



# SOMALIA

November 18, 2022

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION AND FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

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(In consultation with other departments and the World Bank)

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## RELATIONS WITH THE FUND

(As of September 2022)

**Membership Status:** Joined: August 31, 1962

### General Resources Account:

	SDR Million	Percent Quota
Quota	163.40	100.00
Fund holdings of currency	202.97	124.22
Reserve tranche position	0.0	0.0

### SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	207.23	100.00
Holdings	124.50	60.08

### Outstanding Purchases and Loans:

	SDR Million	Percent Quota
Extended Arrangement	39.57	24.22
ECF Arrangements	231.86	141.90

### Latest Financial Arrangements:

Type	Date of arrangement	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
ECF	Mar 25, 2020	Dec 24, 2023	252.86	231.86
EFF	Mar 25, 2020	Mar 25, 2020	39.57	39.57
SAF	Jun 29, 1987	Jun 28, 1990	30.94	8.84

<sup>1</sup>/Formerly PRGF.

### Projected Payments to the Fund<sup>1</sup>

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

	Forthcoming				
	2022	2023	2024	2025	2026
Principal			3.30	27.68	50.17
Charges/interest	0.64	2.85	2.84	2.68	2.48
<b>Total</b>	<b>0.64</b>	<b>2.85</b>	<b>6.14</b>	<b>30.36</b>	<b>52.65</b>

<sup>1</sup> 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:**

	<b>SDR Million</b>
I. Commitment of HIPC assistance	
Decision point date	Mar 2020
Assistance committed by all creditors (US\$ Million) <sup>1/</sup>	341.20
Of which: IMF assistance (US\$ million)	183.50
(SDR equivalent in millions)	135.70
Completion point date	Floating
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	2.47
Interim assistance	2.47
Completion point balance	--
Additional disbursement of interest income <sup>2/</sup>	--
<b>Total disbursements</b>	<b>2.47</b>

<sup>1/</sup> 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 can not be added.

<sup>2/</sup> 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.

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

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, 3, and 4 and therefore avails itself of the transitional arrangements under Article XIV. Somalia no longer maintains restrictions under the transitional provisions of Article XIV.

**Article IV Consultation.** The 2019 Article IV consultation was concluded by the Executive Board on June 7, 2019.<sup>2</sup>

**Resident Representative.** The Resident Representative for Somalia is based in Nairobi, Kenya.

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<sup>2</sup> Please see Press Release IMF Staff Completes 2019 Article IV Consultation Discussions, Review Visit and Reaches Staff-Level Agreement on a Fourth Staff-Monitored Program with Somalia (<https://www.imf.org/en/News/Articles/2019/05/13/pr19164-somalia-2019-article-iv-consultation-discuss-review-visit-staff-level-agreement-fourth-smp>) and Somalia: 2019 Article IV Consultation-Second Review Under the Staff-Monitored Program, and Request for New Staff-Monitored Program-Press Release; Staff Report; and Statement by the Executive Director for Somalia (<https://www.imf.org/en/Publications/CR/Issues/2019/07/30/Somalia-2019-Article-IV-Consultation-Second-Review-Under-the-Staff-Monitored-Program-and-48543>)

