IMF safeguards recommendations (SB#9, amended and with a reset target date of end-December 2025 to allow sufficient time to develop the aspects of the currency board arrangement that need to be reflected in the law), while also further strengthening governance and autonomy provisions. We will need to secure gross international reserves required to backstop the new currency, including by catalyzing donor assistance. We are committed to maintaining complementary policies to sustain the credibility of the currency board once implemented. In particular, we will: (i) ensure fiscal sustainability; (ii) ensure CBS operational independence and prevent deficit financing of the government; (iii) strengthen CBS capacity, including the cash management function, and policies to promote transparency; (iv) secure financial stability, develop financial markets, and support capacity building of financial institutions; and (v) improve the quality, frequency, and timeliness of macroeconomic and financial data.

**36. We will continue advancing reforms of the AML/CFT operational and legal framework to comply with international standards and support the flow of remittances into Somalia.** We will continue to implement the NRA action plan. In preparation for the MENA-FATF Mutual Evaluation Assessment, we completed the questionnaires on effectiveness and technical compliance. However, the onsite visit of the MENA-FATF has been delayed and is to take place in due course. MENAFATF will decide the scheduling of the onsite visit at the next plenary meeting in November 2024.

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

**37. We continue our strong commitment to improve governance and fight corruption.** We will take steps to review the existing laws to ensure compliance with the UNCAC. We will strengthen the resources of the Independent Anti-Corruption Commission and update our National Anti-Corruption Strategy.

**38. We remain committed to advancing a broad-based reform agenda to bolster inclusive growth, improve resilience to climate shocks, and enhance trade integration.** To help build resilience to climate change and strengthen food systems over time, the Ministry of Environment and Climate Change launched a Food Security Crisis Plan in December 2023. The government has also developed a National Climate Change Policy for a harmonized response to climate challenges and integration of climate considerations into various sectoral activities. We are developing the Centennial Vision 2060 and a new National Transformation Plan (NTP)—to succeed the NDP9—that aim to accelerate the development process in key areas, including poverty reduction, inclusive growth, and climate resilience. We are also working with development partners to encourage greater channeling of aid flows through the budget and country systems to ensure their alignment with the priorities of the NDP9 and NTP, enhance their visibility, and facilitate monitoring and evaluation. *We will make progress towards integration with the customs union and common market of the East African Community, and also work towards accession to the World Trade Organization.*

**39. We are committed to improving key macroeconomic and financial data, acknowledging the critical role it plays in guiding economic policies.** Availability of economic activity and social data will be broadened with the new Business Survey to be finalized by end 2024 and an annual establishment survey to be launched in 2025. An agriculture census is planned for 2025-2026. A new population census is expected to begin in 2026, the first after 40 years. The business survey and subsequent annual survey are intended to provide the foundation for deriving GDP by the production approach.

## Program Monitoring and Access

**40. Program implementation will be monitored through quantitative performance criteria, continuous performance criteria (including a continuous performance criteria related to Article VIII commitments), indicative targets (MEFP Table 1) and structural benchmarks (MEFP Table 2).** These will be assessed through semi-annual reviews. The third and fourth reviews of the ECF arrangement will be based on the QPCs and ITs set for end-December 2024, and end-June 2025, respectively (as described in MEFP Table 1 and the TMU), and the structural conditionality as described in MEFP Table 2. All reviews will be conditioned on quantitative performance criteria outlined in MEFP Table 1.

## Table 1. Somalia: Quantitative Performance Criteria and Indicative Targets Under the ECF Arrangement (March 2024–September 2025) 1/

(Millions of U.S. dollars)

| | Mar. 2024 | | | Jun. 2024 4/ | | | Sept. 2024 | | | Dec. 2024 4/ | Mar. 2025 | Jun. 2025 4/ | Sept. 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Prog. | Act. | Status | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. | Prog. | Proposed | Proposed |
| **Quantitative Performance Criteria** | | | | | | | | | | | | | |
| 1 FGS domestic revenue, floor 2/ | | | | 150 | 181 | Met | | | | 357 | | 178 | |
| 2A Spending on FGS compensation of employees, goods & services, & contingency, ceiling 2/ 8/ | | | | | | | | | | | | | |
| 2B Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/ 8/ | | | | 252 | 202 | Met | | | | 468 | | 260 | |
| 3A Net international reserves, floor 7/ 8/ | | | | | | | | | | | | | |
| 3B Net international reserves (excl. all SDR holdings of MoF), floor 7/ 8/ | | | | 1.5 | 2.5 | Met | | | | 1.5 | | 1.5 | |
| 4 Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/ | | | | 0 | 0 | Met | | | | 0 | | 0 | |
| 5 Accumulation of new external arrears, ceiling 3/ | | | | 0 | 0 | Met | | | | 0 | | 0 | |
| **Indicative Targets** | | | | | | | | | | | | | |
| 1 FGS domestic revenue, floor 2/ | 69 | 92 | Met | | | | 239 | 268 | Met | | 85 | | 283 |
| 2A Spending on FGS compensation of employees, goods & services, & contingency, ceiling 2/ | 118 | 99 | Met | | | | | | | | | | |
| 2B Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/ 8/ | | | | | | | 374 | 312 | Met | | 131 | | 387 |
| 3A Net international reserves, floor 7/ 8/ | 0.7 adjusted | 12 | Met | | | | | | | | | | |
| 3B Net international reserves (excl. all SDR holdings of MoF), floor 7/ 8/ | | | | | | | 1.5 | 2.7 | Met | | 1.5 | | 1.5 |
| 4 Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/ | 0 | 0 | Met | | | | 0 | 0 | Met | | 0 | | 0 |
| 5 Accumulation of new external arrears, ceiling 3/ | 0 | 0 | Met | | | | 0 | 0 | Met | | 0 | | 0 |
| 6 Fiscal balance, floor (cash basis) 2/ 5/ | -48 | -11 | Met | -82 adjusted | -23 | Met | 6 | 73 | Met | -38 | -47 | -62 | -86 |
| 7 Contracting of new domestic debt, ceiling 3/ | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | 0 | 0 |
| 8 Accumulation of new domestic expenditure arrears, ceiling 3/ | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | Met | 0 | 0 | 0 | 0 |
| ***Memorandum item*** | | | | | | | | | | | | | |
| Contracting or guaranteeing of new external concessional debt 5/ 6/ | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | 0 | 75 |

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

1/ The quantitative targets, indicative targets, and program exchange rates are defined in the Technical Memorandum of Understanding (TMU).

2/ Cumulative from the beginning of the fiscal year.

3/ This target is applied on a continuous basis.

4/ Test date for the second, third reviews, and fourth reviews, respectively.

5/ The fiscal balance floor for 2024 is in line with the authorities' 2024 budget (-US$38 million), which is consistent with the IMF staff forecast (-US$24 million). The difference is explained by different assumptions regarding budget support grants. The authorities' budget included US$185 million in budget support grants (including US$75 million DPF from the World Bank), while the IMF staff forecast incorporates US$202 million in grants (including US$125 million DPF from the World Bank). In addition, in the authorities' 2024 budget, interest payments are estimated based on signed agreements with creditors (US$10 million), while the IMF forecast shows interest payments assuming agreements are reached with all creditors (US$12.4 million). Similarly, the fiscal balance floor for 2025 is in line with the authorities' 2025 budget (-US$28 million), which is consistent with the IMF staff forecast (-US$158 million). The authorities' 2025 budget includes US$170 million in budget support grants (assuming World Bank budget support is provided as grants), while the IMF staff forecast incorporates US$37.4 million in grants (assuming World Bank budget support is provided as concessional loans). As per the TMU, the fiscal balance floor would be adjusted downward by any delays or shortfalls in budget support grants as compared to the budget estimate, or if interest payments are higher than the budget estimate.

6/ Excludes IMF disbursements.

7/ The floor on NIR would be adjusted downward if the CBS transfers distributable earnings to the government, and if the CBS provides temporary liquidity advances to the government, as per the TMU.

8/ Up to March-2024, based on the definition from the ECF program appoval. From June-2024, revised definition introduced in the 1st review.

## Table 2. Somalia: Structural Benchmarks Under the ECF Arrangement (September 2024–September 2025)

| Benchmarks | Target dates | Proposed new target date | Sector/FGS Agency | Rationale | Monitoring | Status |
|---|---|---|---|---|---|---|
| 1 Publish a Tax Policy and Revenue Administration Roadmap approved by the Minister of Finance, in line with IMF staff recommendations | End-June 2024 | | Domestic revenue / MOF | Support domestic revenue generation and revenue administration | Publish roadmap approved by the Minister of Finance on the MOF website. | Met |
| 2 Submit the Income Tax Bill to Parliament | End-June 2024 | | Domestic revenue / MOF | Support domestic revenue generation and revenue administration | Send to the IMF staff the version of the Bill submitted to Parliament | Not met, implemented with delay on July 9, 2024 |
| 3 Ensure full payroll integration of FGS employees in the SFMIS payroll module by reducing the ratio of non-payroll compensation of employee payments to total compensation of employees to less than 1 percent | End-June 2024 | | PFM / MOF NCSC MOLSA | Strengthen payroll integrity, expenditure controls, and governance | Submit to IMF staff monthly SFMIS reports detailing amount of payroll and non-payroll payments for FGS compensation of employees. A ratio of non-payroll compensation of employee payments to total compensation of employees to be decreased to less than 1 percent on average between April and June 2024 (relative to 10.9 percent in May-July 2023) | Met |
| 4 (1) Issue a Prime Ministerial Decree that articulates the key parameters for debt policy and establishes the procedures to be followed for entering into new borrowing and issuing sovereign guarantees, in line with IMF staff recommendations; (2) amend the PFM regulations to include a clear definition of "other financial liabilities" that are considered guarantees as per Article 37 (6) of the PFM Act, in line with IMF staff recommendations | End-June 2024 | | Public debt/ MOF | Define debt policy and strengthen debt management framework and capacity, in order to preserve fiscal sustainability. | Publish the approved Prime Ministerial Decree on the MoF website. Publish the amended PFM regulations on the MoF website. | Not met, implemented with delay on July 15, 2024 |
| 5 Submit the PPP Bill to Parliament with a framework that adequately manages fiscal risks and establishes a gateway process managed by the Ministry of Finance | End-June 2024 | | Governance / MOF | Reduce fiscal risks and contingent liabilities/ Strengthen governance and reduce corruption risks | Send to the IMF staff the version of the Bill submitted to Parliament | Not met, implemented with delay on August 12, 2024 |
| 6 Develop an action plan to improve the quality of data submitted by commercial banks, in line with IMF recommendations, and communicate the action plan to commercial banks | End-July 2024 | | Financial Supervision / CBS | Improve risk-based financial supervision | Provide IMF staff with the action plan approved by the CBS Board and copies of the letters from the CBS Governor to commercial banks with the details of the action plan approved by the CBS Board. | Met |
| 7 Develop a roadmap to implement the Pay and Grade policy, which would include as elements (i) a plan and timeline for the development of a strategy to align the salaries of temporary workers with the pay scale of permanent workers and (ii) a plan and timeline for conducting a costing exercise to understand the fiscal implications of the proposed shift of permanent and temporary workers to a new pay scale | End-December 2024 | End-February 2025 | PFM / MOF NCSC MOLSA | Strengthen payroll integrity, expenditure controls, and governance | Publish the roadmap approved by the Cabinet on the Ministry of Finance website. | |
| 8 (i) Publish the updated PFM regulations relating to digital signatures for the purchase order to payment process; and (ii) implement the digital signatures in the SFMIS | End-June 2025 | | PFM / MOF | Strengthen expenditure controls and improve transparency and accountability | Publish the amended PFM regulations on the MoF website. Confirm implementation of digital signatures in SFMIS. Provide a list of users using digital signatures and the number and amount of payment vouchers processed using digital signatures. | |
| 9 Submit to Parliament amendments to the CBS Law, including to cover the currency board arrangement, in line with IMF recommendations | End-March 2025) | End-December 2025 | Financial Supervision / CBS | Enhance central bank operations and independence under the currency board arrangement | Send to the IMF staff the version of the Bill submitted to Parliament | |

# Table 2. Somalia: Structural Benchmarks Under the ECF Arrangement (September 2024–September 2025) (concluded)

| | Benchmarks | Target dates | Sector/FGS Agency | Rationale | Monitoring |
|---|---|---|---|---|---|
| | ***Proposed Structural Benchmarks*** | | | | |
| 10 | Ensure sustained end-to-end use of the Somalia Customs Automated System (SOMCAS) in the Mogadishu seaport and airport by fully discontinuing the use of the Port Customs Management Information System (PCMIS) | End-June 2025 | Domestic revenue / MOF | Enhance customs administration and revenue collections | The ratio of total customs duties reported in the Treasury Single Account (SFMIS) to the total customs duties paid through SOMCAS should be at least 99 percent on average across May and June 2025 and letter from the Minister of Finance confirming that PCMIS is no longer being used at Mogadishu seaport nor airport. |
| 11 | Publish an Annual Debt Management Report (ADMR) for FY2024 in line with IMF TA recommendations | End-April 2025 | Public debt/ MOF | Enhance debt transparency and management | Publish the ADMR, approved by the Minister of Finance, on the MoF website. |
| 12 | Issue detailed instructions to capital adequacy (CAR) and liquidity coverage ratios (LCR) templates reported by banks | End-July 2025 | Financial Supervision / CBS | Improve the quality of supervisory data | Send IMF staff the detailed instructions communicated to banks. |
| 13 | Publish regulations for the Extractive Industries Fiscal Regime Law (EIFRL), in line with the IMF recommendations | End-January 2025 | Governance / MOF | Strengthen governance and improve transparency | Publish the approved EIFRL regulations on the MoF website. |
| 14 | Publish a new regulation for the Petroleum Act clarifying publication standards for all production sharing agreements (including timeframe and coverage), in line with IMF recommendations | End-March 2025 | Governance / MOF MPMR | Strengthen governance and improve transparency | Publish the approved Petroleum Act regulation on the MPMR website. |
| 15 | Publish the amended regulation harmonizing the Petroleum and Procurement Acts to cement the procedure that all production sharing agreements (PSAs) to be negotiated (PSAs for direct negotiations and PSAs under a licensing round) must be submitted to IMCC for review and approval | End-December 2024 | Governance / MOF | Strengthen governance and improve transparency | Publish the approved regulation harmonizing the Petroleum and Procurement Acts on the MoF website. |
| 16 | No new production sharing agreements (PSAs) in the petroleum sector will be signed until the legal framework is completed (including issuance of the EIFRL regulations, the Petroleum Act regulations on the publication standards for PSAs, the amendment to the regulation harmonizing the Petroleum and Procurement Acts to cement IMCC review and approval of all PSAs, and the Petroleum Act regulations)—with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which would be submitted to IMCC for review and approval. | Continuous until the EIFRL regulations, the Petroleum Act regulations on the publication standards for PSAs, the amendment to the regulation harmonizing the Petroleum and Procurement Acts, and the Petroleum Act regulations are issued. | Governance / MOF | Strengthen governance and improve transparency | Ministry of Petroleum will refrain from signing any new PSAs until the legal framework is completed, with the exception of PSAs negotiated under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which would be submitted to IMCC for review and approval. MoF will provide IMF staff a monthly letter (within 30 days of the end of the month) confirming that no new PSAs have been signed. |

Source: IMF

Note: Ministry of Finance (MOF), Central Bank of Somalia (CBS), Federal Member States (FMS), Financial Reporting Center (FRC), Ministry of Justice (MOJ) public financial management (PFM), Somalia Financial Management Information System (SFMIS), Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT).

