INTERNATIONAL MONETARY FUND

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SOMALIA

July 2025

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SOMALIA

In the context of the Staff Report for the Third Review Under the Extended Credit Facility and Request for a Modification of Quantitative Performance Criterion, 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.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 9, 2025, following discussions that ended on May 15, 2025, with the officials of Somalia on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 25, 2025.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association.
- A **Statement by the Executive Director** for Somalia.

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

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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PRESS RELEASE

PR25/246

IMF Executive Board Concludes the Third Review of the Extended Credit Facility for Somalia

FOR IMMEDIATE RELEASE

- *The IMF Executive Board completed the third review under the Extended Credit Facility (ECF) arrangement for Somalia, allowing for an immediate disbursement of about US$10 million to support the country's economic reform agenda.*

- *Somalia's economic outlook is clouded by foreign aid disruptions, weather shocks and high uncertainty, with 2025 growth expected to slow to 3 percent from an estimated 4 percent in 2024.*

- *Program performance has been strong, and the authorities are committed to step up reform efforts amid the global headwinds. Policy priorities include accelerating domestic revenue mobilization, strengthening public financial management, promoting financial deepening and inclusion, improving governance, and enhancing statistics. Continued donor support is crucial to support the authorities' policy efforts.*

Washington, DC – July 9, 2025: The Executive Board of the International Monetary Fund (IMF) today completed the third review of Somalia's economic reform program supported by the Extended Credit Facility (ECF) arrangement. The Board's decision enables the immediate disbursement of SDR 7.5 million (about US$ 10 million), which will be channeled for budget support, bringing Somalia's total disbursement under the ECF to SDR 52.5 million (about US$ 70 million).

Somalia's ECF arrangement was originally approved by the Executive Board on December 19, 2023 (see Press Release No. 23/463). The program supports the authorities' post-HIPC reform strategy to further strengthen key economic institutions and promote macroeconomic stability and growth, in line with Somalia's National Transformation Plan and Centennial Vision 2060.

Following the Executive Board discussion, Mr. Nigel Clarke, Deputy Managing Director and Chair, made the following statement:

"The Somali authorities have maintained reform momentum with strong performance under their Fund-supported program despite significant global and domestic challenges. The newly launched National Transformation Plan provides a welcome medium-term reform agenda to build resilience, promote inclusive growth, and reduce poverty. Nevertheless, foreign aid cuts and the associated high uncertainty could weigh on Somalia's economic and social outlook. This highlights the urgency of strengthening domestic revenue mobilization to create room for social and development spending. Moreover, continued assistance from development partners remains critical for the successful implementation of the reform strategy.

"The authorities' strong revenue performance and steadfast implementation of revenue-enhancing reforms are welcome and should be intensified. Key reforms include continuing

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customs modernization, implementing the new Income Tax Law, and further enhancing revenue administration. Strengthening public financial and debt management is also important. In particular, the implementation of the Pay and Grade reform and the new pension regime for civil servants should be carefully managed to ensure fiscal sustainability.

“Progress to improve the central bank’s institutional framework and build its capacity is commendable. Continued efforts are recommended to promote financial deepening and inclusion as well as to further enhance the AML/CFT framework. The authorities are also encouraged to continue their work toward carefully reintroducing the Somali Shilling and adopting a currency board arrangement.

“The adoption of a comprehensive legal framework to enhance governance in the petroleum sector is an important milestone. Its effective implementation is key to ensuring accountability and transparency in this industry. Further reforms to improve governance and fight corruption are also recommended.”

INTERNATIONAL MONETARY FUND

SOMALIA

June 25, 2025

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. Economic growth in 2024 was supported by robust agricultural and livestock output. The outlook, however, is shadowed by foreign aid cuts and high global uncertainty, which exacerbate challenges from domestic security, climate shocks, and regional tensions.

Reform priorities. Despite the expected negative impact of foreign aid cuts on economic activity, the fiscal deficit is expected to be limited to 0.6 percent of GDP in 2025. Domestic revenue reforms continue to advance (including customs modernization, enactment of the Income Tax Law, and enhanced revenue administration), and the authorities plan to maintain the overall 2025 spending within the budget envelope. Public financial management and debt management capacity have strengthened. Implementation of the Pay and Grade reform and the new pension regime for civil servants should ensure fiscal sustainability. The Central Bank of Somalia continues to strengthen its institutional framework and build capacity. Preparation for the currency exchange and the currency board arrangement has advanced. To support key policy areas, the program includes new targets and benchmarks for the next 12 months.

Program performance. Program performance has been strong. All quantitative performance criteria (QPCs) and indicative targets (ITs) due for this review were met. The authorities are requesting a modification to the end-June QPC for the floor on the Federal Government of Somalia's (FGS') domestic revenue to reflect the projected negative impact of foreign aid cuts. All six structural benchmarks (SBs) due for this review were met. To allow for additional technical assistance, the authorities are requesting a new target date for an SB on updating PFM regulations relating to digital signatures and its implementation.

Program and other risks. Key near-term risks emanate from further foreign aid cuts, domestic security and political tensions, climate shocks, lower global growth and heightened global trade uncertainties. Risks to the program are mitigated by continued program ownership, capacity development assistance, and continued close engagement with development partners.

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

Discussions were held in Nairobi, Kenya during May 6-15, 2025. The staff team consisted of Ms. Bi (head), Mr. Baltabaev, Ms. Goyal (all MCD), Ms. Arroyo (FAD), Ms. Del Rosario (SPR), Ms. Jack (Resident Representative), Mr. Irungu and Mr. Osman (Resident Representative Office). Mr. Abdullahi (OED) participated in key meetings. Ms. Niu and Ms. Ament supported the preparation of this report. The mission met with Finance Minister Egeh, Central Bank Governor Abdullahi, and other senior officials. The mission also met with development partners and private sector representatives.

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CONTEXT[1]

1. Somalia has maintained strong reform momentum, with a newly launched National Transformation Plan (2025-29) guiding its medium-term policy agenda. Decisive reform implementation has continued following the Completion Point (CP) under the Heavily Indebted Poor Countries (HIPC) Initiative in December 2023 supported by international partners. A new National Transformation Plan (NTP) was adopted in March 2025, setting an ambitious medium-term reform agenda underpinned by initiatives to enhance governance, economic diversification, human capital development, and environmental resilience. The strategic priorities of the NTP are well aligned with the key objectives of the ECF arrangement (Annex I).

2. Global headwinds, however, cast a heavy shadow over Somalia's economic and social outlook, especially given possible sharp declines in foreign aid (Annex II). Somalia is one of the most aid dependent economies in the world. While there is no comprehensive official recording of total aid flows to Somalia, information from various donors suggest that it could be around 20-30 percent of GDP over the last decade (more than 85 percent of foreign aid is off budget and implemented directly by development partners).[2] Aid inflows provide critical assistance in security, agriculture, water and sanitation, health, education, social protection and other developmental areas, especially to the most vulnerable population. A significant share of the international aid flows is from the U.S. (all off budget)—Somalia's largest bilateral donor—including those channeled through UN agencies (e.g., Food and Agriculture Organization, UNICEF, and World Food Program). These aid inflows are subject to significant cuts, although the magnitude is still highly uncertain. Preliminary estimates suggest that the reduction in foreign aid inflows to Somalia in 2025 could range between 3 and 4½ percent of GDP, weighing on consumption, business activities and employment. Disruptions in critical social service deliveries would particularly hit local communities, exacerbating poverty and deteriorating human development indicators. The cuts in foreign aid coincide with an expected broader decline in donor engagement, suggesting a potentially more severe and lasting impact.

3. Amid declining foreign assistance, Somalia's security challenges have risen, and domestic political tensions are also building up ahead of next year's elections. The government's fight against the Al-Shabab terrorist group has intensified in recent months. The security challenge has been further exacerbated by the reduction in security-related foreign assistance, as well as the limited progress in securing funding for a new African Union Support and Stabilization Mission in Somalia (AUSSOM), which has replaced the African Union Transition Mission in Somalia (ATMIS) since January

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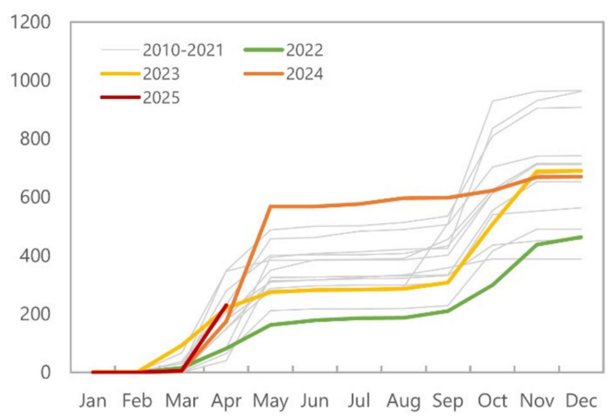
[1] See the Somalia's 2022 Country Engagement Strategy (CES), for an overview of the drivers of fragility, constraints to reform, opportunities and sources of resilience, and reform priorities that inform the strategy for Fund engagement.

[2] The estimates include foreign aid for humanitarian support, peacekeeping and development projects. Key bilateral donors to Somalia include the U.S., Germany, United Kingdom, Sweden, Norway, Saudi Arabia, and Japan. Main multilateral donors include the World Bank, European Commission, African Development Bank, and the Islamic Development Bank.

2025. The authorities have continued to engage closely with traditional and non-traditional donors to seek financing for the AUSSOM's operations. At the same time, domestic political tensions are building ahead of the Presidential and Parliamentary elections (due in May 2026) based on universal suffrage, with oppositions from some member states and stakeholders. While tensions between Somalia and Ethiopia have eased following a bilateral agreement, with the mediation of Türkiye, broader geopolitical developments in the Horn of Africa remain fluid. Somalia's recent membership to the East African Community (EAC) provides an opportunity to enhance the country's regional integration.

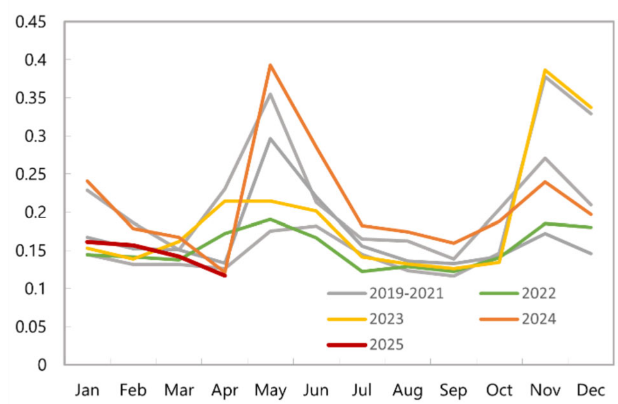
4. Despite efforts to enhance climate resilience, Somalia remains vulnerable to adverse weather events. Rainfalls in recent months remain erratic. An underperforming rainy season in 2024Q4—2025Q1, which raised the risk of low crop yields and food insecurity, was followed by stronger rainfalls recently, leading to flooding, damaging infrastructure and disrupting production. The extreme swings in weather conditions continue to pose challenges on agricultural production and growth, with implications for food security and social stability.