## TECHNICAL ASSISTANCE PROVIDED BY THE FUND

### Somalia: Completed TA, 2019–October 2022 1/

Department	Activity	Mission Date
FAD	Revenue administration	April-18
	Tax Laws	May-18
	PFM: cash management, arrears, and reporting	May-18
	Tax laws	September-18
	PFM: cash management, arrears, and reporting	September-18
	2019 Budget preparation	September-18
	Public financial management and 2019 budget preparation	October-18
	Tax Laws	November-18
	PFM: cash management, arrears, and reporting	December-18
	Tax laws	January-19
	Revenue administration	April-19
	PFM: cash management, arrears, and reporting	April-19
	2020 Budget preparation	April-19
	Public financial management	July-19
	2020 Budget preparation	September-19
	Tax Laws	November-19
	Tax Administration	December-19
	2020 Budget preparation & MTFF	January-20
	Review of Draft Extractive Industry Fiscal Law and Mining	May-20
	Budget preparation	July-20
	Cash management	August-20
	Budget preparation	October-20
	Preparation for Income Tax Reform	December-20
	Improving revenue forecasting	December-20
	Revenue Administration workshop	January-21
	Debt Recording, Reporting and Monitoring	January-21
	Budget preparation	March-21
	Revenue Forecast	June-21
	Improving Fiscal Reporting	August-21
	Budget Preparation	September-21
	Assessment of Internal Auditing Practices	January-22
	Income tax - Review of draft legislation comments	January-22
	Budget preparation	February-22
	Federal Tax Policy Workshop	March-22
	Income Tax - line by line review with drafting committee	March-22
	Income Tax law follow up workshop	June-22
	June 22 Reforms Plan Updates	June-22

Source: International Monetary Fund.

1/ Based on information through October 2022.

## Somalia: Completed TA, 2019–October 2022 1/ (concluded)

Department	Activity	Mission Date
<b>MCM</b>	Bank Supervision & Regulations	March-19
	Bank Supervision & Regulations	August-19
	Central Bank Organisation - Work from home Mission	October-19
	Bank Supervision & Regulations	December-19
	Virtual TA (COVID): Bank Supervision & Regulation	April-20
	Virtual TA (COVID): Risk Based Supervision	October-20
	Virtual TA (COVID): Risk Based Supervision	June-21
	Bank Supervision II	October-21
	MFS/FSIs - Improving Compilation	January-22
	Banking Supervision	May-22
<b>STA</b>	Business register	March-19
	Balance of Payments	April-19
	Government financial statistics	April-19
	National Account (SOM TTF)	August-19
	Government financial statistics	October-19
	(Remote TA) Monetary and Financial Statistics (SOM TTF)	May-20
	(Remote TA) Balance of Payments Statistics (SOM TTF)	February-21
	(Remote TA) National Account Statistics (SOM TTF)	April-21
	Desk Work - EGDDS	April-21
	(Remote TA) Chart of Accounts review	August-21
	(Remote TA) GFS& PSDS Workshop	October-21
	GDP Data Revision and Dissemination policy	April-22
	National Accounts	May-22
	E-GDDS - Implementation of IMF Data Standards Initiatives	May-22
	GDP - Improving GDP compilation system	May-22

Source: International Monetary Fund.

1/ Based on information through October 2022

# RELATIONS WITH THE OTHER INTERNATIONAL ORGANIZATIONS

(As of September 2022)

## African Development Bank:

- Country page: <https://www.afdb.org/en/countries/east-africa/somalia>

## European Union:

- Country page: [https://www.eeas.europa.eu/delegations/somalia\\_en?s=153](https://www.eeas.europa.eu/delegations/somalia_en?s=153)

## World Bank Group:

- Country page: <https://www.worldbank.org/en/country/somalia>
- Overview of Word Bank Group lending: <https://financesapp.worldbank.org/countries/Somalia/>
- BRD-IDA project operations: [https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&countrycode\\_exact=TM&os=0&qterm=somalia](https://projects.worldbank.org/en/projects-operations/projects-list?lang=en&countrycode_exact=TM&os=0&qterm=somalia)

# STATISTICAL ISSUES

As of October 2022

## I. Assessment of Data Adequacy for Surveillance

**General:** Data provision has serious shortcomings that significantly hamper surveillance. Macroeconomic and financial statistics are being developed but there are few data sources and information systems are not yet adequate. The authorities' Statistical Action Plan underpins further improvements in statistical capacity, including further work on GDP by expenditure, a production-based estimate of GDP, and a new national CPI. There is also scope to advance within the e-GDDS framework. 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.

**National accounts:** Official estimates of annual GDP by expenditure began to be compiled and released in 2020, and were developed via tripartite technical assistance provided by the IMF, World Bank, and Statistics Sweden. New estimates are released each June. Estimates used a fixed base year of 2017. 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. A business census is forthcoming (February 2023), and the SNBS expects to publish production-based GDP estimates later in 2023. A new census is expected in 2024, the first after 40 years.

