



SOMALIA

May 2022

REQUEST FOR AN EXTENSION OF THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; AND STAFF REPORT

In the context of the Request for an Extension of the Arrangement Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on April 28, 2022, 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 April 28, 2022.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**IMF Executive Board Approves a 3-Month Extension of the Extended Credit Facility for Somalia****FOR IMMEDIATE RELEASE**

On May 9, 2022, the IMF Executive Board approved an extension of the date on which the arrangement under the Extended Credit Facility (ECF) will automatically expire unless a review is completed to August 17, 2022. Without the extension, the ECF arrangement would have automatically expired on May 17, 2022, in line with the rule on automatic expiration of ECF arrangements if no review has been completed for 18 months.

The extension will provide the time needed to confirm policy understandings with the new government and confirm financing assurances with development partners, which are required for the completion of the second and third reviews under the ECF arrangement.

The ECF arrangement for Somalia in the amount equivalent to SDR 253 million (155 percent of quota) was approved by the IMF's Executive Board on March 25, 2020 (see [Press Release No. 20/105](#)).



SOMALIA

April 28, 2022

REQUEST FOR AN EXTENSION OF THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

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

Prepared by the staff of the International Monetary Fund.

1. In the attached letter, the Somali authorities request an extension of the date on which the arrangement under the Extended Credit Facility (ECF) will automatically expire unless a review is completed to August 17, 2022. On

March 25, 2020, the Executive Board approved Somalia's HIPC Initiative Decision Point¹ and a three-year arrangement under the ECF.² The first review under the ECF arrangement was completed by the Executive Board on November 18, 2020.³ However, as no review has been completed since then, the ECF arrangement is set to automatically expire on May 17, 2022, in line with the rule on automatic expiration of ECF arrangements if no review has been completed for 18 months. Under Fund policy, the Board may decide to delay the automatic expiry of the arrangement by up to three months if staff and the authorities appear close to reaching understandings on targets and measures to put the ECF-supported program back on track.

2. The second and third reviews of the ECF have yet to be completed due to election delays and associated shortfalls in financing. Parliamentary elections were due by early 2021, followed by election of a new President by the new Parliament in February 2021. However, disagreements over election modalities led to repeated delays, causing the suspension of budget support since early 2021 by development partners until elections are completed.

3. The elections process has gained significant momentum since January 2022, and the presidential election is expected to be completed in the coming weeks. Upper House elections were finalized in November 2021. Lower House elections are ongoing, with 257 out of 275 members of Parliament (MPs) elected as of April 26. On April 14, 309 members

¹ Somalia — Enhanced Heavily Indebted Poor Countries (HIPC) Initiative – Decision Point Document

² Somalia — Second Review Under the Staff-Monitored Program and Request for Three-Year Arrangements Under the Extended Credit Facility and Extended Fund Facility

³ Somalia — First Review Under the Extended Credit Facility Arrangement, Request Waiver of Nonobservance of a Performance Criterion, and Request for Modification of Performance Criteria

of parliament were sworn in. The selection of Speaker of the Senate took place on April 26 and that of the Speaker of the People's Assembly on April 28. This will be followed by the Presidential election in about 3–4 weeks. This elections timeline would allow enough time for staff to confirm the new authorities' commitment to the program and bring the review for IMF Board consideration before August 17.

4. Somalia has been subject to multiple shocks since the first ECF review was completed, including COVID-19 and climate shocks. Somalia, as many other countries, has gone through various waves of Covid infections. As of April 28, only 8.7 percent of the population had been fully vaccinated, mainly due to lack of access to vaccine supply. Somalia is facing prolonged drought conditions that worsened since 2021, affecting crops and livestock, increasing food insecurity and water scarcity. Pressures on food security have been compounded by the increase in global food and energy prices. In addition, the election delays have affected the business climate and caused expenditure retrenchment given the suspension in budget support.

5. Despite multiple shocks, the authorities took steps to preserve macroeconomic stability and maintain the reform momentum. Real GDP growth was estimated at 2 percent in 2021, supported by a resurgence of household consumption and exports. In the face of significant revenue shortfalls (including because of the impact of Covid-19 and the pause in budget support until elections are completed), the authorities intensified expenditure prioritization and prevented domestic arrears, using cash buffers built from past savings and part of the 2021 General SDR Allocation. In addition, the authorities made further progress on the reforms underpinned by the ECF arrangement and the HIPC Completion Point triggers, including on public financial management, domestic revenue mobilization, governance, social sectors, and statistics. The authorities reached debt relief agreements with most Paris Club members, and continue to seek agreements with other creditors.

6. Staff has been closely engaging with the authorities on recent developments, policies, and reform priorities, which will facilitate conclusion of the review as soon as a President is elected. In line with the objectives of the ECF-supported program and HIPC process, the authorities' reform priorities are in the area of domestic revenue mobilization, public financial management, and governance. The reform agenda continues to be anchored by capacity development support.

7. The proposed three-month delay in the automatic expiration of the ECF arrangement would enable conclusion of the discussions for the ECF review. The requested extension would provide the time needed for staff to confirm policy understandings with the new government after presidential elections are completed and confirm financing assurances with development partners.

8. Staff supports the authorities' request for a three-month extension in the automatic expiration of the ECF arrangement to August 17, 2022 as an understanding between the authorities and staff on measures to put the program back on track appears

imminent. If the elections proceed in a timely manner, the authorities' ongoing commitment to reform and strong track-record of reform implementation since 2016, the backing of the HIPC process by regional leaders, and the continued support from development partners give comfort that staff will obtain the necessary political and financing assurances to bring the review to the Board before the program automatically expires. The attached decision is proposed for adoption by the Executive Board on a lapse-of-time basis.