# 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) in relation to the Extended Credit Facility spanning December 2023 to December 2026. 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 quantitative performance criteria (QPC) and indicative targets (IT) are specified in Table 1 of the Memorandum of Economic and Financial Policies (MEFP).** Quantitative targets 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.

### QPCs for December 2024, and June 2025, and Related ITs for September 2024, March 2025, and September 2025

- Floor on Federal Government of Somalia (FGS) domestic revenue;
- Ceiling on spending on FGS compensation of employees, goods & services, & contingency;
- Floor on the Central Bank of Somalia's (CBS) net international reserves (NIR);
- Ceiling on accumulation of new external arrears by the FGS; and
- Ceiling on contracting or guaranteeing any new external, non-concessional debt.

### ITs for September and December 2024, and March, June and September 2025

- Floor on the FGS fiscal balance (on a cash basis);
- Ceiling on new domestic debt contracted by the FGS;
- Ceiling on accumulation of new domestic arrears by the FGS; and

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- Contracting or guaranteeing of any new external, concessional debt, excluding disbursements under an IMF arrangement.

**2. In addition to the specific PCs listed in paragraph 1, as for any Fund arrangement, continuous PCs also include the non-introduction of exchange restrictions and multiple currency practices as per the Article VIII commitments.** Specifically, such continuous performance criteria cover (i) the non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions; (ii) the non-introduction or modification of multiple currency practices; (iii) the non-conclusion of bilateral payments agreements that are inconsistent with Article VIII; and (iv) the non-imposition or intensification of import restrictions for balance of payments reasons. These continuous PCs, given their non-quantitative nature, are not listed in the PC table (Table 1) annexed to the MEFP.

**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 budgetand federal members states (FMS). For the purpose of monitoring external debt, the general government is defined as the FGS and FMS (Galmudug, Hirshabelle, Jubaland, Puntland, and South West State) and the Banaadir region.

4. **Government revenue and expenditure is defined in accordance with the Government Financial Statistics Manual (GFSM) 2014 on a cash basis of accounting.** Government revenues and expenditure are recognized when cash is received and paid and measured on a cumulative basis from the beginning of the current fiscal year (which coincides with the calendar year). Financing transactions—including amortization of World Bank and other debt, receipts and repayments of CBS advances, and withdrawal and reconstitution of Special Drawing Rights (SDR) distributed to the MoF—are excluded from revenue and expenditure. Interest payments are included in expenditure. Receipts from the disposal of nonfinancial assets are also excluded from the definition of revenue. The Somalia Financial Management Information System (SFMIS) reports will be used as the basis for program monitoring of revenues, expenditures, and financing transactions, supplemented by monthly financial reports published by the Ministry of Finance.

5. **Government domestic revenue includes all tax and nontax receipts received into the FGS general accounts and excludes grants.** Domestic revenues include taxes, nontax 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 (i) grants and other noncompulsory contributions received from foreign governments or international organizations and (ii) transfers of CBS distributable earnings that are not included in the Appropriation Law.

6. **Spending on FGS compensation of employees, goods and services, and contingencies excludes expenditure made under project appropriations specified in the Appropriation Law.** Spending on compensation of employees and goods and services is determined in line with the GFSM 2014. The expenditure ceiling set in the program excludes the commission paid to the CBS from spending on goods and services. The table on data reporting below requests expenditures by 4-digit level object code for each MDA with a breakdown for those financed by the general government fund, contingency funds, and project support grants specified in the Appropriation Law.

**7. Tax exemptions refer to all revenue losses resulting from preferential tax policies.** The detailed reporting requirements under the PFM Law are:

a. Article 5 (3): Within 7 days of granting an exemption the Minister shall notify the Council of Ministers and the Auditor General of the tax exemptions and the reasons for the exemptions.

b. Article 5 (4): The Minister shall submit the tax exemptions approved to both Houses of Parliament on or before March 31st, June 30th, September 30th, and December 31st of each financial year.

c. Article 5 (5): The content of the reports should show at the micro level the individual to whom the tax exemption was granted; the reasons for the exemptions; the total of taxes due to the Government but not paid; and the benefits to the Government arising from the tax exemption.

d. Article 18 (1)(f): The proposed Budget Appropriation Bill submitted by the Minister to both Houses of the Federal Parliament of Somalia should contain the annual tax exemption report.

**8. Budget execution control points for Somalia are defined in accordance with acceptedinternational practice:**

a. **Allotment:** An allotment refers to a ceiling on the amount of warrants to be requested by MDAs during a specific time period. An allotment is issued by the MoF within available funds for the period covered. Also referred to in some texts as "apportionment" or "allocation".

b. **Warrant:** A warrant refers to a ceiling on the amount of commitments to be made by MDAs during a specific time period. A warrant is issued by the MoF on request from an MDA within the amount of available allotment. Once approved, the warrant reduces the available allotment.

c. **Commitment:** A commitment refers to a contract or other form of legally binding agreements to make payments. It includes agreements to make payments in exchange for future delivery of goods or services and agreements of a continuing nature, including those for compensation of employees. In case of the former, 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.

**9. The fiscal balance,** on a cash basis, is defined as the difference between (i) total government revenue (including domestic revenue, transfers of CBS distributable earnings that are not included in the Appropriation Law, and grants); and (ii) total government expenditures (excluding foreign-financed off-budget expenditure).

**10. Adjustor to the fiscal balance floor.** The floor on the fiscal balance will be adjusted down by any delays or shortfalls in budget support grants as compared to the budget estimate, up to the maximum amounts stipulated in TMU Table 1, to cover priority spending as specified in the sequestration rule under the Appropriation Law, and provided that there are no overruns in other, non-priority spending items. The floor on the fiscal balance will also be adjusted down by any higher amounts of interest payments compared to the budget estimate.

**Table 1. Somalia: Adjustor to the Fiscal Balance Floor, Maximum Amount**

(US$ million, cumulative flows from the beginning of each calendar year)

| | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
|---|---|---|---|---|---|
| **Maximum amount of the fiscal balance adjustor related to delays or shortfalls in budget support grants** | **148.0** | **108.3** | **0.0** | **36.0** | **61.0** |
| **Memorandum items** | | | | | |
| Budget support grants in the Budget estimate | 170.0 | 188.0 | 0.0 | 36.0 | 61.0 |
| Interest payments in the Budget estimate | 9.8 | 9.8 | 13.8 | 13.8 | 13.8 |
| Possible sources of financing for fiscal deficit | 148.0 | 108.3 | 150.9 | 150.6 | 150.2 |
| Withdrawal of cash buffers 1/ | 29.1 | 29.1 | 18.4 | 18.4 | 18.4 |
| MOF SDR holdings 3/ | 69.5 | 79.2 | 78.8 | 78.5 | 78.2 |
| Proceeds from CBS temporary advances 2/ | 49.4 | 0.0 | 53.7 | 53.7 | 53.7 |

1/ Includes the Fiscal Buffer (a dedicated account in the Treasury Single Account managed in accordance with the MoF guidelines of July 25, 2019), the SDR transit account (an account held with a correspondent bank in Türkiye through which proceeds from SDR holdings distributed to the MOF are channeled), and other accounts with cash balances.
2/ In line with the CBS Law, the total amount outstanding at any time of CBS advances shall not exceed 15 percent of the most recent audited domestic revenue of FGS. For 2024, the most recent audited domestic revenue corresponds to 2023 and the maximum amount of liquidity advances from the CBS is USD49.4 million. For 2025, the most recent audited domestic revenue will correspond to 2024 and the maximum amount of liquidity advances from the CBS is currently estimated at USD53.7 million—this amount will need to be updated in forthcoming program reviews once the audited accounts for 2024 become available. In line with the Appropriation Law, all liquidity advances should be repaid by end-December of the fiscal year. In line with the Short-Term Government Financing Agreement between the CBS and MoF signed on June 21, 2021, the maturity of temporary advances should not exceed 90 days.
3/ MOF SDR holdings include the remaining SDR holdings related to the 2021 SDR allocation not converted into USD, the SDR 7 million windfall from the HIPC debt relief not converted into USD, and IMF ECF disbursements for budget support not converted into USD. Drawdown of SDR holdings to pay for net SDR charges are incorporated.

11. **New domestic arrears of the government are defined as FGS' obligations for payments to residents that remain unpaid 90 days after the due date.** Under this definition, the due date refers to the date on which payments are due according to the relevant contract or agreement, after any contractual grace periods lapse. Obligations for payments include CBS advances, borrowing from commercial banks, and accrued but unpaid expenditure commitments for compensation of employees, goods and services, interest payments, mandatory transfer to the Banaadir region, and acquisition of nonfinancial assets. New domestic arrears include those accumulated from the beginning of the fiscal year.

12. **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. For the purposes of the performance criterion of the ceiling on new external arrears, nonpayment of external debt service to Russia will not give rise to arrears when the Central Government and the CBS cannot pay or settle based on the contractual terms solely due to factors outside Somalia's control (e.g. the transfer of funds being rejected owing to intermediary financial institutions' compliance policies, sanctions, or inability to identify the counterparty), as long as the debt service payments have been paid in full into a designated account held by a third-party – in this case the CBS – by the contractual due date, taking into account any contractual grace period. The designated account fulfills the following conditions: (i) no third party (including the Ministry of Finance) has access to the funds deposited in the account; (ii) funds deposited in the account can only be used to service the debt to the creditor, according to the repayment schedule agreed upon between the creditor and Somalia; and (iii) funds accumulated in the account can only be transferred back to the Ministry of Finance if there is legal evidence of an agreement to service the debt through other instruments or if funds need to be transferred to another account with the same purpose. Funds in such designated account will be used only to satisfy the related external debt obligations, and their use or withdrawal for other purposes would constitute a breach of the PC.

**13. For program purposes, debt is defined in accordance with Executive Board Decision No. 15688 (14/107), Point 8(a) and 8(b), adopted on December 5,2014, as amended, 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 totalexpected service life of the property, while the lessor retains the title to the property. For theguideline, 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.

**14. Under the definition of debt set out in this paragraph, arrears, penalties, and judiciallyawarded 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.

**15. 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.

**16. 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.** A memorandum item is included on the 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 performance criteria 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, borrowing 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.[1] 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. External borrowing that does not have a grant element of at least 35 percent is deemed non-concessional borrowing. For the purposes of the program, highly concessional financing is defined as borrowing with at least 50 percent grant element.

**17. The CBS's net international reserves (NIR) are defined as the difference between gross foreign assets and gross foreign liabilities.** All SDRs are valued over the calendar year at the August 31, 2023 exchange rate of US$1.329940 per SDR. IMF representative exchange rates against the U.S. dollar at August 31, 2023 will be used to convert foreign assets and liabilities denominated in currencies other than U.S. dollars. The assets and liabilities related to the designated account held by the CBS into which FGS debt service payments due are deposited as per paragraph 12 are excluded from the definition of NIR for program purposes.

a. Gross foreign assets are defined as

- the sum of (i) gold (valued over the calendar year at the market price of August 31, 2023 (US$ 1,942.9 per ounce)); (ii) total foreign exchange held abroad; and (iii) Somalia's SDR holdings in the IMF SDR Department;

[1] The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

- net of (iv) all SDR holdings that belong to the MoF.[2]

b. Gross foreign liabilities are defined as

- the sum of (i) government deposits at the CBS in foreign currency held abroad; (ii) other earmarked foreign currency deposits at the CBS by residents of Somalia held abroad; (iii) outstanding IMF credits and loans; and (iv) total amount of SDR general allocation;
- net of (v) the MoF share of the 2021 General SDR Allocation as per the September 2021 Memorandum of Understanding between the MoF and the CBS; and (vi) SDRs disbursed under the ECF arrangement for budget support.

**18. Adjustors to the NIR floor.** In case any of the following events materialize, the NIR floor would be adjusted downward by the maximum amounts stipulated in TMU Table 2.

a. If the CBS transfers distributable earnings to the government as per the Central Bank of Somalia Act.

b. If the CBS provides the MoF with temporary liquidity advances to finance delays or shortfalls in budget support grants relative to the budget estimate. In line with the CBS Law, the total amount outstanding at any time of CBS advances shall not exceed 15 percent of the most recent audited domestic revenue of FGS. In line with the Appropriation Law, all liquidity advances should be repaid by end-December of the fiscal year. In line with the Short-Term Government Financing Agreement between the CBS and MoF signed on June 21, 2021, the maturity of temporary advances should not exceed 90 days.

**Table 2. Somalia: Adjustors to the NIR Floor**

(US$ million, cumulative flows from the beginning of each calendar year)

| | Maximum adjustment amounts | | | | |
|---|---|---|---|---|---|
| | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 |
| Adjustor 1, if the CBS transfers distributable earnings to the government | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 |
| Adjustor 2: if the CBS provides temporary liquidity advances to the government 1/ | -49.4 | 0.0 | -53.7 | -53.7 | -53.7 |

1/ In line with the CBS Law, the total amount outstanding at any time of CBS advances shall not exceed 15 percent of the most recent audited domestic revenue of FGS. For 2024, the most recent audited domestic revenue corresponds to 2023 and the maximum amount of liquidity advances from the CBS is USD49.4 million. For 2025, the most recent audited domestic revenue will correspond to 2024 and the maximum amount of liquidity advances from the CBS is currently estimated at USD53.7 million—this amount will need to be updated in forthcoming program reviews once the audited accounts for 2024 become available. In line with the Appropriation Law, all liquidity advances should be repaid by end-December of the fiscal year. In line with the Short-Term Government Financing Agreement between the CBS and MoF signed on June 21, 2021, the maturity of temporary advances should not exceed 90 days.