Somalia: Cumulative Precipitation
(mm, area along Webi Shabele River)



Source: NASA and IMF Staff calculations

Somalia: Vegetation Index in Beledweyne Region



Source: Copernicus Sentinel-2 and IMF Staff estimates

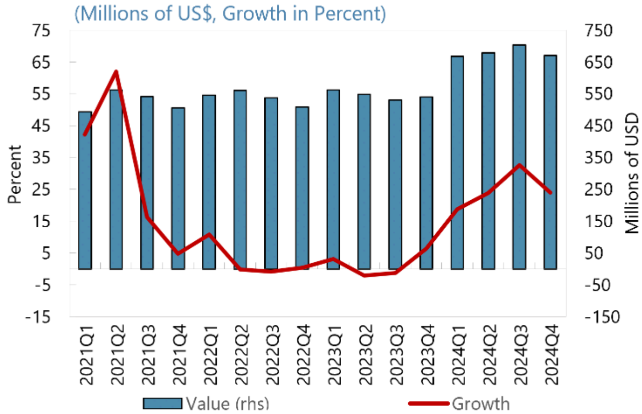
Note: The graph illustrates the monthly normalized difference vegetation index (NDVI) in Beledweyne, a region known for its substantial agricultural productivity

RECENT ECONOMIC DEVELOPMENTS

5. Growth in 2024 is estimated at 4 percent, driven by robust agricultural and livestock output. Ample rainfall in 2023Q4 and 2024Q1 boosted agricultural output in 2024, also improving food security – although rains stalled in 2024Q4 and 2025Q1. Inflation eased from 6.6 percent in December 2023 to 5.6 percent by December 2024, aided by softer global commodity prices. Remittances also rebounded as economic conditions improved in host countries, supporting domestic demand. The current account deficit in 2024 is estimated at 9.1 percent of GDP, driven by stable food imports and strong livestock exports in response to increased regional demand.

Somalia: Remittances

(Millions of US$, Growth in Percent)

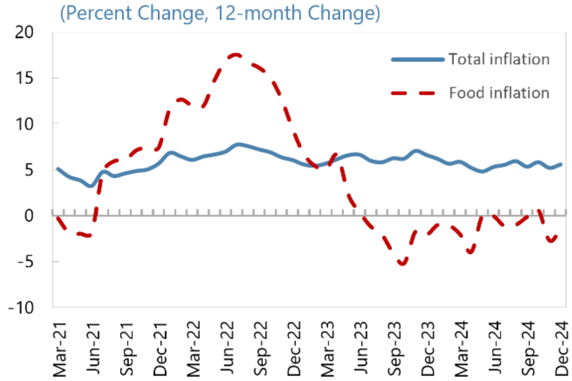


Source: Authorities' data and IMF Staff estimates

Note: Remittances include transfers to individuals through Money Transfer Businesses and through Commercial Banks

Somalia: Food and Headline Inflation

(Percent Change, 12-month Change)

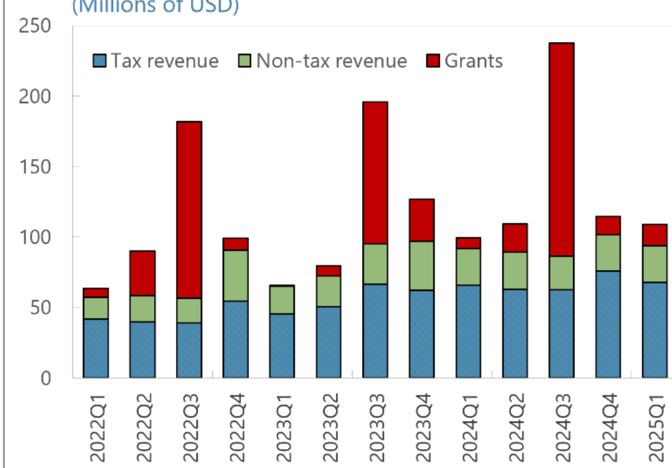


Sources: Authorities's data, IMF Staff estimates

6. **In 2024, domestic revenues performed strongly, and expenditures remained within the budget.** Domestic revenues reached US$369 million by end-December 2024, above the program floor of US$358 million, supported by digitalization of tax collection (including for sales tax), expansion of the tax base (through an expansion of registration of properties, vehicles, and businesses), and enhanced enforcement—which are expected to be sustained in the medium term. Overall budget support grants were as expected. Expenditures by end-December 2024 were below the program ceiling, contributing to a small overall fiscal surplus for 2024, which, together with the IMF disbursement at the completion of the second ECF review in December 2024, led to a buildup of cash buffers that will partially address liquidity needs in 2025. In the first three months of 2025, domestic revenues performed in line with program targets despite the initial impact of foreign aid cuts, thanks to the strengthening capacity in collecting personal, corporate, and rental income tax as well as non-tax revenues. Expenditures by end-March 2025 remained below the program ceiling.

Somalia: Total Revenue, Excluding Project Grants

(Millions of USD)



Source: Authorities' data and IMF staff estimates

7. **Financial deepening continued, although from a very low base.** Private sector credit expanded by 22.9 percent (y-o-y) in 2025Q1, though still below 6 percent of GDP. The Central Bank

of Somalia (CBS) data indicates that bank capital and liquidity remained comfortable, and NPLs stayed low at around 3 percent. In January 2025, the authorities launched the Somalia Instant Payment SWITCH (SIPS), which aims to facilitate real-time, low cost, and interoperable transactions between banks and mobile money operators. The SIPS will also support transactions through standardized QR codes.

PROGRAM PERFORMANCE

8. Program performance has been strong. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2024 and end-March 2025 were met (Table 10). In addition, the authorities met all six structural benchmarks (SBs) due for the 3rd review (Table 11):

- The authorities developed a roadmap to implement the Pay and Grade Policy, which was approved by the Cabinet on February 26, 2025 (SB#1, met).
- On December 28, 2024, the authorities published the amended regulation harmonizing the Petroleum and Procurement Acts (SB#2, met).
- Regulations for the Extractive Industries Fiscal Regime Law were published on January 18, 2025 (SB#3, met).
- The regulation for the Petroleum Act clarifying publication standards for all Production Sharing Agreements (PSAs) was finalized on March 28, 2025 (SB#4, met).
- The authorities refrained from signing new PSAs in the petroleum sector until the completion of the legal framework—with the exception of three new PSAs under the existing specific defense and security framework agreement that was approved by Parliament in February 2024 involving national security, which are excluded from the coverage of the SB. Nevertheless, as required by the SB, the three new PSAs were reviewed and approved by the Inter-Ministerial Concessions Committee (IMCC) (SB#5, continuous SB, met). Now that the legal framework has been completed, this continuous SB no longer applies and is dropped for the rest of the program.
- The authorities published the Annual Debt Management Report on April 24, 2025 (SB#6, met).

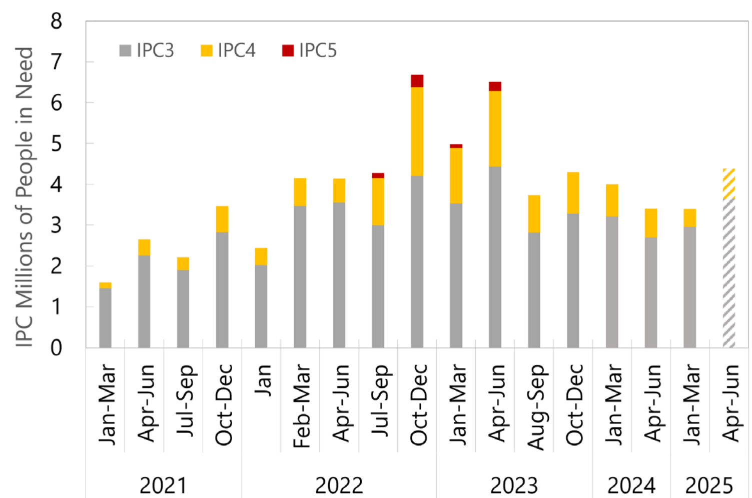
OUTLOOK AND RISKS

9. The 2025 growth forecast has been revised down from 4 percent at the 2nd review to 3 percent, reflecting foreign aid cuts, adverse weather events, and high uncertainty. Foreign aid cuts are expected to weigh on private consumption and imports, as households lose access to aid-funded programs (including cash transfers) and NGOs and businesses that service those programs reduce their activities (Annex II). Erratic rainfalls are also likely to affect agricultural production. Inflation is expected to remain at around 4.9 percent at end-2025, falling at a slower pace than previously anticipated in the context of domestic food price pressures and potentially higher import prices.

10. While a gradual recovery is expected beyond 2025, the medium-term growth outlook has been marked down compared to the 2nd review, reflecting potentially persistent foreign aid cuts. Real GDP growth is projected to gradually pick up to 4.1 percent over the medium term, supported by accelerated structural reforms and improved access to concessional financing. However, the medium-term growth forecast has been downgraded from that in the 2nd review (at 4.5 percent), reflecting potentially persistent cuts in aid flows from a broader set of donors. The baseline projections do not incorporate the impact of joining the EAC, as the roadmap and timeline of EAC integration are currently uncertain.

11. Risks to the outlook are tilted to the downside, reflecting the high uncertainty (Annex II). The evolution of foreign aid inflows remains highly uncertain with significant downside risks. Somalia is also highly vulnerable to adverse weather conditions—the negative economic and social impact could be compounded if global humanitarian response is muted. Additional external risks emanate from global trade uncertainties, lower global growth, higher commodity prices, and global and regional geopolitical tensions. Additional domestic downside risks stem from a deterioration of the security situation—including underfunding of AUSSOM—and political frictions related to the implementation of universal suffrage for the upcoming elections, which could hinder reform implementation and affect the election timeline. Should these adverse risks materialize, economic growth and domestic revenue would decline further, and spending pressures would increase, raising financing needs. While existing cash buffers, the authorities' strong commitment to domestic revenue mobilization and 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.[3]

Somalia: Food Security Trend 2021-2025



Source: Food Security and Nutrition Analysis Unit - Somalia
Notes: Acute food insecurity is measured and classified according to the Integrated Food Security Phase Classification (IPC) phase scale, namely: IIPC 3 (crisis), IPC 4 (emergency), and IPC 5 (catastrophe/famine) conditions. 2024 and 2025 data are projected figures.

[3] The World Bank is lining up financing (mainly a reallocation of resources within the existing envelope) that could be disbursed quickly in the event that an emergency is declared, including through the Catastrophe Deferred Drawdown option and Rapid Response Facility.

PROGRAM AND POLICY DISCUSSIONS

A. Fiscal Policy

12. **The authorities are committed to maintaining fiscal discipline and keeping the overall spending within the budget envelope in 2025.** Given tight budgetary and financing constraints and uncertainty about future aid inflows, the authorities believe that they do not have the ability to compensate shortfalls in off-budget aid with higher on-budget spending this year. In this regard, they intend to keep the overall expenditure within the budget envelope, with some additional on-budget security spending (about $30 million to partially offset the reduction in off-budget foreign security assistance) absorbed through expenditure reorientation and some additional room from lower interest payments. At the same time, the expected foreign aid cuts are estimated to have somewhat limited impact on domestic revenues in 2025, given the relatively small tax intake on foregone aid flows. Overall, the impact of foreign aid cuts on revenues is expected to be about US$8 million (0.1 percentage point of GDP) in 2025,[4] mostly from lower collections of personal income tax (due to the freezing of salary payments to local NGOs that rely on U.S. or UN funding), customs duties (resulting from import compression) and sales tax (as lower cash transfers and other aid-funded spending depress consumption). As a result, the overall 2025 fiscal deficit is forecasted at 0.6 percent of GDP,[5] part of which will be covered by drawing down some of the accumulated cash buffers from 2024.

13. **The authorities are stepping up their efforts to raise domestic revenues, guided by the Medium-term Revenue Roadmap (MTRR).** The new Income Tax Law was signed by the President on May 16th, 2025, with the relevant regulations published at end-May and broader tax-payer education ongoing. With IMF technical assistance, an income tax administrative manual for tax administrators will be completed (proposed SB #11, due end-December 2025). Customs modernization reforms are on track, with the use of Port Customs Management Information System (PCMIS) discontinued since early May 2025, and the Somalia Customs Automated System (SOMCAS) to be fully operationalized at the Mogadishu port and airport (SB#7, due end-June 2025). SOMCAS has also been implemented in Kismayo port and airport (in Jubbaland State). The implementation of non-tax revenue portal has started, which will channel all fees charged by different Ministries, Departments and Agencies (MDAs) to the Treasury Single Account. Procurement of a developer for the Integrated Tax Administration System (ITAS) is also in process, along with strengthening efforts to enhance tax compliance and tax audits. These measures are expected to more than offset the negative impact of foreign aid cuts on domestic revenues,

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[4] The impact on revenues is estimated assuming a unit elasticity with respect to the change in nominal GDP (for personal income tax and the fraction of sales tax collected on domestic goods) and a unit elasticity with respect to the change in nominal imports (for custom duties and the fraction of sales tax collected on imported goods).