**Price statistics:** CPI data collection does not cover the whole country. SNBS plans to add the remaining two federal regions to expand geographical coverage of the CPI, from which a national CPI will be calculated. Updating of the CPI weights is planned based on the Integrated Household Budget Survey the results of which are expected to be published at the end of 2022. Publication of the CPI with national coverage and updated weights is planned in 2023.

**External sector statistics (ESS):** The balance of payments is not available to Fund staff. The international investment position is not compiled. The IMF provided several technical assistance missions during 2016–20 to the Central Bank of Somalia (CBS) on the ESS under the umbrella of the Somalia Trust Fund for Capacity Building in Macroeconomic and Financial Statistics aiming to strengthening staff capacity on the balance of payments source data and compilation. The CBS has achieved progress in implementing some of the previous missions' recommendations. However, the COVID-19 pandemic led to the postponement and in some cases slow progress regarding the implementation of the planned activities for improving data collection. A November 2022 mission will provide technical assistance to the CBS in improving balance of payments compilation, including assessing the coverage of cross-border trade in goods and services statistics, personal transfers data, and direct investment data.

**Government finance statistics:** Data for the general government, although regularly and timely disseminated by the Ministry of Finance, only covers transactions at the budgetary level for the



Federal Government and the Federal Member States on an aggregated (not consolidated) basis. As no below-the-line information is published, data is incomplete, and its consistency cannot be directly assessed.

**Monetary and financial statistics:** The authorities provide data on central bank balance sheet and commercial bank consolidated balance sheet on a monthly basis. Data are not reported for publication in the International Financial Statistics (IFS). Mobile money operators' balance sheets have not yet been included in the monetary and financial statistics. Stock data (balance sheet) of Money Transfer Business (MTB) and financial soundness indicators are not reported.

## II. Data Standards and Quality

Somalia has joined the IMF Data Standards Initiatives, implementing the recommendations of the Enhanced General Data Dissemination System (e-GDDS) by publishing essential macro-economic and financial data through a National Summary Data Page (NSDP) in June 2022 (<https://somalia.opendataforafrica.org/fhubste>). E-GDDS implementation was one of the authorities' commitments under the First ECF Review in 2020. The data published under the e-GDDS provides policymakers and domestic and international stakeholders access to information critical for monitoring economic conditions and policies

**Table 1. Common Indicators Required for Surveillance**  
(As of October 2022)

	Date of Latest Observation	Date Received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>
Exchange Rates	Not applicable	Not applicable	n.a.	n.a.	n.a.
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	August, 2022	October, 2022	M	M	M
Reserve/Base Money	August, 2022	October, 2022	M	M	M
Broad Money	August, 2022	October, 2022	M	M	M
Central Bank Balance Sheet	August, 2022	October, 2022	M	M	A
Consolidated Balance Sheet of the Banking System	August, 2022	October, 2022	M	M	A
Interest Rates <sup>2</sup>	Not available	Not available	n.a.	n.a.	n.a.
Consumer Price Index	September 2022	October 2022	M	M	M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	Not applicable	Not applicable	n.a.	n.a.	n.a.
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Budgetary Central Government	August 2022	October, 2022	M	M	n.a.
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	June 2021	October 2021	M	M	n.a.
External Current Account Balance	April 2022	August 2022	Q	Q	Q
Exports and Imports of Goods and Services	April 2022	August 2022	Q	Q	Q
GDP/GNP	December 2021	June 2022	A	A	A
Gross External Debt	June 2021	October 2021	A	A	I
International Investment Position <sup>6</sup>	Not available	Not available	n.a.	n.a.	n.a.

<sup>1</sup>Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup>Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup>Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup>The general government consists of the central government (including budgetary entities, extra budgetary funds and social security funds), and state and local governments.

<sup>5</sup>Including currency and maturity composition.

<sup>6</sup>Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup>Daily (D); Weekly (W); Monthly (M); Bi-monthly (B); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).