[2] This includes (i) the unused SDR holdings belonging to the MoF related to the 2021 SDR allocation not converted into USD, (ii) the SDR 7 million windfall from the HIPC debt relief not converted into USD, (iii) the IMF ECF disbursements for budget support not converted into USD, and (iv) any other SDR holdings attributed to the MoF.

## Program Monitoring

**19. Program Monitoring Committee.** The Somali authorities shall maintain a program-monitoring Technical Working Group (TWG) composed of senior officials from the Ministry of Finance (MoF), the CBS, Financial Reporting Centre (FRC), Somalia National Bureau of Statistics (SNBS), and the Ministry of Planning, Investment and Economic Development (MoPIED). The IMF Resident Representative will have observer status on this working group. The TWG 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.

**20. Data Reporting to the Fund.** To allow monitoring of developments under the program, the MoF, CBS, MoPIED, SNBS, and FRC will provide to the Resident Representative's office of the IMF the following data on the schedule as specified in the table below.

**Table 3. Somalia: Data Reporting, December 2023–December 2026**

| 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. |
| Central Bank of Somalia | Monetary Survey | 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. |
| Central Bank of Somalia | Financial data not in broad money | Volume and value of mobile money transaction. | Quarterly | 4 weeks after the end of each quarter. |
| Central Bank of Somalia | 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, capital adequacy ratio, liquidity coverage ratio), and average profit rates and tenor information for private sector financing assets from banks. | Quarterly | 4 weeks after the end of each quarter. |

**Table 3. Somalia: Data Reporting, December 2023–December 2026** (continued)

| Reporting Agency | Type of Data | Description of Data | Frequency | Timing (within period specified) |
|---|---|---|---|---|
| Central Bank of Somalia | Balance of payments | Trade in goods data by HS code and value for the ports of Mogadishu, Bossaso, Kismayo, starting Sept 2020; petroleum imports to Mogadishu; and travel data from the Immigration Department. | Quarterly | 4 weeks after the end of each quarter. |
| Central Bank of Somalia | Balance of payments | Cross-border current transfers (both inflows and outflows) by MTBs and banks starting from end-March 2021. | Quarterly | 4 weeks after the end of each quarter. |
| Central Bank of Somalia | 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. |
| Central Bank of Somalia | Designated account at CBS into which debt service payments due to Russia are paid into | Provide end-month balances and within month flows of the designated account at the CBS into which debt service payments due to Russia are paid in full by the contractual due date, taking into account any contractual grace periods. | Monthly | 3 weeks after the end of each month. |
| 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. |
| Ministry of Finance | FGS budget operations | For annual and supplemental budgets:<br>• Revenue by GFS 6-digit revenue classification;<br>• Statement of tax exemption for the previous 12-month period (annual budget only);<br>• Proposed Appropriation by MDA, program/project and 4-digit object code;<br>• Proposed appropriation by MDA and 2- digit object code;<br>• Staffing table by MDA;<br>• Donor assistance tables by COFOG showing on and off-budget spending;<br>• Proposed 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. |

**Table 3. Somalia: Data Reporting, December 2023–December 2026** (continued)

| Reporting Agency | Type of Data | Description of Data | Frequency | Timing (within period specified) |
|---|---|---|---|---|
| Ministry of Finance | FGS budget operations | Current year SFMIS reports showing budget, virements, and monthly data for:<br>• Revenue at GFS 6-digit revenue classification code;<br>• Expenditure by budget line and GFS classification with MDA lines, disaggregated by program/project and showing data by GFS 6-digit object code; and<br>• For applicable MDAs, details (i.e., sources of funding and purpose) of budget transfers to each FMS and other units.<br>Reports 1A, 1B and special report for FMS transfers. | Monthly | 4 weeks after the end of each month. |
| Ministry of Finance | FGS budget operations | A report that shows details of FGS financing transactions (Report 1C). | Monthly | 4 weeks after the end of each month. |
| Ministry of Finance | FGS budget operations | Original budget, virement, allotment, warrant, commitment, and YTD expenditure by 4-digit level object codes for each MDA, with breakdown to those financed by general government fund, contingency fund, and project support grants (Report 2A). | Monthly | 4 weeks after the end of each month. |
| Ministry of Finance | FGS budget operations | 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) (excluding funding for donor projects); expenditures (excluding those financed by project support grants) by MDA and 4-digit level object code (report 3B); and expenditures (excluding those financed by project support grants) by object code at 4-digit level (report 3C). | Monthly | 4 weeks after the end of each month. |
| Ministry of Finance | FGS budget operations | 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. (Excel and PDF formats of the reports 5A, 5B, 5C and 5D). | Monthly | 4 weeks after the end of each month. |
| Ministry of Finance | FGS budget operations | 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 each month. |
| Ministry of Finance | Payroll | Payroll and non-payroll salary and allowance payments made by MDAs and individual embassies (in Excel). | Monthly | 4 weeks after the end of each month. |

| Table 3. Somalia: Data Reporting, December 2023–December 2026 (continued) | | | | |
|---|---|---|---|---|
| **Reporting Agency** | **Type of Data** | **Description of Data** | **Frequency** | **Timing (within period specified)** |
| Ministry of Finance | SDR balances | Table showing SDR balances of the MoF and changes therein from the beginning of a fiscal year, with breakdown of withdrawal and reconstitution of SDR holdings and their credits and deductions for interest. | Monthly | 4 weeks after the end of each month. |
| Ministry of Finance | Customs | Total customs duties paid through SOMCAS (Excel format)<br>Total customs duties reported in the Treasury Single Account (SFMIS) (Excel format)<br>Separately for the Mogadishu seaport and airport: total customs duties paid through SOMCAS, the number of declarations registered in SOMCAS, the number of assessments accepted by customs through SOMCAS, the number of payments received through SOMCAS, and the number of releases registered through SOMCAS (Excel format) | Monthly | 4 weeks after the end of the month (starting January 2025) |
| Ministry of Finance | FMS and Banaadir budgets | For annual and supplemental budgets: Budget for each FMS, and aggregated budget (both revenue and expenditure). BRA budget to be provided in due course. | As required | Within a week of approval |
| Ministry of Finance | FMS and Banaadir final accounts | Final accounts of each FMS and BRA. | Annually | 6 months after the end of the year. |
| Ministry of Finance | 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 |
| Ministry of Finance | BRA fiscal operations | Reports of revenue and expenditure of the Banaadir region. | Monthly | 6 weeks after the end of each month (from September 2024). |
| Ministry of Finance | Domestic arrears | A letter confirming no accumulation of arrears or a table providing the end-of-period stock of domestic arrears accumulated during the year by MDA and 4-digit Object Code. | Quarterly | 4 weeks after the end of each quarter. |
| Ministry of Finance | Outstanding Invoices | A report that shows amount of outstanding invoices, including those past due and not due yet. | Monthly | 4 weeks after the end of the month (from May 2023). |

| Table 3. Somalia: Data Reporting, December 2023–December 2026 (concluded) | | | | |
|---|---|---|---|---|
| **Reporting Agency** | **Type of Data** | **Description of Data** | **Frequency** | **Timing (within period specified)** |
| Ministry of Finance | Quarterly debt bulletin | Quarterly debt bulletin prepared by the Debt Management Unit providing an overview of the external debt position with decompositions, alignment with the debt policy objective and debt management strategy when available, and risk assessment | Quarterly | 4 weeks after the end of each quarter. |
| Ministry of Finance | Domestic debt | The amount of new domestic debt contracted by Government. | Monthly | 4 weeks after the end of the month. |
| Ministry of Finance | 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 | 4 months after the end of the year. |
| Ministry of Finance | External debt | 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 |
| Ministry of Finance | External debt | Accumulation of any new arrears (principal or interest payments) on external debt. | Monthly | 3 weeks after the end of the month. |
| Ministry of Finance | Structural benchmarks | A table with a description of the status of implementation of the structural benchmarks in the MEFP Table 2 | Quarterly | 4 weeks after the end of each quarter. |
| Somalia National Bureau of Statistics | CPI | Price indices for all goods and subcategories | Monthly | Every 15th of the month consistent with inflation report |
| Somalia National Bureau of Statistics | GDP | GDP by expenditure data | Annually | 6 months after the end of each year. |

INTERNATIONAL MONETARY FUND

# SOMALIA

November 18, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

| | |
|---|---|
| **Risk of external debt distress:** | *Moderate* |
| **Overall risk of debt distress** | *Moderate* |
| **Granularity in the risk rating** | *Substantial space to absorb shocks* |
| **Application of judgment** | *No* |

*This Low-Income Countries Debt Sustainability Analysis (LIC-DSA) provides a streamlined update to the April 2024 LIC-DSA, adding two elements: (i) US$125 million under the World Bank's Development Policy Financing instrument in 2024 on grant terms (compared to US$75 million assumed previously), and (ii) updated macroeconomic and fiscal series and forecasts. These factors do not materially affect the risk rating relative to the April 2024 LIC-DSA. Somalia is assessed to be at moderate risk of debt distress, both for external and overall public debt. The baseline continues to assume full delivery of debt relief under the HIPC Initiative and beyond-HIPC assistance at the Completion Point reached in December 2023. Total public debt is projected to increase to US$778 million in 2024 from US$766 million in 2023 but decline relative to GDP from 7 percent of GDP in 2023 to 6.4 percent of GDP in 2024. Most public debt is external. The present value (PV) of public and publicly guaranteed (PPG) external debt is estimated at 4.3 percent of GDP in 2024 – below the 30 percent threshold for countries like Somalia with weak debt carrying capacity.[1] However, the LIC-DSA involves a breach of the external debt service to revenue indicative threshold in the stress scenario due to the expiry of grace periods on initial loans assumed to be issued under combined shocks.[2] Somalia is mechanically assessed to have substantial space to absorb shocks. However, the country continues to be vulnerable to security, international commodity price, and climate shocks and remains highly dependent on external concessional financing, underscoring the importance of strengthening domestic revenue mobilization, debt management institutions, and institutional capacity.*

[1] This streamlined LIC-DSA update reflects Somalia's weak debt carrying capacity considering Somalia's Composite Indicator of 1.58, based on the April 2024 World Economic Outlook and the 2022 CPIA vintage.

[2] Includes shocks to real GDP growth, primary balance, exports, current transfers and FDI, and exchange rate.

# PUBLIC DEBT COVERAGE AND BACKGROUND

1. **The public debt perimeter is the central government.** Debt reconciliation missions in 2020 and 2023 under the HIPC process have ensured near complete coverage of public debt.[3] There is no government guaranteed debt, there are no known liabilities of state-owned enterprises (SOEs) or subnational governments, and no public-private partnerships (PPPs). Default settings are accordingly calibrated for the LIC-DSA contingent liability stress test (Text Table 1). Somalia's domestic financial institutions and local capital markets are not yet developed, and as such there is no domestic public debt aside from legacy government wage arrears.[4] External debt for the LIC-DSA is defined on a residency basis.

### Text Table 1. Somalia: Public Debt Coverage

| | Subsectors of the public sector | Sub-sectors covered |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | |
| 3 | Other elements in the general government | |
| 4 | o/w: Social security fund | |
| 5 | o/w: Extra budgetary funds (EBFs) | |
| 6 | Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 | Central bank (borrowed on behalf of the government) | X |
| 8 | Non-guaranteed SOE debt | X |

| | | | | | |
|---|---|---|---|---|---|
| 1 | The country's coverage of public debt | The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt | | | |
| | | Default | | Used for the analysis | Reasons for deviations from the default settings |
| 2 | Other elements of the general government not captured in 1. | 0 | percent of GDP | 0.0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 | percent of GDP | 0.0 | No government guaranteed or non-guaranteed SOE debt in Somalia |
| 4 | PPP | 35 | percent of PPP stock | 0.0 | No PPPs exist in Somalia |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 | percent of GDP | 5.0 | |
| | Total (2+3+4+5) (in percent of GDP) | | | 5.0 | |

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Sources: Somali Authorities and IMF staff estimates.

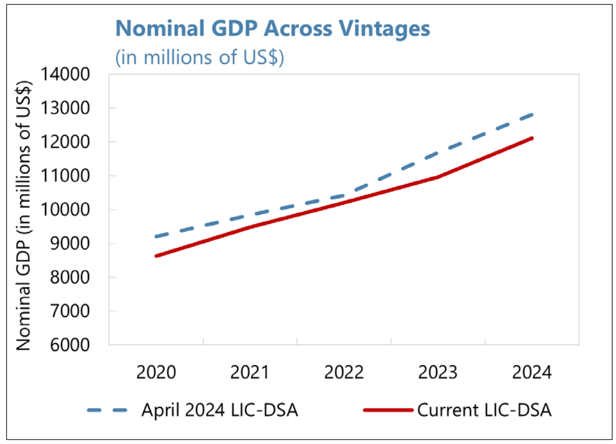
2. **The estimated total stock of outstanding public debt as of end-2023 is US\$766.3 million, of which US\$698.4 million is external while US\$67.8 million represents central government wage arrears.** Of the total public and publicly guaranteed (PPG) external debt, almost 67 percent is owed to multilateral creditors and 33 percent is owed to bilateral creditors. The authorities have continued to make good faith efforts to reach agreement with individual creditors to restructure Somalia's PPG external debt (Table 7).

[3] The World Bank and the IMF also provide support to the government in this area through technical assistance, development policy financing, and the Sustainable Development Finance Policy (SDFP).

[4] Given that there is no domestic public debt (excluding wage arrears) and given the absence of domestic public debt issuances in the medium-term forecast, this LIC-DSA does not conduct an in-depth assessment of domestic debt vulnerabilities, in line with the LIC-DSF Supplementary Guidance Note (2024).

# BACKGROUND ON MACROECONOMIC FORECASTS

**3. The underlying macroframework for this streamlined LIC-DSA update is broadly consistent with the April 2024 LIC-DSA, notwithstanding changes to the nominal GDP series.** Updated nominal GDP numbers for 2018-2023 published in June 2024 by the Somalia National Bureau of Statistics (SNBS) based on expanded data coverage[5] are lower than the figures in the April 2024 LIC-DSA. The medium-term outlook remains broadly consistent with the forecasts that underpinned the April 2024 LIC-DSA (Text Table 2).