[5] This is lower than the projected fiscal deficit of 1.2 percent of GDP at the 2nd review, with the difference (0.6 percent of GDP) being driven by higher budget support grants from the World Bank. While annual approval is required, the World Bank grants are expected to be extended from June 2025 to June 2028. In addition, thanks to debt relief agreements signed by April 2025, interest payments are projected to be lower in 2025 compared to those at the 2nd review (by about 0.1 percent of GDP), offsetting the expected impact of foreign aid cuts on domestic revenue.

resulting in an increase of revenue-to-GDP ratio of 0.2 percentage points from 2024 to 2025. The authorities reiterated their commitment to maintaining revenue targets set in the MTRR and achieving the objective of covering operational expenditure (non-project compensation of employees, goods and services, and interest payments) with domestic revenues by 2027.

14. Progress has also continued on public financial management (PFM) reforms and building debt management capacity. The draft update of the PFM regulations relating to digital signatures for the purchase order to payment process is well advanced, but in light of the capacity development need to ensure proper implementation of digital signatures in the Somalia Financial Management Information System (SFMIS), the authorities requested a new target date to allow further IMF technical assistance (SB#8, proposed new target date of end-August 2025). Reforms to strengthen Public Investment Management (PIM) are underway, with a recent IMF TA that helped to identify key reform needs, including the implementation of the core PIM functions related to having a clear public investment program, a solid process for project appraisal and selection, as well as a multiyear budgeting process to ensure project completion. Work is also ongoing to revise the PPP bill which has been with Parliament since August 2024 to ensure consistency between the PPP process and the budget process and manage potential fiscal risks—in line with IMF staff recommendations. With the expiration of the 2021-24 PMF action plan, the authorities requested IMF TA to develop a new PFM Reform Strategic Plan for 2026-29 (proposed SB #14, due end-March 2026), which will include plans to strengthen multi-year commitment controls, public investment management, fiscal transparency, and institutional coordination. Capacity building on debt management has also advanced, with the first Annual Debt Management Report published in April 2025 (SB#6, met). The Medium-term Debt Management Strategy (MTDS) is being developed, with the publication expected by end-October 2025. Sustainable staffing of the Debt Management Unit remains critical to reap the benefit of significant CD support provided by international partners, and more broadly for the long-term success of Somalia's debt management efforts.

15. Implementation of the Pay and Grade reform and new pension scheme for civil servants should be carefully assessed to ensure that fiscal costs are manageable.[6] Finalizing the functional reviews of MDAs (supported by the World Bank) and conducting a pilot costing exercise (with IMF TA) will provide useful inputs for the implementation of the Pay and Grade reform. Ensuring a comprehensive coverage of employees (including both permanent and temporary workers, as well as teachers, healthcare workers, and other public servants) and their compensation (salary and allowances) in these exercises is important to assess the fiscal sustainability of the wage bill. Implementation of the recently approved Pension Law for Civil Servants and the proposed Armed Forces pension reform (still under discussion) would need to be preceded by a fiscal impact assessment—informed by the planned implementation of the pay and grade reform and information about the number and age structure of dependents that could become eligible for survivor benefits —and a realistic implementation plan. To pave the way for future implementation of pension reforms, the

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

authorities plan to establish a Pension and Gratuity Fund Directorate to begin collecting information and setting up administration systems.

Text Table 1. Somalia: Fiscal Accounts

(Millions of U.S. Dollars)

	2023	2024			2025		
	Actual	Budget	Prog.	Prel.	Budget	Prog.	Proj.
Revenue excluding projects	**471**	**531**	**560**	**559**	**600**	**461**	**541**
Domestic revenue	329	346	358	369	430	423	415
Tax	225	241	254	267	295	295	287
Non-tax	105	105	104	103	135	128	128
Budget support grant	141	185	202	189	170	37	126
Expenditure excluding projects	**465**	**570**	**584**	**538**	**628**	**619**	**615**
Operational expenditure	389	482	485	454	514	505	501
Compensation of employee	291	357	357	338	366	366	396
Goods and services	93	116	116	110	135	128	99
Interest	5	10	12	5	14	12	6
Other expenditure	76	87	100	84	114	114	114
Transfer to FMS	71	73	85	82	85	92	92
Social benefits	0	0	0	0	0	0	0
Other expenses	0	3	3	0	3	5	5
Capital expenditure	5	11	11	2	11	17	17
Overall balance excluding projects	**6**	**-38**	**-24**	**21**	**-28**	**-158**	**-73**
Projects							
Project grants	270	510	351	356	732	424	502
Project expenditure 1/	270	510	351	356	732	424	502
Total revenues including projects	**741**	**1041**	**911**	**915**	**1332**	**884**	**1043**
Total expenditure including projects	**736**	**1079**	**936**	**894**	**1360**	**1043**	**1116**
Overall balance including projects	**6**	**-38**	**-24**	**21**	**-28**	**-158**	**-73**

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

16. The CBS continues to strengthen financial sector regulation and supervision while enhancing financial inclusion. The revised Financial Institutions and new Takaful (Islamic Insurance) legislations became effective in May 2025, which expand the supervisory powers of the CBS to non-bank financial institutions. The authorities are now developing regulations to support the implementation of these legislations with assistance from multilateral partners. The CBS is on track in issuing detailed written instructions to banks on data calculations pertaining to capital adequacy (CAR) and liquidity coverage ratios (LCR) (SB#10, due end-July 2025). Further efforts to improve the quality of regulatory data are also underway, including the adoption of supervisory technologies to automate data collection and analysis. With support from the international community, including the Fund, the authorities also plan to enhance the regulatory framework for consolidated supervision and Shariah compliance. To support financial inclusion, the authorities operationalized the instant payment functionality of the National SWITCH, and are committed to the steadfast enactment of the National Payment Systems Law to lay the legal foundation of the payment system. Planned establishment of a credit bureau and central collateral registration should facilitate access to credit information and improve financial inclusion.

17. Important efforts are underway to improve the AML/CFT framework, including to address recommendations from the Middle East and North Africa Financial Action Task Force (MENAFATF) mutual evaluation. The amended AML/CFT Act, drafted with IMF technical assistance, was enacted in May 2025. Meanwhile, a technical compliance report from the ongoing MENAFATF mutual evaluation was published in May 2025, identifying key gaps in Somalia's AML/CFT framework. The authorities have started the implementation of the amended AML/CFT act, including to draft corresponding regulations, and are developing priority actions to address the MENAFATF recommendations. On the other hand, the MENAFATF's on-site visit to evaluate the effectiveness of Somalia's AML/CFT framework has been delayed—it will take place once the security situation in Mogadishu improves.

18. The CBS has made further progress in enhancing its institutional framework. In November 2024, the CBS Board approved the new Strategic Plan (2025-2029) which will guide monetary and financial reforms for the next five years, including on internal operations. The 2024 audited financial statements were published in May 2025 with a clean auditor's opinion for the fourth consecutive year. Most recommendations from the 2024 IMF Safeguards Assessment have been implemented, with significant progress made in remaining ones, including on enterprise risk management, cybersecurity and the amendment of the CBS Act (see below).

19. The authorities see the reintroduction of Somali Shilling (SOS) as a national priority, and have stepped up efforts to advance the currency exchange and the adoption of a currency board arrangement (CBA). The currency exchange project aims to reintroduce the SOS as legal tender by replacing old and mostly counterfeit notes. The authorities believe that the reintroduction of the SOS will play a critical role in unifying the nation, with clear economic benefits, including by facilitating payments for small value transactions, and promoting financial inclusion, particularly for the most vulnerable who may not have access to USD or mobile money. The authorities have thus intensified efforts to secure co-financing for the currency exchange project, while working towards reaching a firm agreement between the FGS and all Federal member States (FMS). Moreover, the authorities are finalizing draft amendments to the CBS Law (with IMF CD support), which covers the CBA while further strengthening its mandate, governance, autonomy, transparency and accountability provisions. The draft amendments to the CBS Law are expected to be submitted to Parliament later this year (SB#9, due end-December 2025). To support the implementation of the CBA following the enactment of the CBS Law amendments, the CBS will secure: i) its Board approval of foreign exchange (FX) regulations outlining the CBS criteria for selecting counterparties and specifying how these counterparties will fulfill their obligations to the general public under the CBA, in line with IMF recommendations (proposed SB#12, due end-May 2026); and (ii) its Board approval of a regulation that specifies the process to produce and publish the CBA balance sheet on a weekly basis with minimal lag (proposed SB#13, due end-July 2026). Both regulations will enter effect upon the completion of the currency exchange and the adoption of the CBA.

C. Governance, Inclusive Growth, and Resilience

20. A comprehensive legal framework for the petroleum sector has been put in place to enhance accountability and transparency, and strict implementation is now key. The authorities have taken commendable steps to complete the petroleum sector legal framework since the 2nd review. The next step is to ensure proper implementation, including by steadily improving the institutional and technical capacity. Oversight by the Inter-Ministerial Concessions Committee (IMCC) in the most recent PSAs is a significant step in the right direction, while enhanced technical capacity for PSA reviews (including by seeking support from development partners) and continued adherence to the legal requirements regarding the negotiation, IMCC review and publication of future PSAs are important.

21. Efforts have continued to bolster Somalia's anti-corruption framework. The authorities are implementing the 2023 Audit Law and its corresponding 2024 regulations. Ensuring a strong role of the Auditor General's Office (AGO) is critical in supporting transparency and accountability. As part of the obligations under the UN Convention Against Corruption (UNCAC), the authorities completed the first cycle of the Implementation Review Mechanism. In March 2025, Somalia acceded to the United Nations Convention Against Transnational Organized Crime (UNTOC) and its three protocols, which will strengthen Somalia's ability to combat transnational organized crime. Strengthening the resources of the Independent Anti-Corruption Commission (IACC) and advancing work on the new National Anti-Corruption Strategy (2025-2029) with support from development partners are important next steps.

22. The authorities are committed to broad-based reforms to promote inclusive growth, improve climate resilience, and enhance trade integration. The rollout of national digital ID—an important reform to support targeted social protection programs and enhance AML/CFT efforts—has continued, with 200 thousand individuals (one percent of the population) enrolled in the National Identification and Registration Agency (NIRA) by March 2025. Wider rollout of the national digital ID, along with banks' access to the NIRA database, will help improve the application of customer due diligence measures. Since the implementation of Somalia's Food Security Crisis Plan from January 2024, regular Integrated Food Security Phase Classification and Joint Monitoring Reports are being prepared, serving as core inputs for early warning and timely crisis interventions. The recently launched National Transformation Plan provides a comprehensive medium-term blueprint to accelerate progress in poverty reduction, inclusive growth, and climate resilience, including by channeling financing and expertise from development partners and the private sector. In light of the declining foreign aid on education and health sectors, building domestic capacity to improve access to social services is also a priority. A gradual approach has been undertaken toward EAC trade integration to balance benefits and risks. Spearheaded by the National Integration Committee, sectoral implementation plans are being developed and stakeholder consultations underway to build capacity and ensure alignment with EAC obligations and benefits.

23. The authorities continue to make progress in enhancing the quality and coverage of statistics, supported by substantial IMF CD. The compilation of nationwide Consumer Price Index (CPI) is nearing completion. Work is also advancing on compiling GDP by production, improving the balance of payments statistics, and expanding the coverage of monetary and financial statistics.