**Text Table 2. Somalia: Macroeconomic Projections**
(Percent of GDP, unless otherwise indicated)

| | April 2024 LIC-DSA 1/ | | | | | | | Current LIC-DSA | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029-44 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029-44 |
| Real GDP growth | 2.8 | 3.7 | 3.9 | 4.0 | 4.1 | 4.3 | 4.5 | 4.2 | 4.0 | 4.0 | 4.1 | 4.1 | 4.3 | 4.5 |
| Consumer Price Inflation (eop) | 6.6 | 4.3 | 3.7 | 3.5 | 3.3 | 3.1 | 2.1 | 6.6 | 4.5 | 3.9 | 3.5 | 3.3 | 3.1 | 2.2 |
| Non-interest current account deficit | 9.6 | 8.6 | 8.7 | 10.4 | 10.7 | 10.3 | 10.7 | 9.3 | 8.8 | 8.7 | 9.7 | 9.9 | 9.9 | 9.7 |
| Exports | 17.9 | 18.9 | 20.1 | 20.9 | 21.6 | 22.0 | 22.0 | 19.7 | 20.5 | 21.1 | 21.8 | 22.5 | 22.8 | 23.8 |
| Primary fiscal deficit | -0.1 | 0.4 | 1.2 | 1.8 | 1.9 | 1.9 | 2.3 | -0.1 | 0.1 | 1.1 | 2.0 | 2.2 | 2.2 | 2.4 |
| Revenues and grants | 6.3 | 7.1 | 5.9 | 4.8 | 4.4 | 4.4 | 6.1 | 6.8 | 7.5 | 6.8 | 5.1 | 4.6 | 4.6 | 6.4 |
| of which: domestic revenues | 2.8 | 2.8 | 3.0 | 3.3 | 3.7 | 4.0 | 6.1 | 3.0 | 3.0 | 3.3 | 3.6 | 3.9 | 4.2 | 6.4 |
| of which: grants | 3.5 | 4.3 | 2.8 | 1.5 | 0.7 | 0.4 | 0.0 | 3.8 | 4.6 | 3.5 | 1.5 | 0.8 | 0.5 | 0.0 |

Sources: Somali authorities and IMF staff calculations
1/ Somalia 1st Review for the ECF arrangement approved by the Executive Board in June 2024

**4. The lower nominal GDP series implies slight increases in the debt-to-GDP ratios due to the denominator effect.** Total public debt-to-GDP for 2023 is estimated at 7 percent in the current LIC-DSA, compared to 6.6 percent of GDP estimated in the April 2024 LIC-DSA. PPG external debt-to-GDP for 2023 is estimated at 6.4 percent in the current LIC-DSA, compared to 6 percent of GDP estimated in the April 2024 LIC-DSA (Text Table 3 and Table 2). To ease comparability, Text Table 3 shows these indicators together with the PV of public debt-to-GDP and the PV of PPG external debt-to-GDP based on the GDP figures used in the April 2024 LIC-DSA and the GDP figures used in the current LIC-DSA. Text Table 3 also provides a comparison of different debt- and debt burden-to-export ratios to highlight the changes due to slight revisions to export outturns for 2023 and export projections for 2024 based on outturns in 2024H1.

[5] Revisions of the historical nominal GDP series by the Somalia National Bureau of Statistics were mainly driven by updates to private consumption estimates, which are now based on improved CPI country-wide weights. These improvements are a result of the ongoing CPI review and modernization exercise supported by the World Bank. GDP revisions also included updates to imports data following IMF External Sector Statistics TA.

**Text Table 3. Somalia: Sensitivity of Debt Indicators to Changes in GDP Projections**
(Percent of GDP, unless otherwise indicated)

| | Using GDP figures in the April 2024 LIC-DSA 1/ | | Using GDP figures in the Current LIC-DSA | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| Total public debt-to-GDP ratio | 6.6 | 6.1 | 7.0 | 6.4 |
| PPG external debt-to-GDP ratio | 6.0 | 5.5 | 6.4 | 5.9 |
| PV of total public debt-to-GDP ratio | 4.8 | 4.6 | 5.1 | 4.9 |
| PV of PPG external debt-to-GDP ratio | 4.2 | 4.1 | 4.4 | 4.3 |
| PV of PPG external debt-to-exports ratio | 23.3 | 21.4 | 22.5 | 21.0 |
| PPG external debt service-to-exports ratio | 0.7 | 0.9 | 0.7 | 0.9 |

Sources: Somali authorities and IMF staff calculations
1/ Total public debt, PPG external debt, PV of total public debt, PV of PPG external debt, and external debt service (numerators) are the same as in the current LIC-DSA, with denominators (GDP and exports) from the April 2024 LIC-DSA.

5. **In the current LIC-DSA, the World Bank's Development Policy Financing (DPF) operation for FY2024 amounts to US$125 million, compared to US$75 million anticipated in the April 2024 LIC-DSA.** The disbursement related to the DPF operation in August 2024 was provided in the form of a grant, given the extension by the World Bank of grant financing terms for an additional year until June 2025 – the April 2024 LIC-DSA had already incorporated this extension of grant financing terms for Somalia by IDA20. Any further extension of grant financing terms will only be considered as part of the IDA grant allocation framework in the context of IDA21 discussions. Total bilateral budget support grants remained steady in 2024 relative to the First Review and are estimated to be slightly higher in 2025 resulting in slightly lower financing needs (by around US$10 million).[6]

6. **Near-term risks are tilted to the downside.** Food insecurity and economic activity can worsen if rainy seasons fail, or new natural disasters hit Somalia. Additional risks stem from lower global growth, a deterioration of the global/regional security situation, the ATMIS transition, and political risks linked to federalism. If any of these adverse risks materialize, economic growth and domestic revenue would be lower, increasing financing needs. While existing cash buffers,[7] expenditure rationalization, and current financing commitments help mitigate some risks, the authorities would need additional support from the international community to address a significant adverse scenario.

7. **Climate risks continue to loom over the nascent economy.** According to the 2024 World Bank Somalia Economic Update, over two-thirds of Somali households reported experiencing at least one climate-related natural disaster during 2021-2022. Climate shocks exacerbate food insecurity because they compound broader challenges in the agriculture sector, including weak security and institutions, inadequate investment and standards, and poor infrastructure. The country lacks the

[6] Project support grants are deficit-neutral, to the extent that an increase in project support grants is matched by an increase in expenditures.

[7] Given the disbursement of the World Bank DPF typically in the second half of the year, the authorities use part of this financing in H2 of a given calendar (fiscal) year and preserve the remaining portion as buffers for use during H1 of the following calendar year. Further, specifically in 2024, revenues outperformed targets, resulting in a further increase in these cash buffers that are gradually drawn down under the baseline by 2026.

capacity to mitigate these shocks, including because of inadequate financial resources, infrastructure, and social safety net.

# COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

8. **Somalia's debt-carrying capacity continues to be classified as weak.** This LIC-DSA uses the April 2024 vintage of the WEO and the 2022 CPIA. The latest available composite indicator score for Somalia is 1.58 (Text Table 4).

**Text Table 4. Somalia: Composite Indicator and Threshold Tables**

| Debt Carrying Capacity | Weak |
|---|---|

| Final | Classification based on current vintage | Classification based on the previous vintage | Classification based on the two previous vintage |
|---|---|---|---|
| Weak | Weak | Weak | Weak |
| | 1.58 | 1.57 | 1.57 |

| APPLICABLE | |
|---|---|
| **EXTERNAL debt burden thresholds** | |
| **PV of debt in % of** | |
| **Exports** | 140 |
| **GDP** | 30 |
| **Debt service in % of** | |
| **Exports** | 10 |
| **Revenue** | 14 |

| APPLICABLE | |
|---|---|
| **TOTAL public debt benchmark** | |
| PV of total public debt in percent of GDP | 35 |

Note: Calculated based on the April 2024 WEO vintage and the 2022 CPIA vintage.

## RISK RATING AND VULNERABILITIES

**9. Somalia is assessed to be at moderate external and overall risk of public debt distress.** The higher amount of grant financing in 2024 under the DPF and the slight increase in budget support grants in 2025 do not have a material impact on the risk outlook in the medium-term or across the LIC-DSA's assessment horizon that ends in 2034. Somalia continues to be assessed at moderate risk of external and overall public debt distress. While key indicators are contained in the baseline, the breach of the indicative threshold for the external debt service-to-revenue ratio under standardized stress tests suggests that Somalia is at moderate risk of external debt distress and at moderate overall risk of public debt distress. The total public debt indicator remains under the benchmark across the baseline and stress scenarios. However, the trajectory of public debt service-to-revenue under standardized stress tests highlights the need for vigilant debt management. Given Somalia's volatile history, a natural disaster tailored stress test to account for potential climate shocks similar to the droughts of 2023 produces debt and debt burden paths that are more benign than the most extreme stress environment[8] in the standardized stress test.[9] The moderate risk rating tool mechanically indicates that Somalia has substantial space to absorb shocks. However, Somalia continues to be vulnerable to security and international commodity price shocks, in addition to climate stress events, and remains highly dependent on external concessional financing, underscoring the importance of strengthening domestic revenue mobilization, debt management institutions, and institutional capacity.

## AUTHORITIES' VIEWS

**10. The assumptions and conclusions of the LIC-DSA were discussed with the authorities, who broadly concurred with staffs' assessment.** The authorities recognize the importance of relying on concessional financing post-HIPC to contain debt sustainability risks and to monitor the external debt service-to-revenue indicator as an early warning sign for any debt-related stress. They agree on the need to strengthen debt management capacity and to ensure transparency regarding all the terms and conditions of different borrowings to have a full view of costs and risks. They expect that ongoing reforms, in particular domestic revenue mobilization, will improve the country's debt servicing capacity.

[8] Combined shocks for PPG external debt and non-debt flows for total public debt.

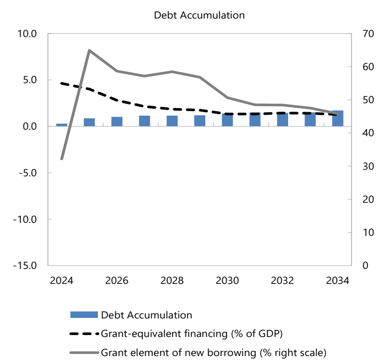
[9] In the context of continuing vulnerabilities to climate change, the World Bank's Country Climate and Development Report (CCDR) on Somalia—expected to be finalized in 2025—is to provide a comprehensive assessment of climate risks that can then be drawn upon to inform quantitative assessments in future debt sustainability analyses.

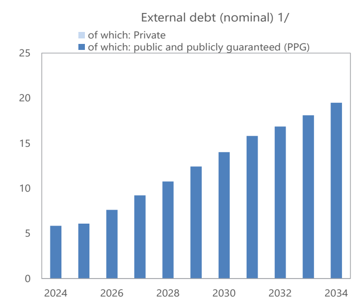
# Table 1. Somalia: External Debt Sustainability Framework, Baseline Scenario, 2021–2044

(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections 9/ | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2034 | 2044 | Historical | Projections |
| **External debt (nominal) 1/** | **41.4** | **37.5** | **6.4** | **5.9** | **6.1** | **7.6** | **9.2** | **10.8** | **12.4** | **19.5** | **31.4** | **44.1** | **12.4** |
| ***of which: public and publicly guaranteed (PPG)*** | **41.4** | **37.5** | **6.4** | **5.9** | **6.1** | **7.6** | **9.2** | **10.8** | **12.4** | **19.5** | **31.4** | **44.1** | **12.4** |
| Change in external debt | -9.8 | -3.8 | -31.1 | -0.5 | 0.2 | 1.5 | 1.6 | 1.5 | 1.7 | 1.4 | 1.1 | | |
| **Identified net debt-creating flows** | **-2.8** | **0.5** | **1.5** | **3.0** | **3.1** | **4.1** | **4.3** | **4.3** | **4.2** | **5.0** | **2.4** | **-0.6** | **4.3** |
| **Non-interest current account deficit** | **7.0** | **8.6** | **9.3** | **8.8** | **8.7** | **9.7** | **9.9** | **9.9** | **9.9** | **11.0** | **8.7** | **5.6** | **10.1** |
| Deficit in balance of goods and services | 52.9 | 62.9 | 60.8 | 61.4 | 61.1 | 58.5 | 57.8 | 57.6 | 57.4 | 56.0 | 53.4 | **51.4** | **57.8** |
| Exports | 16.2 | 17.7 | 19.7 | 20.5 | 21.1 | 21.8 | 22.5 | 22.8 | 23.1 | 24.2 | 23.7 | | |
| Imports | 69.0 | 80.6 | 80.6 | 81.8 | 82.2 | 80.3 | 80.3 | 80.5 | 80.4 | 80.2 | 77.1 | | |
| Net current transfers (negative = inflow) | -46.2 | -54.7 | -51.9 | -52.7 | -52.7 | -49.1 | -48.2 | -47.9 | -47.6 | -45.1 | -44.6 | **-46.2** | **-47.9** |
| *of which: official* | -23.9 | -33.7 | -32.7 | -32.9 | -32.8 | -29.0 | -28.1 | -27.8 | -27.6 | -25.1 | -24.6 | | |
| Other current account flows (negative = net inflow) | 0.4 | 0.4 | 0.4 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | -0.1 | **0.4** | **0.2** |
| **Net FDI (negative = inflow)** | **-5.2** | **-5.2** | **-5.2** | **-5.7** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-5.4** | **-4.9** | **-5.4** |
| **Endogenous debt dynamics 2/** | **-4.6** | **-2.9** | **-2.6** | **-0.1** | **-0.1** | **-0.1** | **-0.2** | **-0.3** | **-0.3** | **-0.6** | **-0.9** | | |
| Contribution from nominal interest rate | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.4 | | |
| Contribution from real GDP growth | -1.6 | -1.0 | -1.5 | -0.2 | -0.2 | -0.2 | -0.3 | -0.4 | -0.5 | -0.8 | -1.3 | | |
| Contribution from price and exchange rate changes | -3.0 | -1.9 | -1.1 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | **-7.1** | **-4.3** | **-32.6** | **-3.5** | **-2.9** | **-2.6** | **-2.7** | **-2.7** | **-2.5** | **-3.6** | **-1.3** | **-11.5** | **-3.1** |
| *of which: exceptional financing* | -0.2 | 0.0 | -28.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | **...** | **...** | **4.4** | **4.3** | **4.8** | **5.3** | **5.9** | **6.5** | **7.1** | **11.3** | **20.2** | | |
| **PV of PPG external debt-to-exports ratio** | **...** | **...** | **22.5** | **21.0** | **22.7** | **24.4** | **26.3** | **28.4** | **31.0** | **46.6** | **85.4** | | |
| **PPG debt service-to-exports ratio** | **1.1** | **0.9** | **0.7** | **0.9** | **0.9** | **0.9** | **0.9** | **0.8** | **1.3** | **1.6** | **4.1** | | |
| **PPG debt service-to-revenue ratio** | **7.4** | **6.2** | **4.7** | **5.9** | **5.6** | **5.3** | **5.0** | **4.6** | **6.5** | **6.7** | **11.8** | | |
| Gross external financing need (Million of U.S. dollars) | 191.8 | 361.4 | 464.6 | 400.4 | 446.8 | 632.0 | 725.9 | 802.9 | 879.4 | 1525.9 | 2129.1 | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 3.5 | 2.7 | 4.2 | 4.0 | 4.0 | 4.1 | 4.1 | 4.3 | 4.5 | 4.5 | 4.5 | **2.7** | **4.3** |
| GDP deflator in US dollar terms (change in percent) | 6.2 | 4.7 | 3.2 | 6.2 | 3.4 | 4.8 | 5.5 | 4.4 | 2.6 | 2.4 | 2.1 | **3.7** | **3.5** |
| Effective interest rate (percent) 4/ | 0.0 | 0.0 | 0.0 | 1.8 | 1.7 | 1.6 | 1.3 | 1.2 | 1.0 | 1.0 | 1.3 | **0.0** | **1.2** |
| Growth of exports of G&S (US dollar terms, in percent) | 30.0 | 17.7 | 20.0 | 14.6 | 10.6 | 12.8 | 13.3 | 10.6 | 8.3 | 7.3 | 7.2 | **9.1** | **10.1** |
| Growth of imports of G&S (US dollar terms, in percent) | 12.5 | 25.6 | 7.5 | 12.2 | 8.0 | 6.6 | 9.8 | 9.1 | 7.2 | 7.0 | 6.9 | **8.6** | **8.0** |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 32.2 | 64.9 | 58.6 | 57.1 | 58.5 | 56.8 | 45.8 | 39.8 | **...** | **51.7** |
| Government revenues (excluding grants, in percent of GDP) | 2.4 | 2.6 | 3.0 | 3.0 | 3.3 | 3.6 | 3.9 | 4.2 | 4.5 | 5.7 | 8.2 | **2.2** | **4.4** |
| Aid flows (in Million of US dollars) 5/ | 64.4 | 462.7 | 418.5 | 553.6 | 536.0 | 502.6 | 491.7 | 482.4 | 519.4 | 710.9 | 1772.5 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 4.6 | 4.0 | 2.8 | 2.1 | 1.9 | 1.7 | 1.3 | 1.4 | **...** | **2.2** |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 97.6 | 94.0 | 76.0 | 67.6 | 65.1 | 61.0 | 45.8 | 39.8 | **...** | **64.5** |
| Nominal GDP (Million of US dollars) | 9,484 | 10,203 | 10,969 | 12,111 | 13,018 | 14,197 | 15,584 | 16,973 | 18,205 | 25,579 | 49,511 | | |
| Nominal dollar GDP growth | 9.9 | 7.6 | 7.5 | 10.4 | 7.5 | 9.1 | 9.8 | 8.9 | 7.3 | 7.0 | 6.7 | **6.6** | **8.0** |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 4.4 | 4.3 | 4.8 | 5.3 | 5.9 | 6.5 | 7.1 | 11.3 | 20.2 | | |
| In percent of exports | ... | ... | 22.5 | 21.0 | 22.7 | 24.4 | 26.3 | 28.4 | 31.0 | 46.6 | 85.4 | | |
| Total external debt service-to-exports ratio | 1.1 | 0.9 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 1.3 | 1.6 | 4.1 | | |
| PV of PPG external debt (in Million of US dollars) | | | 487.6 | 519.6 | 623.5 | 756.0 | 920.2 | 1098.8 | 1300.0 | 2887.6 | 10022.5 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 0.3 | 0.9 | 1.0 | 1.2 | 1.1 | 1.2 | 1.7 | 2.2 | | |
| Non-interest current account deficit that stabilizes debt ratio | 16.9 | 12.4 | 40.4 | 9.3 | 8.4 | 8.1 | 8.3 | 8.4 | 8.3 | 9.6 | 7.6 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency-based** |
| **Is there a material difference between the two criteria?** | **No** |




Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g) + \varepsilon\alpha (1+r)]/(1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

9/ The macroeconomic framework assumes HIPC Completion Point in December 2023.

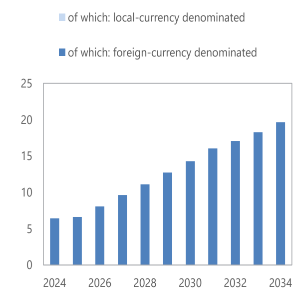
## Table 2. Somalia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–2044

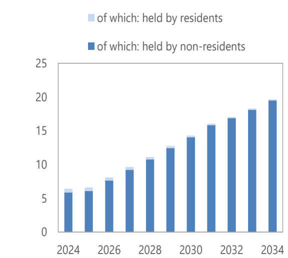
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections 7/ | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2034 | 2044 | Historical | Projections 7/ |
| **Public sector debt 1/** | 42.1 | 38.2 | 7.0 | 6.4 | 6.6 | 8.1 | 9.6 | 11.1 | 12.7 | 19.7 | 31.4 | 44.9 | 12.7 |
| **of which: external debt** | 41.4 | 37.5 | 6.4 | 5.9 | 6.1 | 7.6 | 9.2 | 10.8 | 12.4 | 19.5 | 31.4 | 44.1 | 12.4 |
| Change in public sector debt | -9.9 | -3.9 | -31.2 | -0.6 | 0.2 | 1.5 | 1.5 | 1.5 | 1.6 | 1.4 | 1.1 | | |
| **Identified debt-creating flows** | -4.0 | -3.0 | -31.2 | -0.4 | 0.8 | 1.5 | 1.6 | 1.5 | 1.6 | 1.4 | 1.1 | -12.2 | 1.2 |
| **Primary deficit** | 0.9 | 0.0 | -0.1 | 0.1 | 1.1 | 2.0 | 2.2 | 2.2 | 2.3 | 2.4 | 2.6 | -0.1 | 1.9 |
| Revenue and grants | 4.0 | 7.1 | 6.8 | 7.5 | 6.8 | 5.1 | 4.6 | 4.6 | 4.7 | 5.7 | 8.2 | 4.1 | 5.4 |
| *of which: grants* | 1.5 | 4.5 | 3.8 | 4.6 | 3.5 | 1.5 | 0.8 | 0.5 | 0.3 | 0.0 | 0.0 | | |
| Primary (noninterest) expenditure | 4.8 | 7.0 | 6.7 | 7.6 | 7.9 | 7.1 | 6.8 | 6.8 | 7.0 | 8.1 | 10.8 | 4.0 | 7.4 |
| **Automatic debt dynamics** | -4.7 | -3.0 | -2.7 | -0.5 | -0.3 | -0.4 | -0.6 | -0.7 | -0.6 | -1.0 | -1.5 | | |
| Contribution from interest rate/growth differential | -4.7 | -3.0 | -2.7 | -0.5 | -0.3 | -0.4 | -0.6 | -0.7 | -0.6 | -1.0 | -1.5 | | |
| *of which: contribution from average real interest rate* | -2.9 | -1.8 | -1.1 | -0.3 | -0.1 | -0.2 | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 | | |
| *of which: contribution from real GDP growth* | -1.7 | -1.1 | -1.5 | -0.3 | -0.2 | -0.3 | -0.3 | -0.4 | -0.5 | -0.8 | -1.3 | | |
| Contribution from real exchange rate depreciation | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | -0.2 | 0.0 | -28.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -9.0 | 0.0 |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | -0.2 | 0.0 | -28.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | -5.9 | -0.9 | 0.1 | -0.1 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | ... | ... | 5.1 | 4.9 | 5.3 | 5.8 | 6.3 | 6.8 | 7.4 | 11.4 | 20.3 | | |
| **PV of public debt-to-revenue and grants ratio** | ... | ... | 74.9 | 64.4 | 78.2 | 113.3 | 136.1 | 147.8 | 157.3 | 201.5 | 247.6 | | |
| **Debt service-to-revenue and grants ratio 3/** | 4.5 | 2.3 | 2.1 | 2.3 | 2.7 | 4.1 | 4.6 | 4.6 | 6.5 | 6.9 | 11.8 | | |
| Gross financing need 4/ | 0.9 | 0.1 | -28.4 | 0.0 | 0.7 | 2.1 | 2.4 | 2.4 | 2.6 | 2.8 | 3.6 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 3.5 | 2.7 | 4.2 | 4.0 | 4.0 | 4.1 | 4.1 | 4.3 | 4.5 | 4.5 | 4.5 | 2.7 | 4.3 |
| Average nominal interest rate on external debt (in percent) | 0.0 | 0.0 | 0.0 | 1.8 | 1.7 | 1.6 | 1.3 | 1.2 | 1.0 | 1.0 | 1.3 | 0.0 | 1.2 |
| Average real interest rate on domestic debt (in percent) | -5.9 | -4.5 | -3.1 | -5.8 | -3.2 | -4.5 | -5.2 | -4.2 | -2.6 | -2.3 | -2.1 | -3.3 | -3.4 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 0.0 | 0.0 | 0.0 | ... | ... | ... | ... | ... | ... | ... | ... | 0.0 | ... |
| Inflation rate (GDP deflator, in percent) | 6.2 | 4.7 | 3.2 | 6.2 | 3.4 | 4.8 | 5.5 | 4.4 | 2.6 | 2.4 | 2.1 | 3.7 | 3.5 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | -8.3 | 49.4 | -0.9 | 18.4 | 8.1 | -7.2 | 0.4 | 4.1 | 7.8 | 8.1 | 7.5 | 18.8 | 6.3 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | 10.8 | 3.9 | 31.1 | 0.7 | 0.9 | 0.5 | 0.6 | 0.7 | 0.6 | 1.0 | 1.5 | 15.3 | 0.8 |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Residency-based** |
| **Is there a material difference between the two criteria?** | **No** |

Public sector debt 1/




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

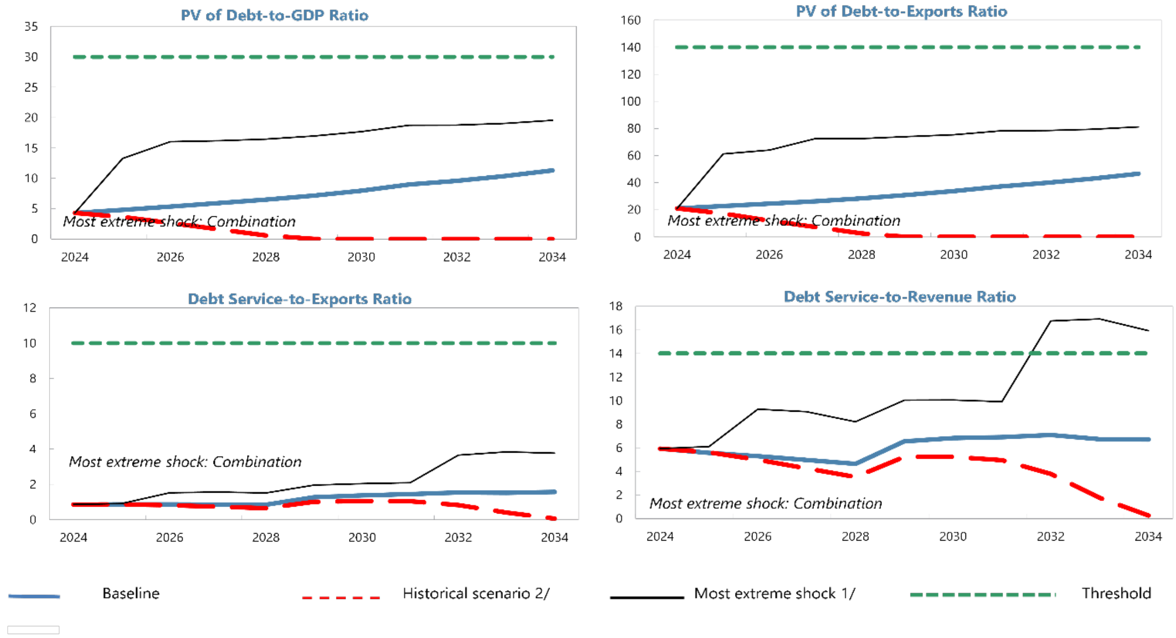
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

7/ The macroeconomic framework assumes HIPC Completion Point in December 2023.

## Figure 1. Somalia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2024–2034




| Customization of Default Settings 3/ | Size | Interactions |
|---|---|---|
| **Tailored Stress** | | |
| **Combined CL** | Yes | |
| **Natural disaster** | n.a. | n.a. |
| **Commodity price** | Yes | No |
| **Market financing** | n.a. | n.a. |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

| Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| **External PPG MLT debt** | 100% | |
| **Terms of marginal debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 0.7% | 0.7% |
| **USD Discount rate** | 5.0% | 5.0% |
| **Avg. maturity (incl. grace period)** | 35 | 35 |
| **Avg. grace period** | 6 | 6 |

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

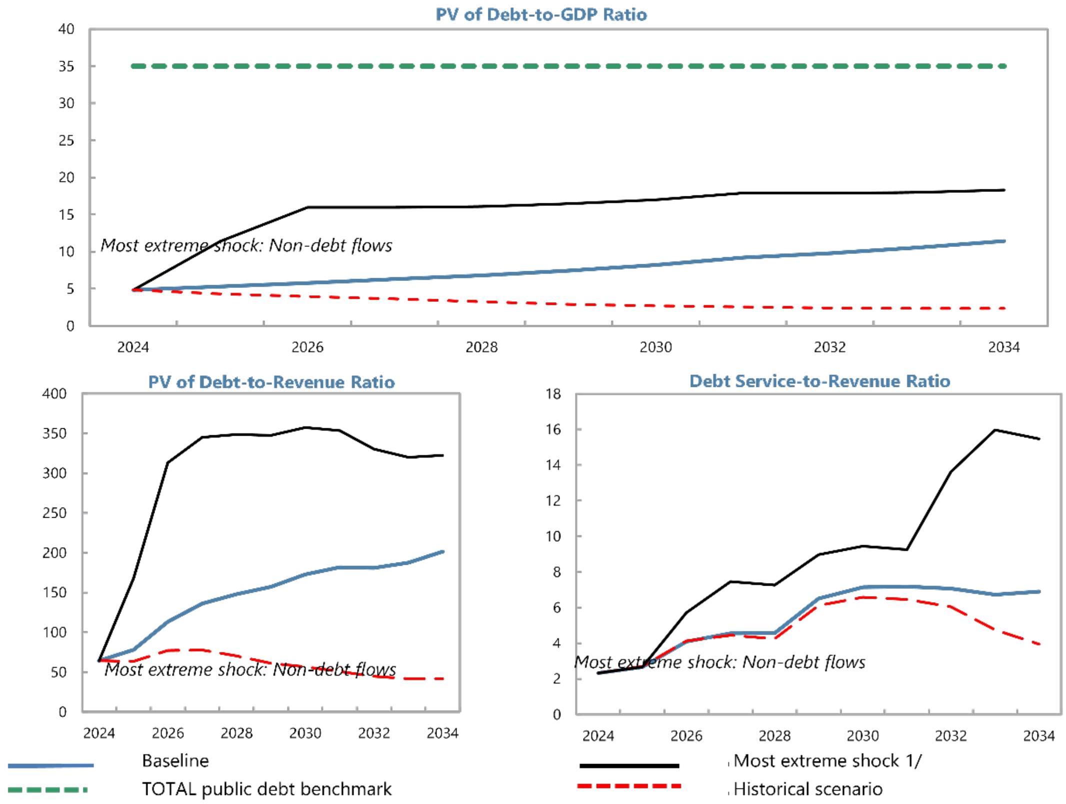
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ Historical series truncated at zero.