FINANCING AND PROGRAM MODALITIES

24. Performance criteria and structural benchmarks have been agreed for the next 12 months. To reflect the expected negative impact of foreign aid cuts on economic activity and tax collection, the authorities have requested a modification to the June QPC on domestic revenue. Correspondingly, the September IT on domestic revenue and the ITs on the overall fiscal balance would need to be lowered. New QPCs and ITs are proposed for December 2025 and March 2026 (Table 10). Four 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 and Memorandum of Economic and Financial Policies (MEFP)). The authorities have requested a new target date for the SB on updating PFM regulations relating to digital signatures for the purchase order to payment process and implementing the digital signatures in the SFMIS by end-August 2025, to allow time for additional CD support to ensure proper implementation.

Text Table 2. Somalia: Projected Financing Gap in 2025 and 2026
(Millions of USD)

External financing need	2025	2026	Fiscal financing need	2025	2026
External financing requirement	**7444.4**	**7793.8**	**Fiscal deficit, excl. budget support grants**	**199.1**	**173.8**
of which:			Revenue and grants, excl. budget support grants 1/	916.9	845.3
Trade balance	7431.5	7774.8	Expenditure	1116.0	1019.1
Amortization & interest	12.9	20.9			
Change in reserves	0.0	-1.9			
Available financing	**7299.7**	**7685.9**	**Total financing, excl. projects**	**54.4**	**65.8**
of which:			Net acquisition of financial assets	61.2	77.7
Current transfers (net)	6340.1	6527.6	Net incurrence of liabilities	-6.9	-11.9
Foreign Direct Investment	685.7	760.6			
External financing gap	**144.7**	**108.0**	**Fiscal financing gap**	**144.7**	**108.0**
Financing commitments so far	**144.7**	**108.0**	**Financing commitments so far**	**144.7**	**108.0**
IMF ECF	19.9	19.9	IMF ECF	19.9	19.9
World Bank budget support grants	104.5	88.0	World Bank budget support grants	104.5	88.0
Other	20.3	0.0	Other	20.3	0.0

Sources: Somali authorities, and IMF staff estimates
1/ Includes project grants and excludes budget support grants.

25. The debt sustainability assessment (DSA) continues to indicate a moderate risk of debt distress. Staff assesses Somalia's external and overall public debt to be sustainable in the medium-term. The debt service to revenue indicative threshold is breached under the stress scenario in the outer years of the 10-year assessment horizon, consistent with a moderate risk rating.[7] The expected extension of budget support grants by the World Bank until June 2028 (subject to annual approvals) as well as updates to future debt service payments reflecting debt relief agreements signed as of April 2025 and revisions to the macroeconomic forecasts do not change Somalia's risk rating. The authorities continue to make best efforts to negotiate debt relief agreements with remaining creditors that have any HIPC eligible debt (Table 14). As the Paris Club agreement with Somalia is representative, based on the Paris Club's comparability of treatment, principal arrears to non-Paris Club official creditors can be deemed away under the Fund's Lending into Official Arrears (LIOA) policy.

26. The program is fully financed. The authorities have secured firm financing commitments for the next 12 months (Text table 2), including grants from the World Bank, the EU (US$10 million), Türkiye (US$7.5 million), and UAE (US$2.8 million). Despite cuts in off-budget foreign aid, on-budget support from international partners is expected to remain robust, indicating that there are good prospects that financing will be adequate for the rest of the program period.

27. Somalia's capacity to repay the Fund continues to be adequate, albeit subject to risks. Based on existing and prospective drawings, 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 over the course of the program, in addition to ceilings on overall deficits and non-concessional borrowing.

28. Somalia will continue to need extensive CD, supported by the Somalia Country Fund (SCF). Fund CD, supported through the SCF, has been instrumental for Somalia's reform implementation. The SCF currently has sufficient funding until April 2026, but additional financing will be needed for CD activities that extend beyond this date. In addition to the CD supported by the SCF, the authorities are expected to benefit from the financial sector follow-up TA program based on the Financial Sector Stability Review (FSSR) concluded in 2024.

STAFF APPRAISAL

29. Somalia has maintained strong reform momentum, but its economic prospects are clouded by the foreign aid cuts and the associated uncertainty. Despite Somalia's fragility and significant challenges, the authorities remain committed to program objectives and have maintained strong performance, with all QPCs and SBs met. They see the Fund-supported program as a key pillar to their broader engagement with international partners to build a stronger, more inclusive and resilient economy. However, the foreign aid cuts and the associated high uncertainty could weigh on Somalia's economic outlook, exacerbate poverty, and deteriorate human development indicators, especially among the most vulnerable. Adequate foreign aid remains critical to support Somalia's

[7] The LIC DSA reflects full delivery of HIPC and MDRI debt relief from participating multilateral creditors (IMF, IDA, and AFDB) and beyond-HIPC assistance from the IMF and Paris Club creditors, following the Enhanced HIPC Initiative Completion Point (HIPC CP) reached in December 2023. In addition, it reflects actual debt relief agreements signed with remaining creditors, and assumes treatment in line with the HIPC CP debt relief analysis for the remainder of debts pending debt relief agreements.

efforts in rebuilding institutions and advancing economic development and poverty reduction.

30. The authorities' commitment to sustaining domestic revenue mobilization efforts and spending discipline in 2025 are welcome. Despite the expected negative impact of foreign aid cuts, the authorities' domestic revenue mobilization reforms continue to be anchored in the objectives and policies outlined in the MTRR. Despite bringing on budget additional essential spending, the authorities intend to maintain the overall 2025 spending unchanged by expenditure reprioritization.

31. The changing global aid landscape highlights the urgency of accelerating domestic revenue mobilization. Despite progress made in building tax capacity, domestic revenues remain insufficient to cover operational expenditure. Spending needs, on the other hand, are likely to rise faster to partially offset the impact of foreign aid cuts. To meet the target of fully covering operational expenditure by domestic revenues while also creating room for development and social spending, it is urgent to accelerate domestic revenue mobilization and improve transparency— as outlined in the MTRR—with efforts stepping up in customs modernization, implementation of the Income Tax Law, stronger enforcement of sales and income taxes, and enhancement of revenue administration. In this regard, it is reassuring that the authorities remain committed to fully covering operational expenditure with domestic revenues by 2027.

32. Further strengthening public financial management and debt management capacity are also of paramount importance. Key reforms include implementing the digital signatures, building capacity in public investment management, and developing the PPP framework to ensure the quality and affordability of projects while mitigating fiscal risks. Developing a new Public Financial Management (PFM) Reform Strategic Plan for 2026-29 would guide the PFM reform agenda. Implementation of the pay and grade reform and the new pension scheme for civil servants requires careful consideration to ensure fiscal costs are manageable. Continued efforts are needed to strengthen the public debt management framework and capacity.

33. The CBS should continue to advance reforms to promote financial deepening and financial inclusion. The recent enactment of key financial sector and AML/CFT laws is an important milestone. The CBS should continue to strengthen financial sector regulation and supervision capacity, including through measures to improve commercial banks' data quality. The CBS has made commendable progress in implementing most of the recommendations from the 2024 Safeguards Assessment, and is encouraged to complete the implementation of the rest, including on enterprise risk management and business continuity. To enhance the CBS's mandate, autonomy, governance, transparency and accountability, timely finalization of the amended CBS Law, which also includes CBA-related amendments, is critical. Continued progress in improving the AML/CFT framework should be guided by the findings of the ongoing MENAFATF mutual evaluation.

34. The authorities' strong efforts to advance the currency exchange and adoption of the CBA should continue. The authorities are encouraged to secure co-financing and an agreement with all FMS on the currency exchange project. The progress made towards adopting a currency board arrangement, with IMF CD support, is encouraging. It is critical to develop the relevant regulations to support the implementation of the currency exchange and the CBA once the amended CBS law is enacted. Somalia will also need to maintain complementary policies to sustain the credibility of the CBA once implemented, including fiscal sustainability and central bank independence, among others.

35. **Diligent implementation of the comprehensive legal framework for the petroleum sector is important to ensure accountability and transparency.** In line with the legal framework, enhanced oversight by the IMCC in approving the most recent PSAs is a welcome development. Steady improvement in institutional and technical capacity, including in the IMCC, would underpin the strong implementation of the petroleum sector legal framework.

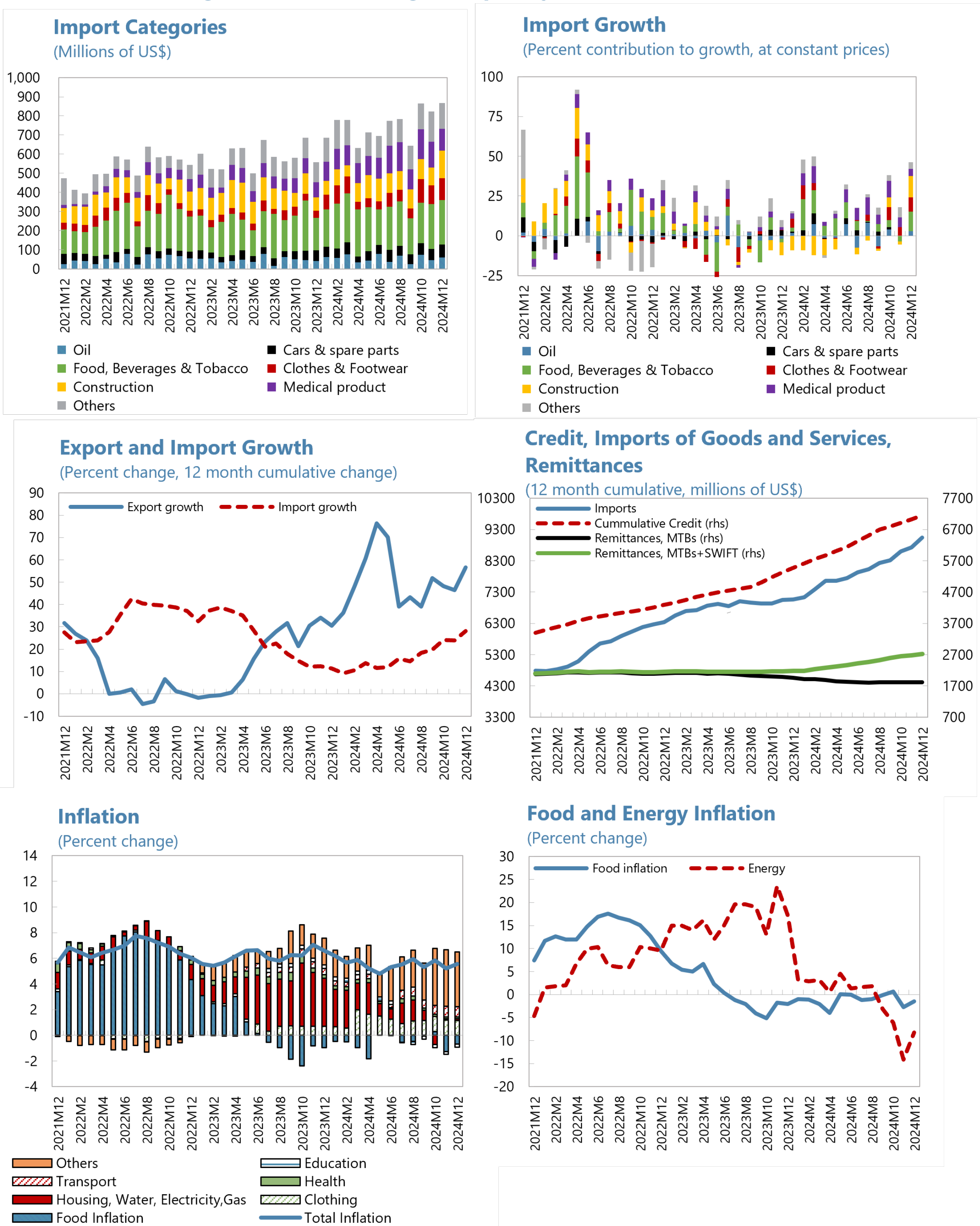
36. **Reforms should continue to improve governance and fight corruption.** This includes further progress in aligning with the UNCAC, strengthening staffing of the IACC and advancing work on the new National Anti-Corruption Strategy (2025-2029).

37. **Sustained efforts are crucial to increase resilience, reduce poverty, and promote inclusive growth.** The NTP provides a comprehensive medium-term reform agenda, underpinned by priority projects and reform initiatives, to achieve these goals. However, the global environment of declining foreign aid exacerbates Somalia's severe resource constraints. While Somalia accelerates efforts to mobilize domestic revenues and channel financing from the private sector, sustained support from development partners remains critical to support Somalia's development objectives. The EAC accession presents opportunities as well as risks, calling for a gradual approach to ensure macroeconomic stability while implementing reforms to strengthen human capital and increase productivity.

38. **Downside risks remain significant.** Somalia faces important risks emanating from further reductions in foreign assistance, domestic security situation, regional and domestic political tensions, climate shocks, as well as lower global growth and higher global trade uncertainties. Risks to the program are mitigated by continued strong program ownership, CD support, and close engagement with development partners.

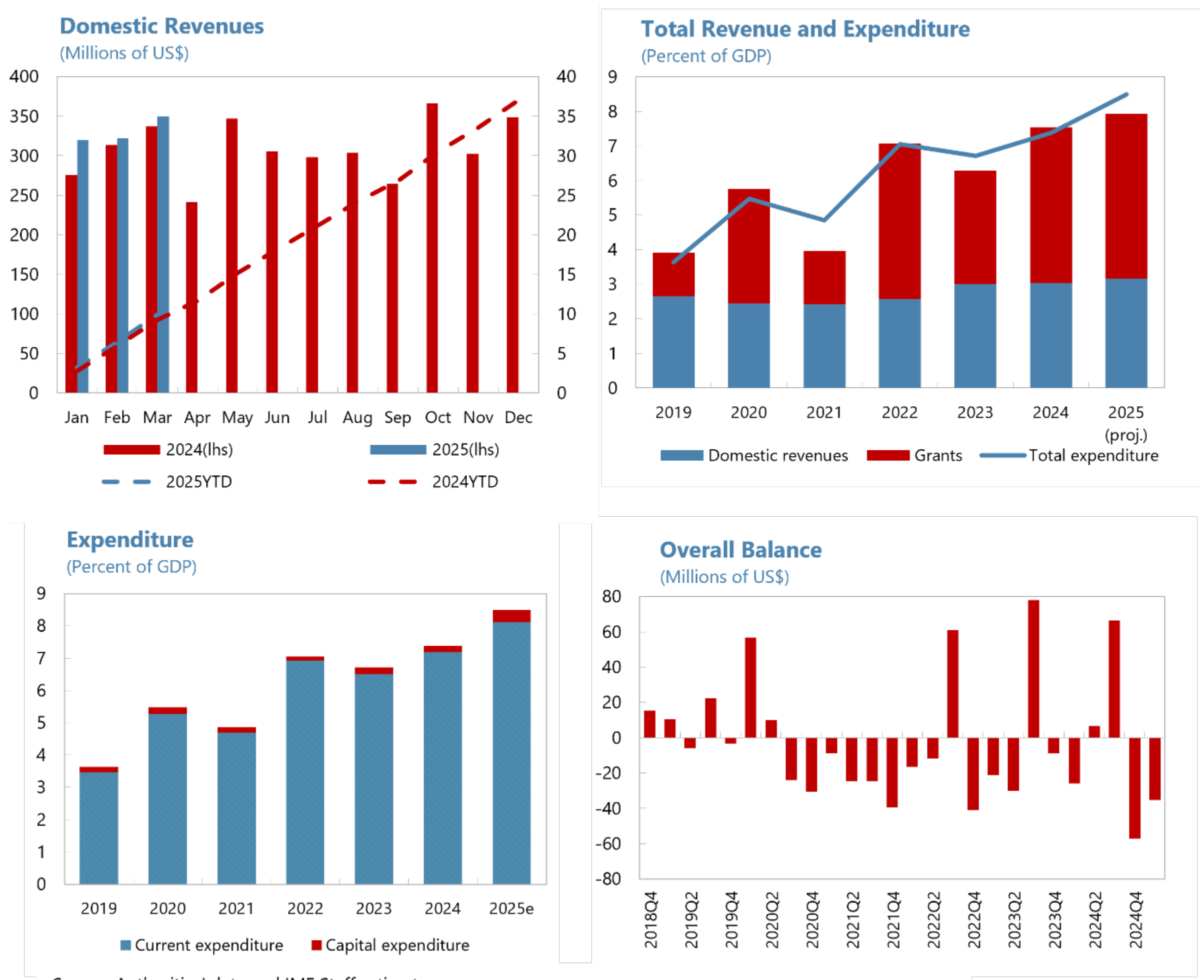
39. **Staff supports the completion of the third review and disbursement of SDR 7.5 million under the ECF arrangement.** As indicated at the time of the approval of the ECF arrangement, the authorities plan to use the disbursement for direct budget support. To accommodate the projected negative impact of foreign aid cuts on domestic revenue, staff supports the authorities' request for a modification of the end-June 2025 QPC for the floor on FGS' domestic revenue, and the corresponding adjustments in end-September 2025 ITs on domestic revenue and the overall fiscal balance. In view of additional capacity development need, staff also supports the authorities' request for a new target date for the SB on updating PFM regulations relating to digital signatures for the purchase order to payment process and implementing the digital signatures in the SFMIS by end-August 2025. The attached Letter of Intent and the MEFP set out the appropriate policies that meet the program objectives.

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



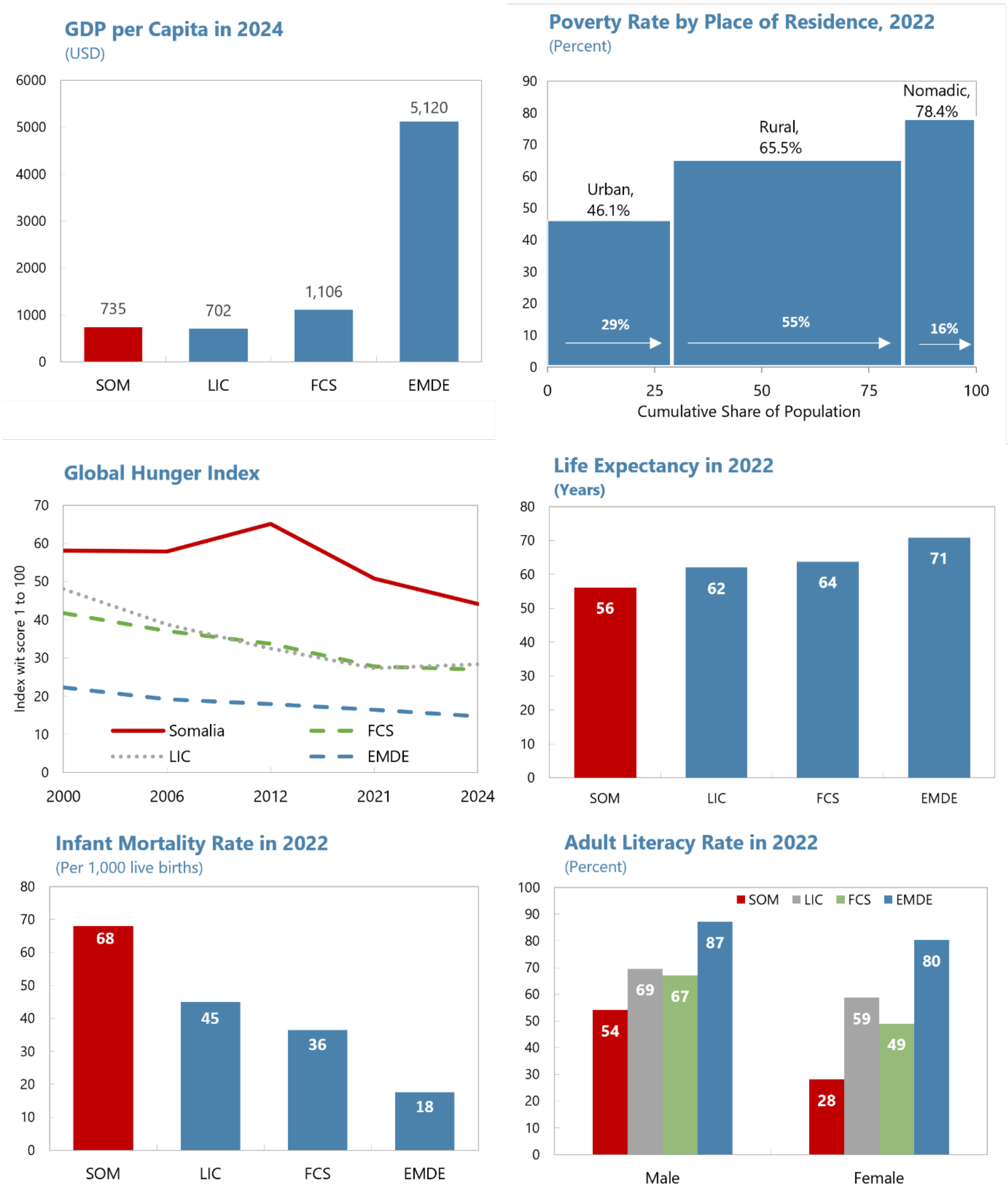
Source: Authorities' data and IMF Staff estimates

Figure 2. Somalia: Fiscal Indicators, 2018–2024



Source: Authorities' data and IMF Staff estimates

Figure 3. Somalia: Social Indicators

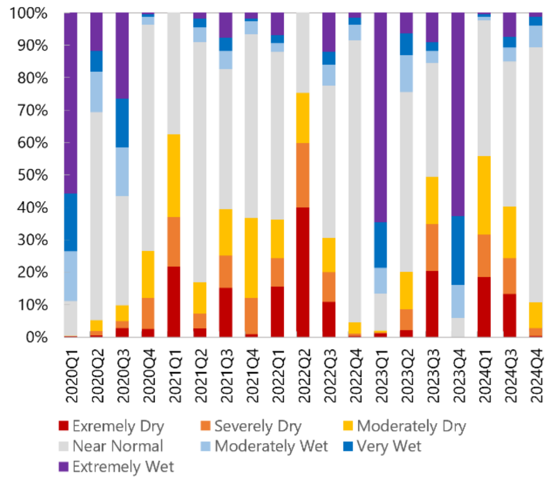


Sources: WEO, Somalia Poverty Report 2023, IMF Staff estimates, World Bank Development Indicators, Global Hunger Index, UNFPA, Educational Characteristics of the Somali People

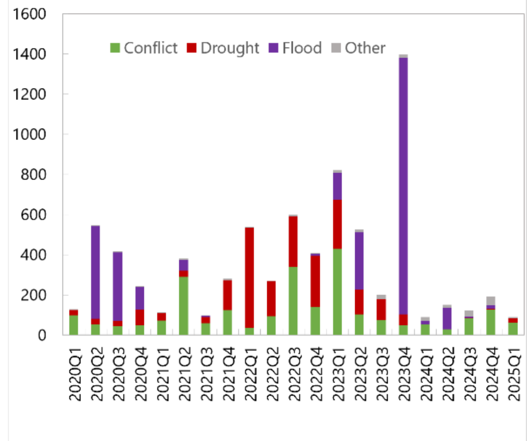
Note: SOM Somalia; LIC Low Income Countries; FCS Fragile and conflict-affected states; EMDE Emerging markets and developing economies

Figure 4. Somalia: Exposure to Extreme Weather Events and Displacement

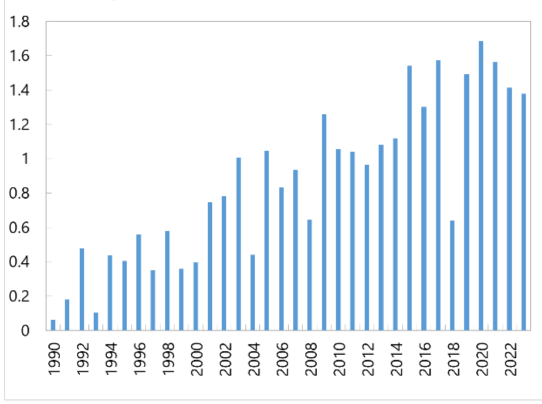
Drought Monitoring with SPI
(3 month SPI, Percent of Area)