3/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

## Figure 2. Somalia: Indicators of Public Debt under Alternative Scenarios, 2024–2034




| Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| **External PPG medium and long-term** | 100% | 100% |
| **Domestic medium and long-term** | 0% | 0% |
| **Domestic short-term** | 0% | 0% |
| **Terms of marginal debt** | | |
| **External MLT debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 0.7% | 0.7% |
| **Avg. maturity (incl. grace period)** | 35 | 35 |
| **Avg. grace period** | 6 | 6 |
| **Domestic MLT debt** | | |
| **Avg. real interest rate on new borrowing** | 0.0% | 0.0% |
| **Avg. maturity (incl. grace period)** | 1 | 1 |
| **Avg. grace period** | 0 | 0 |
| **Domestic short-term debt** | | |
| **Avg. real interest rate** | 0.0% | 0.0% |

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

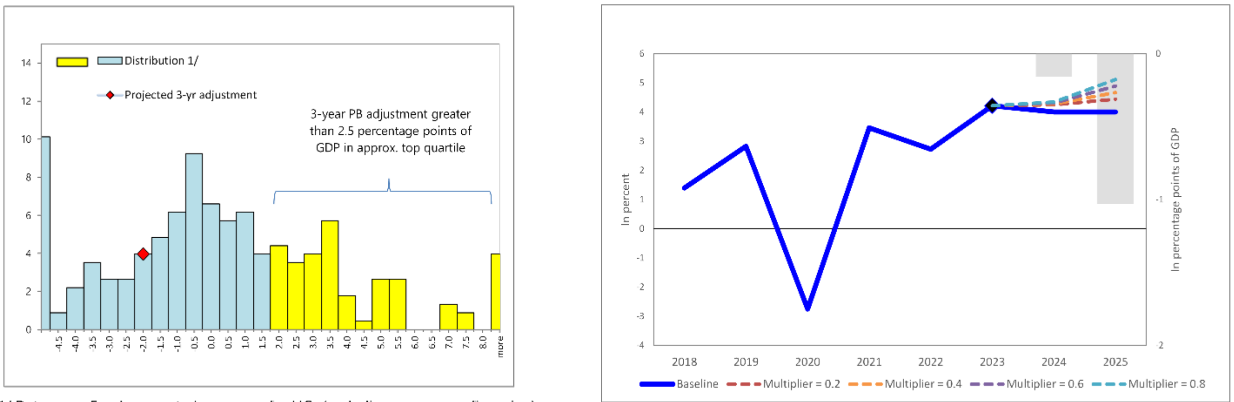
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

## Figure 3. Somalia: Realism Tools

**3-Year Adjustment in Primary Balance (Percentage points of GDP)**

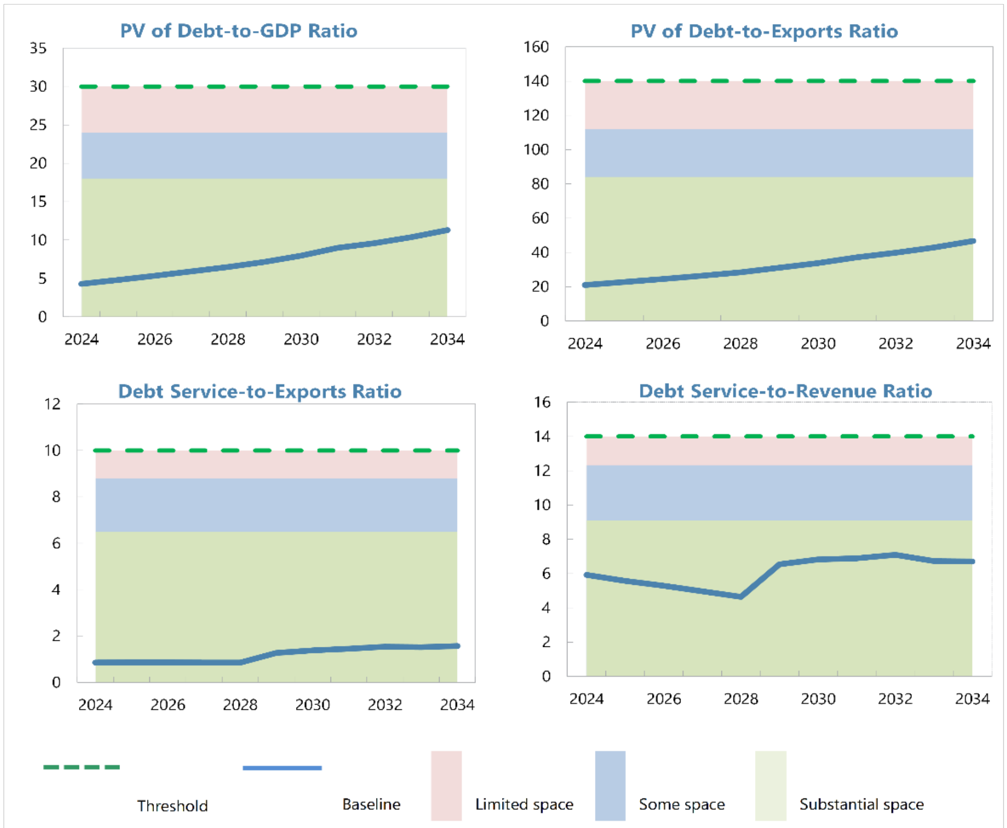
**Fiscal Adjustment and Possible Growth Paths 1/**




1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

## Figure 4. Somalia: Qualification of the Moderate Category, 2024–2034 1/




Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

## Table 3. Somalia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–2034

(In percent)

| | Projections 1/ 4/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** | **2033** | **2034** |
| **PV of debt-to GDP ratio** | | | | | | | | | | | |
| **Baseline** | 4 | 5 | 5 | 6 | 6 | 7 | 8 | 9 | 10 | 10 | 11 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 4 | 4 | 3 | 2 | 1 | 0 | -1 | -3 | -4 | -5 | -5 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 4 | 5 | 6 | 7 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| B2. Primary balance | 4 | 5 | 6 | 7 | 7 | 8 | 9 | 10 | 10 | 11 | 12 |
| B3. Exports | 4 | 6 | 9 | 9 | 10 | 10 | 11 | 12 | 12 | 13 | 14 |
| B4. Other flows 3/ | 4 | 11 | 16 | 16 | 16 | 16 | 17 | 18 | 18 | 18 | 18 |
| B5. Depreciation | 4 | 6 | -2 | -1 | 0 | 1 | 3 | 4 | 5 | 7 | 8 |
| B6. Combination of B1-B5 | 4 | 13 | 16 | 16 | 16 | 17 | 18 | 19 | 19 | 19 | 20 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 4 | 8 | 8 | 8 | 9 | 10 | 10 | 11 | 12 | 12 | 13 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 4 | 5 | 5 | 6 | 6 | 7 | 8 | 9 | 10 | 10 | 11 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| **PV of debt-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 21 | 23 | 24 | 26 | 28 | 31 | 34 | 37 | 40 | 43 | 47 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 21 | 17 | 12 | 7 | 3 | -2 | -5 | -11 | -15 | -19 | -22 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 21 | 23 | 24 | 26 | 28 | 31 | 34 | 37 | 40 | 43 | 47 |
| B2. Primary balance | 21 | 25 | 28 | 29 | 31 | 34 | 36 | 40 | 42 | 45 | 49 |
| B3. Exports | 21 | 31 | 51 | 52 | 53 | 56 | 59 | 63 | 65 | 68 | 72 |
| B4. Other flows 3/ | 21 | 52 | 71 | 69 | 69 | 70 | 71 | 73 | 73 | 74 | 75 |
| B5. Depreciation | 21 | 23 | -7 | -2 | 1 | 5 | 9 | 13 | 17 | 22 | 27 |
| B6. Combination of B1-B5 | 21 | 61 | 64 | 72 | 73 | 74 | 75 | 78 | 78 | 79 | 81 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 21 | 36 | 37 | 38 | 39 | 41 | 43 | 47 | 49 | 52 | 55 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 21 | 23 | 24 | 26 | 28 | 31 | 34 | 37 | 40 | 43 | 47 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 | 140 |
| **Debt service-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 0.9 | 0.9 | 0.8 | 0.7 | 0.6 | 1.0 | 1.1 | 1.0 | 0.8 | 0.4 | 0.1 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 |
| B2. Primary balance | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 1.3 | 1.4 | 1.5 | 1.7 | 1.7 | 1.7 |
| B3. Exports | 0.9 | 1.0 | 1.2 | 1.3 | 1.3 | 1.8 | 2.0 | 2.0 | 2.4 | 2.8 | 2.9 |
| B4. Other flows 3/ | 0.9 | 0.9 | 1.2 | 1.5 | 1.4 | 1.8 | 1.8 | 1.9 | 3.0 | 3.7 | 3.6 |
| B5. Depreciation | 0.9 | 0.9 | 0.9 | 0.4 | 0.5 | 0.9 | 1.1 | 1.2 | 1.3 | 0.1 | 0.2 |
| B6. Combination of B1-B5 | 0.9 | 0.9 | 1.5 | 1.6 | 1.5 | 2.0 | 2.0 | 2.1 | 3.7 | 3.8 | 3.8 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | |
| **Baseline** | 6 | 6 | 5 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 6 | 6 | 5 | 4 | 4 | 5 | 5 | 5 | 4 | 2 | 0 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 6 | 6 | 6 | 6 | 5 | 8 | 8 | 8 | 8 | 8 | 8 |
| B2. Primary balance | 6 | 6 | 6 | 5 | 5 | 7 | 7 | 7 | 8 | 7 | 7 |
| B3. Exports | 6 | 6 | 6 | 6 | 6 | 7 | 8 | 8 | 9 | 10 | 10 |
| B4. Other flows 3/ | 6 | 6 | 8 | 8 | 8 | 9 | 9 | 9 | 14 | **16** | **15** |
| B5. Depreciation | 6 | 7 | 7 | 3 | 3 | 6 | 7 | 7 | 7 | 0 | 1 |
| B6. Combination of B1-B5 | 6 | 6 | 9 | 9 | 8 | 10 | 10 | 10 | **17** | **17** | **16** |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 6 | 6 | 6 | 6 | 5 | 7 | 7 | 7 | 8 | 7 | 7 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 6 | 6 | 5 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

4/ Structural breaks in Somalia's historical series affect the DSA's sensitivity analysis. Negative values should be considered bounded at zero.

## Table 4. Somalia: Sensitivity Analysis for Key Indicators of Public Debt, 2024–2034
(In percent)

| | Projections 1/ 4/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | | | | |
| **Baseline** | 5 | 5 | 6 | 6 | 7 | 7 | 8 | 9 | 10 | 11 | 11 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 5 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 2 | 2 | 2 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 5 | 5 | 7 | 8 | 8 | 10 | 11 | 12 | 13 | 15 | 16 |
| B2. Primary balance | 5 | 5 | 6 | 6 | 7 | 7 | 8 | 9 | 10 | 11 | 12 |
| B3. Exports | 5 | 6 | 9 | 9 | 10 | 10 | 11 | 12 | 12 | 13 | 14 |
| B4. Other flows 3/ | 5 | 11 | 16 | 16 | 16 | 16 | 17 | 18 | 18 | 18 | 18 |
| B5. Depreciation | 5 | 6 | 6 | 6 | 5 | 5 | 6 | 6 | 6 | 7 | 7 |
| B6. Combination of B1-B5 | 5 | 5 | 5 | 6 | 6 | 7 | 8 | 9 | 9 | 10 | 11 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 5 | 7 | 8 | 8 | 9 | 9 | 10 | 11 | 11 | 12 | 13 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 5 | 5 | 6 | 7 | 8 | 10 | 11 | 12 | 13 | 15 | 16 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **TOTAL public debt benchmark** | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| **PV of Debt-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 64 | 78 | 113 | 136 | 148 | 157 | 173 | 182 | 181 | 187 | 201 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 64 | 64 | 77 | 78 | 70 | 61 | 57 | 51 | 45 | 42 | 42 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 64 | 76 | 123 | 158 | 180 | 199 | 226 | 243 | 244 | 257 | 280 |
| B2. Primary balance | 64 | 74 | 112 | 135 | 148 | 158 | 174 | 183 | 182 | 189 | 203 |
| B3. Exports | 64 | 94 | 178 | 204 | 213 | 219 | 233 | 238 | 230 | 231 | 241 |
| B4. Other flows 3/ | 64 | 168 | 313 | 345 | 349 | 348 | 357 | 354 | 330 | 320 | 322 |
| B5. Depreciation | 64 | 91 | 115 | 122 | 120 | 116 | 119 | 120 | 115 | 116 | 123 |
| B6. Combination of B1-B5 | 64 | 77 | 102 | 123 | 136 | 147 | 164 | 175 | 175 | 183 | 198 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 64 | 107 | 150 | 175 | 186 | 194 | 209 | 216 | 211 | 216 | 230 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 64 | 76 | 121 | 157 | 180 | 200 | 228 | 244 | 247 | 259 | 281 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 2 | 3 | 4 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 2 | 3 | 4 | 4 | 4 | 6 | 7 | 6 | 6 | 5 | 4 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 2 | 3 | 5 | 5 | 6 | 8 | 9 | 9 | 9 | 9 | 9 |
| B2. Primary balance | 2 | 3 | 4 | 5 | 5 | 7 | 7 | 7 | 8 | 7 | 8 |
| B3. Exports | 2 | 3 | 4 | 6 | 5 | 7 | 8 | 8 | 9 | 10 | 10 |
| B4. Other flows 3/ | 2 | 3 | 6 | 7 | 7 | 9 | 9 | 9 | 14 | 16 | 15 |
| B5. Depreciation | 2 | 3 | 5 | 6 | 6 | 8 | 9 | 9 | 9 | 9 | 9 |
| B6. Combination of B1-B5 | 2 | 3 | 4 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 2 | 3 | 5 | 5 | 5 | 7 | 8 | 8 | 8 | 7 | 7 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 2 | 3 | 4 | 5 | 5 | 7 | 8 | 8 | 9 | 9 | 9 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.
4/ Structural breaks in Somalia's historical series affect the DSA's sensitivity analysis. Negative values should be considered bounded at zero.