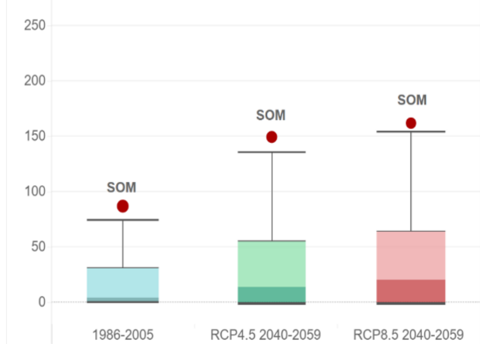
Displaced Persons
(Thousands)



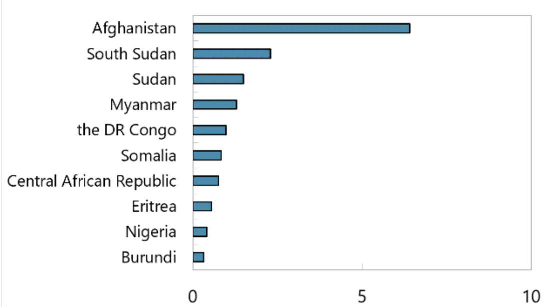
Mean Temperature Change
(°C, Temperatures between 1951-80 used as a baseline)



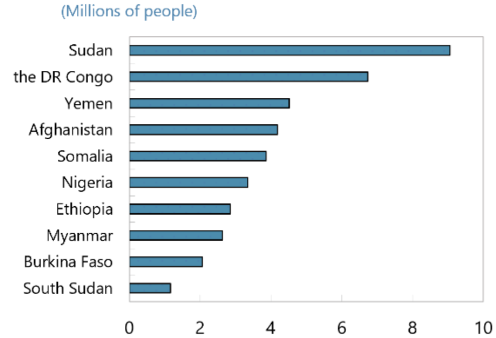
Days Above 35° Celsius under Moderate and High Emissions Scenarios
(Annual Average)



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. RCP 4.5 and RCP 8.5 are two different Representative Concentration Pathways (RCPs) used in climate modeling to simulate future climate scenarios. The data presented in the bottom two charts is limited to Fragile and Conflict-Affected States (FCS) and Low-Income Countries (LICs).

Table 1. Somalia: Selected Economic and Financial Indicators, 2023–2030 1/

Population: 15.6 million, 2022 estimate

	2023	2024		2025		2026	2027	2028	2029	2030
		Prog.	Est.	Prog.	Proj.			Proj.		
National income and prices										
Nominal GDP in millions of U.S. dollars	10,969	12,111	12,149	13,018	13,127	14,197	15,356	16,558	17,807	19,128
Real GDP in millions of U.S. dollars	10,633	11,058	11,058	11,501	11,390	11,766	12,189	12,653	13,159	13,698
Real GDP, annual percentage change	4.2	4.0	4.0	4.0	3.0	3.3	3.6	3.8	4.0	4.1
Real GDP per capita in U.S. dollars	662	670	670	678	671	675	682	691	701	712
CPI (period average, percent change)	6.2	5.3	5.5	4.2	4.9	4.0	3.4	3.2	3.0	3.0
CPI (e.o.p., percent change)	6.6	4.5	5.6	3.9	4.3	3.6	3.3	3.1	3.0	3.0
				(Percent of GDP)						
Central government finances 1/										
Revenue and grants	6.3	7.5	7.5	6.8	7.9	6.6	6.2	5.8	5.3	5.3
of which:										
Revenues	3.0	3.0	3.0	3.3	3.2	3.6	3.9	4.2	4.5	4.8
Grants 2/	3.3	4.6	4.5	3.5	4.8	3.0	2.3	1.6	0.8	0.5
Expenditure (FGS)	6.7	7.7	7.4	8.0	8.5	7.2	7.0	7.0	7.2	7.3
Compensation of employees	2.7	3.0	2.8	2.9	3.1	2.9	2.7	2.7	2.7	2.7
Purchase of non-financial assets	0.2	0.3	0.2	0.3	0.4	0.4	0.4	0.7	1.0	1.2
Overall balance	-0.4	-0.2	0.2	-1.2	-0.6	-0.6	-0.7	-1.2	-2.0	-2.0
Net change in the stock of cash	-0.1	-0.1	0.3	-0.6	-0.5	-0.5	0.0	0.0	0.0	0.0
Public debt 3/, 4/	10.2	6.4	9.1	6.6	8.6	8.0	8.1	8.7	10.0	11.3
				(Percent of GDP)						
Monetary Sector										
Net Foreign Assets	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.2
Central Bank claims on non-residents 5/	3.3	3.0	3.3	2.8	3.1	2.8	2.6	2.3	2.1	1.8
Net Dometic Assets	14.6	14.2	15.0	14.1	14.3	14.2	13.3	12.6	12.1	11.5
Credit to the private sector	4.9	5.1	5.4	5.3	5.7	5.9	6.2	6.5	6.8	6.9
Broad Money 6/	16.2	15.8	16.6	15.7	15.9	15.7	14.8	14.1	13.4	12.7
Gross International Reserves, excluding government deposits (in millions of US$) 7/	213	211	211	211	211	209	205	197	176	152
in months of next year's imports 8/	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
				(Percent of GDP)						
Balance of payments										
Current account balance	-9.8	-8.9	-9.2	-8.7	-7.8	-8.6	-8.8	-9.8	-10.6	-10.3
Trade balance	-60.8	-61.4	-61.3	-61.1	-56.6	-54.8	-54.9	-55.5	-55.3	-55.1
Exports of goods and services	19.7	20.5	20.5	21.1	20.5	21.1	21.5	21.7	21.9	22.2
Imports of goods and services	80.6	81.8	81.8	82.2	77.2	75.8	76.3	77.1	77.2	77.3
Remittances	19.2	19.8	19.8	19.9	19.2	19.9	20.3	20.3	20.0	20.2
Grants	32.3	32.9	32.7	32.8	30.0	26.7	26.2	25.8	25.0	25.0
Foreign Direct Investment	5.2	5.7	5.7	5.4	5.2	5.4	5.4	5.4	5.2	5.4
External debt 3/, 9/	9.6	5.9	8.6	6.1	8.0	7.5	7.7	8.3	9.7	11.0

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/ The World Bank extended grant financing for new commitments until June 2028.

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. Public debt stock estimates from 2023 onwards have been revised up by US$346 million, to reflect the actual debt relief agreements signed with creditors as of April 2025.

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/ Calculated as the sum of CBS's gold, SDR, US$ balances held abroad, less government SDR and US$ deposits and commercial bank deposits.

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

9/ 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, 2023-2030 1/

(Millions of U.S. Dollars) 2/

	2023	2024			2025			2026	2027	2028	2029	2030
	Actual	Budget	Prog.	Prel.	Budget	Prog.	Proj.			Proj.		
Revenue and grants	688.6	1040.8	911.4	915.2	1332.0	884.3	1041.7	933.3	958.6	965.3	940.5	1016.1
Revenue	329.5	346.2	357.9	369.4	430.3	423.3	415.4	504.3	601.6	698.3	804.5	914.1
Tax revenue	224.6	241.4	253.9	266.8	295.3	295.3	287.4	351.6	419.5	486.9	560.9	652.5
Tax on income, profit, and capital gains	24.4	23.2	28.1	36.2	38.0	38.0	37.0	45.2	54.0	62.7	72.2	87.5
Taxes on goods and services	38.6	46.6	51.5	51.4	56.1	56.1	54.1	72.2	86.1	99.9	115.1	133.6
Taxes on international trade and transactions	154.1	164.5	162.7	168.9	186.2	186.2	181.3	212.2	253.1	293.8	338.5	393.6
Other taxes	7.6	7.0	11.6	10.3	14.9	14.9	14.9	22.0	26.3	30.5	35.1	37.7
Non-tax revenue	104.9	104.8	104.0	102.6	135.1	128.1	128.1	152.7	182.1	211.4	243.5	261.6
Grants 2/	359.1	694.6	553.6	545.8	901.6	461.0	626.3	429.0	357.0	267.0	136.0	102.0
Bilateral	8.3	38.1	37.6	29.7	42.0	0.0	10.3	0.0	0.0	0.0	0.0	0.0
Multilateral	350.8	656.5	516.0	516.1	859.6	461.0	616.0	429.0	357.0	267.0	136.0	102.0
of which projects	*270.5*	509.7	351.2	*356.5*	731.7	423.6	501.5	341.0	357.0	267.0	136.0	102.0
Total expenditure 3/	732.9	1079.3	935.6	894.2	1359.7	1042.7	1116.0	1019.1	1069.8	1161.6	1288.5	1392.0
Current	710.3	1015.5	902.2	869.3	1177.6	998.6	1067.0	968.9	1007.6	1053.4	1106.4	1160.1
Compensation of employees 4/	294.7	361.0	361.3	342.7	370.0	371.1	402.1	415.3	418.2	447.1	480.4	515.6
Use of goods and services	166.3	324.5	211.3	207.5	391.5	243.1	235.6	220.1	236.7	246.3	255.7	266.1
Interest and other charges	2.4	9.8	12.5	5.2	13.8	11.8	6.1	9.1	9.8	12.2	18.5	21.5
Subsidies	4.4	13.2	5.8	5.9	13.3	7.0	8.2	5.6	5.9	5.8	5.7	5.6
Transfers to sub-national governments & Banadir Region	107.8	218.5	132.7	130.7	238.7	112.1	149.9	144.2	154.3	161.9	169.5	177.7
Social benefits	134.6	85.6	174.7	177.4	77.0	210.8	249.5	169.7	177.6	175.1	171.7	168.7
Other expenses	0.0	0.0	0.9	0.0	68.4	37.7	10.6	0.0	0.0	0.0	0.0	0.0
Contingency	0.0	3.0	3.0	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Purchase of non-financial assets	22.6	63.8	33.4	24.9	182.1	44.1	49.0	50.2	62.2	108.2	182.1	231.8
Overall fiscal balance	-44.2	-38.5	-24.1	21.0	-27.7	-158.4	-74.3	-85.8	-111.2	-196.3	-348.0	-375.8
Net cash inflow from financing activities	30.9	0.0	13.4	18.0	-1.4	84.6	13.1	8.1	111.2	196.3	348.0	375.8
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	30.9	0.0	13.4	18.0	-1.4	84.6	13.1	8.1	114.2	199.3	351.0	378.8
New external borrowing (+)	41.6	0.0	22.1	20.3	0.0	96.4	19.9	20.0	128.9	218.6	380.5	406.6
of which												
Multilateral, external 5/						75.0	0.0	0.0				
IMF: ECF arrangement	39.9		20.1	19.9		20.2	19.9	19.9				
Amortization of external debt (-)	-10.8	0.0	-8.7	-2.3	-1.4	-11.8	-6.9	-11.9	-14.7	-19.4	-29.5	-27.8
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	-13.4	-38.5	-10.7	38.9	-29.1	-73.7	-61.2	-77.7	0.0	0.0	0.0	0.0
Memorandum items												
Public debt 6/	1,115	…	778	1,111	…	861	1,124	1,132	1,244	1,440	1,788	2,164
of which external public debt 7/	1,047	…	710	1,044	…	793	1,057	1,065	1,179	1,378	1,729	2,108
Debt relief and rescheduling 8/	3,129	…	…	…	…	…	…	…	…	…	…	
Accumulation of domestic arrears 9/	0.0	…	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of domestic arrears 9/	67.8	…	67.8	67.8	…	67.8	67.8	67.8	64.8	61.8	58.8	55.8
Stock of SDR allocations 10/	130.0	…	130.0	130.0	…	130.0	130.0	130.0	130.0	130.0	130.0	130.0
Stock of SDR holdings 10/	21.2	…	19.3	20.9	…	18.0	20.9	20.9	20.9	20.9	20.9	20.9
Stock of cash and other balances 11/	87.7	…	78.3	129.0	…	4.6	77.7	0.0	0.0	0.0	0.0	0.0
Budget grants	88.7	185.0	202.4	189.4	170.0	37.4	124.8	88.0	0.0	0.0	0.0	0.0
Project grants	270.5	509.7	351.2	356.5	731.7	423.6	501.5	341.0	357.0	267.0	136.0	102.0

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. The World Bank extended grant financing for new commitments until June 2028.