## Table 5. Somalia: Public Debt Holder Profile, 2022–2025

(In millions of U.S. dollars, unless otherwise indicated)

| | Debt Stock (end of period) | | | Debt Service 10/ | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| | (In millions of US$) | (Percent total debt) | (Percent GDP) | (In millions of US$) | | | | (Percent GDP) | | | |
| **Total** [1/] | 3894.8 | 100.0 | 38.2 | 16.4 | 17.4 | 12.6 | 12.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| **External** | 3827.0 | 98.3 | 37.5 | 16.4 | 17.4 | 12.6 | 12.3 | 0.2 | 0.2 | 0.1 | 0.1 |
| Multilateral creditors | 1074.8 | 27.6 | 10.5 | 16.4 | 17.4 | 9.7 | 9.4 | 0.2 | 0.2 | 0.1 | 0.1 |
| IMF [2/] | 370.5 | 9.5 | 3.6 | 0.0 | 2.0 | 2.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| World Bank [3/] | 104.6 | 2.7 | 1.0 | 13.4 | 12.5 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| AfDB | 20.1 | 0.5 | 0.2 | 2.5 | 2.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Multilaterals | 579.6 | 14.9 | 5.7 | 0.5 | 0.5 | 7.6 | 8.2 | 0.0 | 0.0 | 0.1 | 0.1 |
| Arab Monetary Fund | 298.6 | 7.7 | 2.9 | 0.0 | 0.0 | 1.8 | 2.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Arab Fund for Economic and Social Development | 191.5 | 4.9 | 1.9 | 0.0 | 0.0 | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| International Fund for Agricultural Development | 26.2 | 0.7 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Islamic Development Bank | 27.2 | 0.7 | 0.3 | 0.0 | 0.0 | 0.4 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| OPEC Fund for International Development | 36.1 | 0.9 | 0.4 | 0.0 | 0.0 | 0.6 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bilateral Creditors | 2749.7 | 70.6 | 26.9 | 0.0 | 0.0 | 2.9 | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Paris Club [4/] | 2004.6 | 51.5 | 19.6 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Denmark | 2.8 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| France | 109.7 | 2.8 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Italy [5/] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Japan [6/] | 109.0 | 2.8 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Netherlands | 2.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Norway | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Russia [7/] | 711.1 | 18.3 | 7.0 | 0.0 | 0.0 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Spain | 40.9 | 1.1 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| United Kingdom | 28.6 | 0.7 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| United States | 998.4 | 25.6 | 9.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EEC IDA Administered Loans [8/] | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-Paris Club [9/] | 745.1 | 19.1 | 7.3 | 0.0 | 0.0 | 2.7 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Algeria | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bulgaria | 11.0 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Iraq | 201.9 | 5.2 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Kuwait | 125.3 | 3.2 | 1.2 | 0.0 | 0.0 | 2.7 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Libya | 30.4 | 0.8 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Romania | 2.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Saudi Arabia | 118.9 | 3.1 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| United Arab Emirates | 253.5 | 6.5 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial creditors | 2.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Serbia | 2.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Domestic** | 67.8 | 1.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Of which: in arrears | 67.8 | 1.7 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Nominal GDP (in millions of US$) | | | 10,203 | | | | | 10,203 | 10,969 | 12,111 | 13,018 |

Sources: Somalia Debt Management Unit; IMF; World Bank; and AfDB.

1/ Debt records provided by the authorities and reconciled with creditor statements include loans that were contracted from 1965 to 2002. These loans include loans that financed projects in pre-civil war subnational jurisdictions, including Somaliland. For all loans, the recognized debtor is the Ministry of Finance of the FGS or a line ministry of the FGS. Note that this excludes a Russian claim on the Central Bank of Somalia totaling about $7.5 million (or 0.1 percent of GDP), which has been deemed to be not eligible for HIPC debt relief.

2/ IMF debt stock reported in 2022 includes net SDR position of government (used for budget support).

3/ All obligations due the World Bank are to the International Development Association (IDA).

4/ Consistent with the HIPC Debt Reconciliation Exercise in 2023. Updated 2022 debt stock as reported by Somali Debt Management Unit (DMU) reflects interim debt relief under signed bilateral agreements with the PC creditors. The amount reported under debt service reflects estimates of interim debt relief under Cologne terms computed as part of the HIPC DRA.

5/ Debt cancellation of 100 percent of ODA debt became effective on March 2021.

6/ No debt reduction at the HIPC Decision Point, Japan will cancel 100% of their debt stock under the HIPC Completion Point.

7/ Debt stock as of end-2022, consistent with the HIPC Debt Reconciliation Exercise in 2023. The bilateral agreement between Russia and Somalia was signed in 2023.

8/ IDA-administered European Economic Commission (EEC) loans are treated as Paris Club debt.

9/ The amount reported for non-PC creditors assumes PC comparable treatment and reflects estimates of interim debt relief under Cologne Terms computed as part of the HIPC DRA exercise. This follows 2018 Guidance Note for Bank-Fund Debt Sustainablity Framework for Low-Income Countries. Total debt stock for non-PC reported herein is lower than reported by the DMU, which reflects contractual owed debt less any debt relief expected. Debt service reported reflects actual debt service expected.

10/ Debt service for 2024 assumes full delivery of debt relief under the HIPC Initiative, MDRI, and beyond-HIPC assistance at the Completion Point reached in December 2023, assuming PC comparable treatment for all pending creditors.

**Table 6. Somalia: Summary Table on Projected External Borrowing Program, January 1, 2024 to December 31, 2024**

(In millions of U.S. dollars, unless otherwise indicated)

| PPG external debt contracted or guaranteed | Volume of new debt, USD million | Percent |
|---|---|---|
| **Sources of debt financing** | **20.1** | **100** |
| ***Concessional debt,*** **1/** | **20.1** | **100** |
| o/w IMF prospective | 20.1 | |
| o/w Other 2/ | 0.0 | 0 |
| ***Non-concessional debt*** | **0.0** | **0** |
| o/w Semi-concessional 3/ | 0.0 | 0 |
| o/w Commercial terms 4/ | 0.0 | 0 |
| **Uses of debt financing** | **20.1** | **100** |
| Project Financing | 0.0 | 0 |
| Budget Financing | 20.1 | 100 |
| **Type of interest rate** | **20.1** | **100** |
| Fixed Interest Rate | 20.1 | 100 |
| Variable Interest Rate | 0.0 | 0 |
| **Currency denomination** | **20.1** | **100** |
| USD denominated loans | 20.1 | 100 |
| Loans denominated in other currency | 0.0 | 0 |
| *Memorandum items* 5/ | | |
| Indicative projection FY2025 | **95.2** | |
| Indicative projection FY2026 | **302.8** | |

1/ Debt with a grant element of at least 35 percent.

2/ Can include multilateral lenders such as the World Bank and the AfDB.

3/ Debt with a positive grant element that is lower than the minimum grant element of 35 percent.

4/ Debt without a positive grant element.

5/ HIPC Completion Point reached in December 2023.

## Table 7. Somalia: Progress on Negotiations with Creditors for Restructuring Outstanding HIPC-Eligible Debt (as of September 21, 2024)

| | Enhanced HIPC debt relief in PV terms (in US$ million) 1/ | Percentage of total assistance under HIPC | Status of Negotiations |
|---|---|---|---|
| AFESD | 99.1 | 5.2 | The authorities and AFESD have reached a general consensus on the terms of a debt relief agreement in line with the HIPC Common Reduction Factor (CRF). Negotiations continue on further softening of debt servicing terms. |
| AMF | 155.6 | 8.2 | The authorities and AMF have reached a general consensus on the terms of a debt relief agreement in line with the HIPC Common Reduction Factor (CRF). Negotiations continue on further softening of debt servicing terms. Joint efforts have been made by the authorities and AMF to secure grants from a number of Arab member countries to cover the AMF debt repayment for three and a half years. |
| IsDB | 15.5 | 0.8 | A debt rescheduling agreement over 30-years maturity period including zero grace period and zero interest rate with first principle repayment beginning on 31st December 2024 was officially signed on July 16, 2024. |
| OFID | 19.3 | 1.0 | A debt rescheduling agreement over 20-years maturity period including 10-years grace period with interest rate of 0.5% per annum was officially signed on June 25, 2024, on the sidelines of the OFID development forum held in Vienna, Austria. |
| **Total Multilateral** | **822.5** | **43.2** | |
| **o/w Pending** | **254.7** | **13.4** | |
| Paris Club Creditors | 806.6 | 42.4 | The Paris Club completed debt treatment for Somalia under the HIPC process during the March 13, 2024 HIPC exit debt treatment for Somalia. In addition to HIPC debt relief, various bilateral PC creditors also agreed to provide beyond-HIPC debt relief. In terms of bilateral agreements, such an agreement has been signed with the United Kingdom, the United States, Norway, Netherlands, and Denmark. The governments of Japan, France, Russia, and Spain have shared their draft agreements, which are at different stages of processing. |
| Non-Paris Club Creditors | | | |
| Algeria | 0.3 | 0.0 | The authorities continue to reach out to their Algerian counterparts. An official response is awaited. |
| Bulgaria | 1.9 | 0.1 | Following the signing of the Paris Club Agreed Minutes on March 13th, 2024, the authorities wrote a letter on July 16, 2024 to their Bulgarian counterparts. Creditor response is awaited. |
| Iraq | 32.3 | 1.7 | The Somali authorities met their Iraqi counterparts on the sidelines of the Somali PM's visit to Baghdad in July 2024. Following the discussions, the authorities officially wrote a letter to the Iraqi authorities to request 100% debt cancellation of the remaining 33% of the outstanding debt. The request is being considered by Iraq. |
| Libya | 14.0 | 0.7 | On August 19, 2024, a fresh letter was sent to the Government of Libya to resume negotiations and reschedule outstanding claims. Creditor response is awaited. |
| Romania | 0.5 | 0.0 | Following the signing of the Paris Club Agreed Minutes on March 13th, 2024, the authorities wrote a letter on July 16, 2024 to their Romanian counterparts. Creditor response is awaited. |
| United Arab Emirates | 131.0 | 6.9 | Negotiations for debt relief on Paris Club comparable terms with the Abu Dhabi Fund for Development have advanced, especially on softening of debt servicing terms further. |
| Commercial | | | |
| Serbia 2/ | 0.4 | 0.0 | Following the signing of the Paris Club Agreed Minutes on March 13th, 2024, the authorities wrote a letter on July 16, 2024 to their Serbian counterparts. Creditor response is awaited. |
| **Total Bilateral and Commercial** | **1,081.0** | **56.8** | |
| **o/w Pending** | **180.4** | **9.5** | |
| **TOTAL** | **1,903.5** | **100.0** | |
| **o/w Total Pending** | **435.1** | **22.9** | |

Sources: Somali authorities; and IMF and World Bank staff estimates.

1/ The data are in December 31, 2018 PV terms as revised at completion point.

2/ Serbia's loan was classified as other official bilateral debt at the decision point; then it was reclassified as commercial debt at completion point based on updated information provided by the creditor to the authorities.

INTERNATIONAL MONETARY FUND

# SOMALIA

November 18, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION AND SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By | Middle East and Central Asia Department

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# RELATIONS WITH THE FUND

(As of September 30, 2024)

**Membership Status:** Joined: August 31, 1962; Article XIV

| **General Resources Account:** | **SDR Million** | **Percent Quota** |
|---|---|---|
| Quota | 163.40 | 100.00 |
| IMF's Holdings of Currency (Holdings Rate) | 163.41 | 100.00 |
| Reserve Tranche Position | 0.00 | 0.00 |

| **SDR Department:** | **SDR Million** | **Percent Allocation** |
|---|---|---|
| Net cumulative allocation | 207.23 | 100.00 |
| Holdings | 180.00 | 86.86 |

| **Outstanding Purchases and Loans:** | **SDR Million** | **Percent Quota** |
|---|---|---|
| ECF Arrangements | 79.50 | 48.65 |

**Latest Financial Commitments:**

**Arrangements:**

| **Type** | **Date of Arrangement** | **Expiration Date** | **Amount Approved (SDR Million)** | **Amount Drawn (SDR Million)** |
|---|---|---|---|---|
| ECF | Dec 19, 2023 | Dec 18, 2026 | 75.00 | 37.50 |
| ECF | Mar 25, 2020 | Dec 15, 2023 | 252.86 | 252.86 |
| EFF | Mar 25, 2020 | Mar 25, 2020 | 39.57 | 39.57 |

**Overdue Obligations and Projected Payments to Fund** [1]

(SDR Million; based on existing use of resources and present holdings of SDRs):

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 |
| Principal | | | 1.40 | 2.80 | 6.30 |
| Charges/Interest | 0.25 | 0.96 | 0.96 | 0.96 | 0.96 |
| **Total** | 0.25 | 0.96 | 2.36 | 3.76 | 7.26 |

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Implementation of HIPC Initiative:**

| **Commitment of HIPC assistance** | **Enhanced Framework** |
|---|---|
| Decision point date | Mar 2020 |
| Assistance committed by all creditors (US$ Million)[1] | 1,903.50 |
| Of which: IMF assistance (US$ million) | 182.56 |
| (SDR equivalent in millions) | 124.63 |
| Completion point date | Dec 2023 |

| **Disbursement of IMF assistance (SDR Million)** | |
|---|---|
| Assistance disbursed to the member | 124.63 |
| Interim assistance | 4.81 |
| Completion point balance | 119.82 |
| Additional disbursement of interest income[2] | 6.01 |
| **Total disbursements** | 130.64 |

[1] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

**Delivery of Debt Relief at the Completion Point:**

| **Debt relief (SDR Million)** | **250.43** |
|---|---|
| Financed by: Somalia Administered Account | |
| Remaining HIPC resources | 126.98 |
| Beyond-HIPC debt relief | 123.45 |

**Debt Relief by Facility (SDR Million)**

| | Eligible Debt | | |
|---|---|---|---|
| **Delivery Date** | **GRA** | **PRGT** | **Total** |
| December 2023 | 39.57 | 210.86 | 250.43 |

**Implementation of Multilateral Debt Relief Initiative (MDRI):** Not applicable

**Implementation of Catastrophe Containment and Relief (CCR):** Not Applicable

**Exchange Arrangement.** The de jure and de facto exchange rate arrangements are free floating. The official currency of Somalia is the Somali shilling (SOS). However, the economy is effectively dollarized.

The de facto currency is the U.S. dollar, which is used for the majority of transactions. The U.S. dollar banknotes are used as cash currency with Somali banknotes serving as a sub-denomination. Banks transact only in U.S. dollars. Mobile phone payments, which are widely used, are also only denominated in U.S. dollars. The Somali shilling, which is largely counterfeit, is used only for small cash payments, particularly in remote areas. Residents exchange U.S. dollars and shillings at a freely determined market exchange rate. This rate varies across federal member states (the Federal Government of Somalia is a federation of five states, excluding Somaliland and Banadir region). The domestic exchange markets have remained generally stable.

Somalia has not accepted the obligations under Article VIII, Sections 2 (a), 3, and 4 of the IMF Articles of Agreement. Somalia avails itself of the transitional arrangements under Article XIV of the IMF Articles of Agreement and no longer maintains restrictions under the transitional provisions of that Article.

**Capacity Development Support.** Somalia receives substantial support on capacity development (CD) from the Fund. The recent CD has focused on revenue administration, tax policy, expenditure policy, public financial and debt management, AML/CFT framework, financial supervision and regulation, payments system oversight, government finance statistics, external sector statistics, CPI and national accounts statistics, monetary and financial sector statistics which have been provided by FAD, MCM, STA and LEG. The Somalia Country Fund (SCF) has been instrumental in ensuring the continuity, predictability, and flexibility of IMF CD support since its launch in 2015. Current development partners providing financial support to the SCF are Canada, the European Union, Italy, Saudi Arabia, Sweden, and the United Kingdom. Additional funding is necessary to improve the financial sustainability of the SCF.

**Article IV Consultation.** The Executive Board concluded the last Article IV consultation with Somalia on December 5, 2022. Somalia follows a 24-month consultation cycle.

**Resident Representative.** The Fund resident representative to Somalia has been based in Nairobi, Kenya. The current resident representative, Ms. Jehann Jack, has been in the post since June 18, 2024.

# RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS

Somalia collaborates with the World Bank Group and the African Development Bank. Further information can be obtained from the following websites:

**World Bank Group**
https://www.worldbank.org/en/country/somalia

**African Development Bank**
https://www.afdb.org/en/countries/east-africa/somalia

**Statement by Mohamed Maait, Executive Director for Somalia and Abdulqafar Abdullahi, Advisor to Executive Director**
**December 9, 2024**

On behalf of our Somali authorities, I extend my gratitude to Ms. Laura Jaramillo, the Mission Chief for Somalia, and her team for their frequent and constructive engagements during the 2024 Article IV discussions and the second review under the Extended Credit Facility (ECF) arrangement. The authorities deeply value the Fund's technical assistance and policy advice, which have been crucial in advancing many challenging reforms. They broadly concur with the staff's assessment of program implementation, economic developments, and key policy priorities.

**Despite recent improvements, Somalia faces persistent humanitarian and food insecurity challenges.** The lingering effects of the prolonged droughts and recent floods continue to impact vulnerable populations. According to the October 2024 United Nations Office for the Coordination of Humanitarian Affairs (OCHA) report, 9.1 million people, or 47 percent of the population, have been affected by multiple shocks in recent years of which approximately 5.98 million people will require assistance in 2025. To address these challenges, Somali authorities, in collaboration with development partners, are strengthening their social protection mechanisms and enhancing climate resilience efforts.

**The authorities' intensified security measures are yielding positive results**. While Al-Shabaab retains the capacity to launch sporadic attacks, their territorial control has diminished significantly, and their access to resources has been constrained due to multi-pronged countermeasures. As the Somali National Army prepares to assume full security responsibilities, the role of the African Union Transition Mission in Somalia (ATMIS) troops will end in December 2024. A new African Union Support and Stabilization Mission in Somalia is expected to commence operations in January 2025 to sustain and support the authorities' efforts.

**The authorities are committed to implementing broad structural reforms that promote sustained and inclusive growth and enhance climate resilience, to alleviating the widespread poverty and existing fragility.** Somalia's post-HIPC economic reform priorities will be guided by the National Transformation Plan (NTP), anchored on the Centennial Vision 2060. This plan, which will replace the current Ninth National Development Plan, is expected to be launched in January 2025. Nevertheless, the authorities recognize that higher and more inclusive growth are essential to reducing widespread poverty and improving living standards. Sustaining economic and institutional reforms, investing in infrastructure, and enhancing resilience will require continued support from development partners.

**Program Performance**

**Somali authorities remain steadfast in their commitment to the program and transformative reforms.** Despite numerous challenges, they met all quantitative performance criteria and indicative targets (IT) for end-June 2024 and September 2024. In addition, all Structural Benchmarks due for this review period have been implemented. **On the back of this strong performance, the authorities request the Executive Directors' approval of the completion of the second review under the Extended Credit Facility. They also request to reset the target dates for two structural benchmarks to allow more time to fully implement them with support from the Fund.**

## Recent Economic Developments

**Somalia's economy has proven to be resilient despite multiple shocks.** In 2023, the economy recorded robust growth of 4.2 percent, up from 2.7 percent in 2022, driven by a recovery in crop production, an increase in remittances, and a surge in livestock exports. Growth is projected at 4.0 percent for 2024 and 2025, will gradually rise to 4.5 percent by 2029, as economic and institutional reforms take hold and public and private investment increase. Inflation, at 5.3 percent in September 2024, continues to decline steadily.

## Policy issues

### *Fiscal policy*

**Somalia continues to prioritize prudent fiscal management, focusing on revenue mobilization and fiscal discipline.** Enhancing tax administration, digitalization, and enforcement of the sales tax law have bolstered revenues, while expenditures have remained under control. In 2024, revenue is expected to exceed the budget and the program targets, a trend projected to continue in 2025. However, at 3.0 percent of GDP, domestic revenue remains insufficient to address development and security needs. The authorities are determined to maintain fiscal sustainability by curtailing discretionary spending, controlling wage growth, and improving public expenditure management to create space for additional social and development spending.

**The recently approved Medium Term Revenue Roadmap for 2024-2027 will guide the next phase of revenue mobilization and reform efforts.** The central objective of the roadmap is to increase revenue by 0.3 percent annually to sufficiently finance government operations by 2027. Additionally, the roadmap will lay the foundation for sustained revenue growth by instituting tax policy reforms, strengthening the legal framework, and improving administrative capacity. Towards this end, customs modernization, which entails full operationalization of the Somalia Customs Administration System (SOMCAS) and timely adoption of an ad valorem tariff structure, will not only have significant revenue potential but are also required under the EAC's customs union. Immediate and diligent implementation of the modern Income Tax Law currently in parliamentary for approval will significantly contribute to the government's ability to collect more revenue. To efficiently manage revenue collection and compliance, Somali authorities are increasingly using technology by automating as many functions as possible and allowing taxpayers to pay their taxes electronically. Overall, to strengthen revenue administration and improve efficiency, they intend to accelerate the development of an Integrated Tax Administration System (ITAS).

**The Somali authorities are committed to strengthening public finance management.** They intend to extend the coverage and use of the Somali Financial Management Information System (SFMIS) with the goal of moving towards a paperless environment in the Public Finance Management (PFM) system. They will implement digital signature, incorporate more manual activities into the system, eliminate parallel processes, and link the SFMIS to other systems such as SOMCAS and ITAS. To enhance transparency, they also plan to amend the PFM regulations to include explicit costing of development spending in the budget. They are taking concrete steps to improve public investment management capacity and create the required legal and institutional frameworks to successfully manage future public-private partnerships (PPPs). Towards this objective, they have requested the IMF to conduct a Public Investment Management Assessment, which will guide future reforms in this area. Furthermore, once the PPP law, currently awaiting parliamentary approval, is enacted, they intend to move swiftly in completing the necessary regulations and institutional framework to ensure transparency, robust project selection, and management processes to minimize potential fiscal risks.

**Somali authorities are gradually building a strong social safety net with support from international partners.** With the support of the World Bank, the Baxnaano cash transfer program provides regular cash transfers to 50,000 of the most vulnerable households. To improve the targeting of social assistance and expand coverage, the authorities are conducting a survey to increase the number of households in the Unified Social Registry from the current 530,000 to 1.9 million. In April 2024, a new Pension Law for Civil Servants was enacted, the first in Somalia and a significant milestone for the country. Efforts are currently underway to operationalize the new pay-as-you-go pension, defined benefit, scheme. In this regard, the authorities will create a realistic implementation plan that will pay close attention to the fiscal implications of the pension scheme while considering the on-going civil service pay and grade reform. A new pension scheme for the security sector is also under development.

*Monetary/Financial sector Policies*

**Somali authorities are committed to strengthening the Central Bank of Somalia's (CBS) governance, legal, and regulatory framework**. In pursue of this objective, they have made noteworthy progress in implementing recommendations from the 2024 Safeguards Assessments. On the legal front, the Financial Institutions Law, the National Payment System, and the Insurance Law are currently under Parliamentary consideration and are expected to be enacted by mid-next year. With the support of the IMF, the CBS has adopted a comprehensive action plan aimed at enhancing the supervisory data reported by the commercial banks. In addition, in September 2024, they expanded the number of licensed mobile money operators (MMOs) to five and stepped up their onsite and offsite supervision activities to ensure compliance with regulations. The CBS has also made considerable progress in building its payment system infrastructure. It has completed the development of a National QR code and instant payment system, which is expected to be operationalized in December 2024, as part of the National SWITCH system to support the national payment systems.

**Despite operational and financial challenges, Somali authorities consider currency reform as a national priority.** With the support of the World Bank and the IMF, they intend to secure the necessary finances and develop robust operational plan to ensure the successful implementation of the first phase of the project, which is to exchange the counterfeit single denomination currency currently in circulation. As part of this effort, they are also working to shore up logistical plans and secure the support and active participation of all Federal Member States. Furthermore, Somali authorities have decided to adopt a Currency Board Arrangement as their preferred monetary and foreign exchange regime. To provide legal foundation and ensure success, the Central Bank Act, currently under review, will be amended. They are also putting in place, with the support of the IMF, the necessary institutional reforms and monetary policy instruments, including improving the capacity of the central bank, strengthening the accuracy and quality of monetary and macroeconomic data, and completing the legal framework as well as building its foreign reserves.

**To ensure continued flow of remittances into Somalia and promote correspondent banking relationships, the authorities are working to strengthen the AML/CFT framework.** Although Somalia has completed the self-assessment and provided all necessary documentation, the planned Middle East and North Africa Financial Action Task Force (MENAFATF) site visit originally scheduled for August 2024 has been delayed due to security concerns. In the meantime, the authorities are taking steps to improve coordination among various institutions involved and update the terrorist financing risk assessment. After having put in place the legal framework and setting up the National Identification and Registration Agency (NIRA), the issuance of national IDs has commenced. NIRA is actively engaging with all stakeholders and has established strong collaborative relationships with relevant government agencies, Federal Member States, and telecommunications companies. In this regard, they have signed a

Memorandum of Understanding with the CBS and the Somali Banks Association to link the national ID with banking services and to facilitate the implementation of the upcoming eKYC regulation.

*Structural reforms*

**Efforts are also underway to advance the federalism agenda by completing the constitutional review process.** Somali authorities understand that creating a federal system of government is a long-term project and will experience setbacks and successes along the way. Despite the recent challenges, the National Consultative Council that brings together regional and national leaders has also been making steady progress in the fiscal federalism front including high level agreement on the creation of a revenue authority and revenue assignment. In March 2024, in a joint session of both houses of the Somali Parliament, revisions to four out of the fifteen chapters of the Constitution were approved and the rest are currently under review.

**The authorities are taking concrete steps to strengthen climate change resilience.** They have developed, with support from international development partners, a National Climate Change Policy, a Food Security Crisis Plan, and are in the process of developing community-based adaptation strategies. With help from the Food and Agriculture Organization, Somali authorities are implementing initiatives that support farmers to adopt climate-smart agricultural practices, access climate-resilient seeds, and improve irrigation techniques. However, given Somalia's current fiscal situation, a meaningful investment to build climate resilience and strengthen food security would not be possible without the support of development partners.

**Somalia's recent accession to the East African Community will have a significant impact on the short- to medium-term reform priorities.** Somali authorities aim to fully integrate with the economic system of the community by implementing the agreed reform roadmap to align domestic regulations and laws with EAC protocols, particularly in customs union, common market, and fiscal policies. Authorities agree with the staff analysis that the EAC accession presents opportunities, challenges, and risks, but in the short run may serve as a catalyst for accelerated reforms in some areas.

**The authorities are determined to exploit Somalia's hydrocarbon potential responsibly and transparently.** In this context, they are building on the progress made in creating a robust legal framework by publishing regulations for the Extractive Industries Fiscal Regime Law and the Petroleum Law in the coming months. The Inter-Ministerial Concessions Committee will be empowered to review all draft production sharing agreements (PSAs) before they are signed. To enhance transparency and accountability, the authorities, with help from the Fund, will clarify the publication standards for all PSAs.

**Somali authorities consider the production of reliable and accurate economic and financial data critical for effective policymaking.** They are committed to strengthening the capacities of the Somalia National Statistics Bureau (SNBS) and the Central Bank of Somalia. With the support of development partners, significant progress has been made in recent years. In 2023, they successfully conducted the Integrated Household Budget Survey and produced their first Poverty and Inequality Report. Using updated weights, they plan to produce the first national CPI in 2025. Planning for Somalia's first population census in 2026 has begun, and preparations for a new agricultural survey are progressing well. Nevertheless, the authorities acknowledge the challenges related to the limited coverage and frequency of some economic data and greatly appreciate the IMF support in supplementing their data collection and analysis with non-traditional data sources, including satellite imagery and sensor data.

**Conclusion**

Our Somali authorities remain committed to implementing sound macroeconomic policies while continuing to rebuild their economic institutions and regulatory framework. They expressed appreciation for the extensive and tailored capacity development and technical assistance provided by the Fund under the Somalia Country Fund. They look forward to the Executive Directors' support in the completion of the 2024 Article IV consultation and the second review under the ECF.