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/ As a result of the assumed World Bank extension of grant financing for new commitments until June 2028 (with annual approval required), the corresponding budget support loan inflows have been revised.

6/ 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. Public debt stock estimates from 2023 onwards have been revised up by US$346 million, to reflect the actual debt relief agreements signed with creditors as of April 2025.

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

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

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

10/ 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.

11/ 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, 2023–2030 1/

(Percent of GDP) 2/ 3/

	2023	2024			2025			2026	2027	2028	2029	2030
	Actual	Budget	Prog.	Pel.	Budget	Prog.	Proj.			Proj.		
Revenue and grants	6.3	8.6	7.5	7.5	10.1	6.8	7.9	6.6	6.2	5.8	5.3	5.3
Revenue	3.0	2.8	3.0	3.0	3.3	3.3	3.2	3.6	3.9	4.2	4.5	4.8
Tax revenue	2.0	2.0	2.1	2.2	2.2	2.3	2.2	2.5	2.7	2.9	3.1	3.4
Tax on income, profit, and capital gains	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5
Taxes on goods and services	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.7
Taxes on international trade and transactions	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.5	1.6	1.8	1.9	2.1
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Non-tax revenue	1.0	0.9	0.9	0.8	1.0	1.0	1.0	1.1	1.2	1.3	1.4	1.4
Grants 2/	3.3	5.7	4.6	4.5	6.9	3.5	4.8	3.0	2.3	1.6	0.8	0.5
Bilateral	0.1	0.3	0.3	0.2	0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Multilateral	3.2	5.4	4.3	4.2	6.5	3.5	4.7	3.0	2.3	1.6	0.8	0.5
Total expenditure 3/	6.7	8.9	7.7	7.4	10.4	8.0	8.5	7.2	7.0	7.0	7.2	7.3
Current	6.5	8.4	7.4	7.1	9.0	7.7	8.1	6.8	6.6	6.4	6.2	6.1
Compensation of employees 4/	2.7	3.0	3.0	2.8	2.8	2.9	3.1	2.9	2.7	2.7	2.7	2.7
Use of goods and services	1.5	2.7	1.7	1.7	3.0	1.9	1.8	1.6	1.5	1.5	1.4	1.4
Interest and other charges	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Subsidies	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Transfers to sub-national governments & Banadir Region	1.0	1.8	1.1	1.1	1.8	0.9	1.1	1.0	1.0	1.0	1.0	0.9
Social benefits	1.2	0.7	1.4	1.5	0.6	1.6	1.9	1.2	1.2	1.1	1.0	0.9
Other expenses	0.0	0.0	0.0	0.0	0.5	0.3	0.1	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	0.2	0.5	0.3	0.2	1.4	0.3	0.4	0.4	0.4	0.7	1.0	1.2
Overall fiscal balance	-0.4	-0.3	-0.2	0.2	-0.2	-1.2	-0.6	-0.6	-0.7	-1.2	-2.0	-2.0
Net cash inflow from financing activities	0.3	0.0	0.1	0.1	0.0	0.7	0.1	0.1	0.7	1.2	2.0	2.0
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	0.0	0.1	0.1	0.0	0.7	0.1	0.1	0.7	1.2	2.0	2.0
New external borrowing (+)	0.4	0.0	0.2	0.2	0.0	0.7	0.2	0.1	0.8	1.3	2.1	2.1
of which,												
Multilateral, external 5/	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0				
IMF: ECF arrangement	0.4	0.0	0.2	0.2	0.0	0.2	0.2	0.1				
Amortization of external debt (-)	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
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	-0.1	-0.3	-0.1	0.3	0.0	-0.6	-0.5	-0.5	0.0	0.0	0.0	0.0
Memorandum items												
Public debt 6/	10.2	…	6.4	9.1	…	6.6	8.6	8.0	8.1	8.7	10.0	11.3
of which external public debt 7/	9.6	…	5.9	8.6	…	6.1	8.0	7.5	7.7	8.3	9.7	11.0
Debt relief and rescheduling 8/	28.5	…	…	…	…	…	…	…	…	…	…	
Accumulation of domestic arrears 9/	0.0	…	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of domestic arrears 9/	0.6	…	0.6	0.6	…	0.5	0.5	0.5	0.4	0.4	0.3	0.3
Stock of SDR allocations 10/	1.2	…	1.1	1.1	…	1.0	1.0	0.9	0.8	0.8	0.7	0.7
Stock of SDR holdings 10/	0.2	…	0.2	0.2	…	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Stock of cash and other balances 11/	0.8	…	0.6	1.1	…	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Budget grants	0.8	1.5	1.7	1.6	1.3	0.3	1.0	0.6	0.0	0.0	0.0	0.0
Project grants	2.5	4.2	2.9	2.9	5.6	3.3	3.8	2.4	2.3	1.6	0.8	0.5

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. The World Bank extended grant financing for new commitments until June 2028.

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/ As a result of the assumed World Bank extension of grant financing for new commitments until June 2028 (with annual approval required), the corresponding budget support loan inflows have been revised.

6/ 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. Public debt stock estimates from 2023 onwards have been revised up by US$346 million, to reflect the actual debt relief agreements signed with creditors as of April 2025.

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

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

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

10/ 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.

11/ 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, 2023–2030

(Millions of U.S. Dollars)

	2023		2024			2025			2026	2027	2028	2029	2030
	Budget	Actual	Budget	Prog.	Prel.	Budget	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue excluding projects	**454**	**471**	**531**	**560**	**559**	**600**	**461**	**540**	**592**	**602**	**698**	**804**	**914**
Domestic revenue	283	329	346	358	369	430	423	415	504	602	698	804	914
Tax	190	225	241	254	267	295	295	287	352	419	487	561	653
Non-tax	93	105	105	104	103	135	128	128	153	182	211	244	262
Budget support grant	171	141	185	202	189	170	37	125	88	0	0	0	0
Expenditure excluding projects	**480**	**465**	**570**	**584**	**538**	**628**	**619**	**615**	**678**	**713**	**810**	**943**	**1053**
Operational expenditure	411	389	482	485	454	514	505	501	547	563	605	656	706
Compensation of employee	282	291	357	357	338	366	366	396	411	414	443	476	511
Goods and services	124	93	116	116	110	135	128	99	127	139	150	162	174
Interest	6	5	10	12	5	14	12	6	9	10	12	18	21
Other expenditure	69	76	87	100	84	114	114	114	131	150	205	287	347
Transfer to FMS	51	71	73	85	82	85	92	92	97	105	114	122	131
Social benefits	0	0	0	0	0	0	0	0	0	0	0	0	0
Other expenses	3	0	3	3	0	3	5	5	5	5	5	5	5
Capital expenditure	16	5	11	11	2	11	17	17	29	40	86	160	210
Overall balance excluding projects	**-27**	**6**	**-38**	**-24**	**21**	**-28**	**-158**	**-74**	**-86**	**-111**	**-111**	**-139**	**-139**
Projects													
Project grants	497	270	510	351	356	732	424	502	341	357	267	136	102
Project expenditure 1/	497	270	510	351	356	732	424	502	341	357	352	345	339
Total revenues including projects	**951**	**741**	**1041**	**911**	**915**	**1332**	**884**	**1042**	**933**	**959**	**965**	**940**	**1016**
Total expenditure including projects	**977**	**736**	**1079**	**936**	**894**	**1360**	**1043**	**1116**	**1019**	**1070**	**1162**	**1288**	**1392**
Overall balance including projects	**-27**	**6**	**-38**	**-24**	**21**	**-28**	**-158**	**-74**	**-86**	**-111**	**-196**	**-348**	**-376**
						(Percent of GDP)							
Revenue excluding projects	**4.1**	**4.3**	**4.4**	**4.6**	**4.6**	**4.6**	**3.5**	**4.1**	**4.2**	**3.9**	**4.2**	**4.5**	**4.8**
Domestic revenue	2.6	3.0	2.8	3.0	3.0	3.3	3.3	3.2	3.6	3.9	4.2	4.5	4.8
Tax	1.7	2.0	2.0	2.1	2.2	2.2	2.3	2.2	2.5	2.7	2.9	3.1	3.4
Non-tax	0.9	1.0	0.9	0.9	0.8	1.0	1.0	1.0	1.1	1.2	1.3	1.4	1.4
Budget support grant	1.6	1.3	1.5	1.7	1.6	1.3	0.3	1.0	0.6	0.0	0.0	0.0	0.0
Expenditure excluding projects	**4.4**	**4.2**	**4.7**	**4.8**	**4.4**	**4.8**	**4.8**	**4.7**	**4.8**	**4.6**	**4.9**	**5.3**	**5.5**
Operational expenditure	3.7	3.5	4.0	4.0	3.7	3.9	3.9	3.8	3.9	3.7	3.7	3.7	3.7
Compensation of employee	2.6	2.7	2.9	2.9	2.8	2.8	2.8	3.0	2.9	2.7	2.7	2.7	2.7
Goods and services	1.1	0.8	1.0	1.0	0.9	1.0	1.0	0.8	0.9	0.9	0.9	0.9	0.9
Interest	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Other expenditure	0.6	0.7	0.7	0.8	0.7	0.9	0.9	0.9	0.9	1.0	1.2	1.6	1.8
Overall balance excluding projects	**-0.2**	**0.1**	**-0.3**	**-0.2**	**0.2**	**-0.2**	**-1.2**	**-0.6**	**-0.6**	**-0.7**	**-0.7**	**-0.8**	**-0.7**
Projects													
Project grants	4.5	2.5	4.2	2.9	2.9	5.6	3.3	3.8	2.4	2.3	1.6	0.8	0.5
Project expenditure 1/	4.5	2.5	4.2	2.9	2.9	5.6	3.3	3.8	2.4	2.3	2.1	1.9	1.8
Total revenues including projects	**8.7**	**6.8**	**8.6**	**7.5**	**7.5**	**10.1**	**6.8**	**7.9**	**6.6**	**6.2**	**5.8**	**5.3**	**5.3**
Total expenditure including projects	**8.9**	**6.7**	**8.9**	**7.7**	**7.4**	**10.4**	**8.0**	**8.5**	**7.2**	**7.0**	**7.0**	**7.2**	**7.3**
Overall balance including projects	**-0.2**	**0.1**	**-0.3**	**-0.2**	**0.2**	**-0.2**	**-1.2**	**-0.6**	**-0.6**	**-0.7**	**-1.2**	**-2.0**	**-2.0**

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, 2023–2025Q1 1/

(Millions of U.S. dollars)

	2023					2024					2025
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Revenue and grants	121.4	126.2	304.0	334.0	885.7	167.0	306.6	313.1	362.5	1149.1	202.8
Revenue	96.0	98.9	108.9	108.3	412.1	129.9	126.0	123.2	138.8	517.9	127.7
Tax revenue	70.7	65.9	77.8	72.1	286.5	98.5	93.4	94.1	108.6	394.6	96.1
Tax on income, profit, and capital gains	4.3	6.2	7.7	7.5	25.8	9.1	9.3	9.6	10.2	38.3	16.4
Taxes on payroll and workforce 2/	2.6	1.8	1.2	1.6	7.1	2.9	3.4	3.3	3.8	13.4	2.6
Taxes on property 2/	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.2	0.0
Taxes on goods and services	13.7	15.1	18.2	14.1	61.1	21.9	19.9	19.8	25.6	87.3	21.5
Taxes on international trade and transactions	48.0	40.4	48.2	46.7	183.3	61.8	56.8	58.3	64.6	241.6	52.7
Other taxes	2.2	2.5	2.3	2.1	9.2	2.7	4.1	2.9	4.2	13.8	2.8
Non-tax revenue	25.2	33.0	31.2	36.2	125.5	31.5	32.6	29.0	30.2	123.3	31.6
Grants	25.4	27.4	195.1	225.8	473.6	37.1	180.6	189.9	223.6	631.2	75.2
Transfer from FGS 3/	6.0	7.1	23.7	10.6	47.4	7.3	11.4	11.9	44.4	75.0	6.7
Bilateral	0.5	1.4	0.5	0.8	3.3	5.6	11.0	10.3	2.8	29.7	10.4
Multilateral	19.0	18.9	170.9	214.3	423.0	24.1	158.2	167.7	176.5	526.5	58.0
Total expenditure 4/	144.0	147.8	214.4	352.7	858.9	170.8	214.0	236.6	349.3	970.7	217.8
Current	138.2	144.0	205.1	347.7	835.1	163.8	207.1	225.5	322.7	919.1	198.7
Compensation of employees	84.4	84.4	87.9	105.0	361.7	103.5	110.6	113.6	130.9	458.7	115.7
Use of goods and services	33.6	39.3	47.7	68.7	189.2	43.1	57.9	69.1	112.8	282.9	56.4
Transfers to sub-national governments & Banadir Region	12.3	14.3	42.7	59.2	128.5	14.6	36.1	38.3	74.5	163.5	25.5
Contingency	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	5.8	3.8	9.2	5.0	23.8	7.0	7.0	11.0	26.6	51.6	19.1
Overall fiscal balance	-22.6	-21.5	89.6	-18.7	26.8	-3.8	92.5	76.5	13.2	178.4	-14.9

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, 2023–2025Q1 1/

(Percent of GDP) 2/

	2023					2024					2025
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Revenue and grants	1.1	1.2	2.8	3.0	8.1	1.4	2.5	2.6	3.0	9.5	1.5
Revenue	0.9	0.9	1.0	1.0	3.8	1.1	1.0	1.0	1.1	4.3	1.0
Tax revenue	0.6	0.6	0.7	0.7	2.6	0.8	0.8	0.8	0.9	3.2	0.7
Tax on income, profit, and capital gains	0.0	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.3	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
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
Taxes on goods and services	0.1	0.1	0.2	0.1	0.6	0.2	0.2	0.2	0.2	0.7	0.2
Taxes on international trade and transactions	0.4	0.4	0.4	0.4	1.7	0.5	0.5	0.5	0.5	2.0	0.4
Other taxes	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0
Non-tax revenue	0.2	0.3	0.3	0.3	1.1	0.3	0.3	0.2	0.2	1.0	0.2
Grants 4/	0.2	0.2	1.8	2.1	4.3	0.3	1.5	1.6	1.8	5.2	0.6
Transfer from FGS	0.1	0.1	0.2	0.1	0.4	0.1	0.1	0.1	0.4	0.6	0.1
Bilateral	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.2	0.1
Multilateral	0.2	0.2	1.6	2.0	3.9	0.2	1.3	1.4	1.5	4.3	0.4
Total expenditure 5/	1.3	1.3	2.0	3.2	7.8	1.4	1.8	1.9	2.9	8.0	1.7
Current	1.3	1.3	1.9	3.2	7.6	1.3	1.7	1.9	2.7	7.6	1.5
Compensation of employees	0.8	0.8	0.8	1.0	3.3	0.9	0.9	0.9	1.1	3.8	0.9
Use of goods and services	0.3	0.4	0.4	0.6	1.7	0.4	0.5	0.6	0.9	2.3	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
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Transfers to sub-national governments & Banadir Region	0.1	0.1	0.4	0.5	1.2	0.1	0.3	0.3	0.6	1.3	0.2
Social benefits	0.0	0.0	0.2	1.0	1.2	0.0	0.7	1.4	1.4	3.4	0.0
Other expenses	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Contingency	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	0.0	0.1	0.0	0.2	0.1	0.1	0.1	0.2	0.4	0.1
Overall fiscal balance	-0.2	-0.2	0.8	-0.2	0.2	0.0	0.8	0.6	0.1	1.5	-0.1

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 2f. Somalia: Domestic Distribution of the 2021 General SDR Allocation Across the FGS and CBS, and Use of SDRs 1/

(SDRs, unless otherwise indicate

SDR Allocation and Uses	Date	MoF	CBS	Total	MoF report 2/	Adjustments to reach MoF SDR balance as: SDR conversion	Adjustments to reach MoF SDR balance as: 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**
SDR net charges		-1,450,965					
Purchase of SDR		1,198,623					
Balance (2024)	**Dec-24**	**15,796,474**	**63,834,868**	**79,631,342**	**15,721,256**	**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: Summary Accounts of the Central Bank, 2022–2025Q1
(Millions of U.S. Dollars)

	2022	2023	2024				2025
			Mar	June	Sept	Dec	Mar
Net Foreign Assets	(301)	73	76	94	184	145	105
Foreign assets	346	407	406	421	522	470	436
SDR holdings 1/	174	233	229	237	244	246	250
Gold 2/	30	-	-	-	-	-	-
Foreign exchange	74	52	53	45	153	97	82
of which:							
Grants	57	75	83	99	167	107	82
Cash (US$) held locally	68	122	124	139	125	127	105
Foreign liabilities	646	334	330	328	338	325	331
IMF obligations	371	56	56	55	57	55	56
SDR allocations	276	278	274	273	281	270	275
Net Domestic Assets	378	(38)	(33)	(51)	(136)	(98)	(61)
Domestic assets	519	148	148	138	143	130	132
of which:							
Claims on government 3/	472	101	101	91	94	79	81
Domestic liabilities	141	187	180	189	279	228	193
Government	94	123	121	126	194	148	111
of which:							
Grants	103	103	103	103	105	107	107
Other domestic liabilities	43	56	50	52	74	68	69
Commercial bank reserves 4/	20	23	23	23	26	26	26
Other commercal bank deposits	22	31	26	29	47	41	43
Other demand deposits at the CBS	0	0	0	0	0	0	0
Microfinance grant	1	1	0	0	0	0	0
MTB deposits	1	1	1	1	1	1	1
Other demand deposits							
Equity and reserves	77	34	44	42	48	47	44
of which:							
Property and equipment 5/	45	45	45	45	46	47	47

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, 2022–2025Q1
(Millions of U.S. Dollars)

	2022	2023	2024				2025
			Mar	June	Sept	Dec	Mar
Total assets	1,259	1,617	1,676	1,724	1,839	1,866	1,905
Cash on Hand	476	616	671	711	785	811	846
Balances with Central Bank	41	55	62	54	70	66	67
Deposits with other banks 1/	59	73	56	49	40	51	26
Credit to private sector	400	535	555	598	616	657	682
Investment 2/	138	154	159	106	110	118	118
Other Assets 3/	145	185	175	205	218	163	167
Fixed Assets	58	64	68	68	83	86	86
Intangible Assets	15	17	17	19	19	19	19
Other Assets	72	105	90	118	116	58	61
Total liabilities	1,247	1,506	1,520	1,609	1,669	1,716	1,710
Customer Deposits	1,164	1,431	1,463	1,555	1,599	1,651	1,651
Financing Liabilities	3	4	6	6	3	3	3
Other Liabilities	57	52	35	30	47	39	41
Equity	11	111	156	115	171	150	195
Memorandum items:							
Credit to private sector							
share of total assets (percent)	32	33	33	35	33	35	36
share of GDP (percent)	5	5	5	5	5	5	6
y-o-y changes (percent)	18	34	29	46	17	23	23
Total capital to assets (percent)	13	15	15	14	13	14	14
Loan to deposits (percent)	34	37	38	38	39	40	41
Deposits to GDP (percent)	11	13	12	13	13	14	14
Liquid assets to total assets (percent)	50	49	48	50	55	50	66

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, 2023–2030 1/

(Millions of U.S. Dollars)

	2023	2024		2025		2026	2027	2028	2029	2030
		Prog.	Est.	Prog.	Proj.			Proj.		
Net foreign assets 1/	177	193	189	206	200	213	227	239	241	224
Claims on nonresidents	521	537	534	550	544	554	563	568	561	537
Central Bank 2/	360	359	401	359	401	399	395	387	366	342
of which GIR, excluding government deposits 3/	213	211	211	211	211	209	205	197	176	152
Other Depository Corporations	161	178	133	191	144	155	168	181	195	195
Liabilities to Nonresidents	344	344	344	344	344	342	336	328	320	312
Net Domestic Claims	1598	1721	1828	1833	1882	2010	2047	2091	2154	2206
Net Claims on Central Government	69	39	55	40	-19	-20	-22	-22	-10	7
of which CBS claim on government 1/	384	384	384	384	384	382	376	368	360	352
Claims on private sector	535	618	657	695	743	840	951	1073	1208	1328
Other net claims not included in broad money	994	1064	1116	1098	1157	1189	1118	1040	956	870
Capital and Reserves	246	293	283	330	320	361	399	429	455	494
Other items, net	13	12	14	13	16	18	19	19	20	21
Broad Money 4/	1775	1914	2017	2039	2082	2223	2274	2330	2395	2430
Memorandum items										
Deposits (percent of GDP)	13.0	14.1	13.6	14.8	14.2	14.8	15.1	15.1	14.9	15.1
Credit to the private sector (percent of GDP)	4.9	5.1	5.4	5.3	5.7	5.9	6.2	6.5	6.8	6.9

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/ Calculated as the sum of CBS's gold, SDR, US$ balances held abroad, less government SDR and US$ deposits and commercial bank deposits.

4/ Primarily deposits at commercial banks. Data includes trust account balances with commercial banks covering about 75 percent of mobile money issued by Mobile Network Operators.

Table 6a. Somalia: Balance of Payments, 2023–2030 1/

(Millions of U.S. Dollars)

	2023	2024		2025		2026	2027	2028	2029	2030
		Prog.	Est.	Prog.	Proj.			Proj.		
Current account balance	-1,073	-1,082	-1,114	-1,138	-1,019	-1,216	-1,346	-1,628	-1,892	-1,965
Overall trade balance	-6,672	-7,431	-7,449	-7,959	-7,431	-7,775	-8,426	-9,184	-9,839	-10,537
Goods balance	-5,946	-6,445	-6,467	-6,933	-6,518	-6,975	-7,563	-8,159	-8,771	-9,429
Exports of goods, f.o.b.	1,009	1,148	1,149	1,257	1,248	1,356	1,469	1,583	1,712	1,849
Imports of goods, f.o.b.	-6,955	-7,593	-7,616	-8,190	-7,766	-8,331	-9,032	-9,742	-10,483	-11,278
Services, net	-726	-986	-981	-1,026	-914	-799	-863	-1,025	-1,068	-1,109
Service credits	1,155	1,332	1,336	1,484	1,448	1,633	1,826	2,007	2,190	2,391
Service debit	-1,881	-2,318	-2,318	-2,510	-2,362	-2,432	-2,689	-3,032	-3,258	-3,500
Income (net)	-45	-40	-48	-43	-52	-56	-61	-66	-71	-76
Receipts	61	67	67	72	72	78	85	91	98	106
Payments	-106	-107	-115	-114	-125	-135	-146	-157	-169	-181
of which:										
Interest payments, public debt	-2	-12	-4	-12	-6	-9	-10	-12	-18	-21
Multilateral, official	-2	-5	-2	-4	-3	-3	-4	-7	-9	-13
Bilateral, official	0	-8	-3	-8	-4	-6	-5	-5	-9	-9
Current transfers (net)	5,644	6,389	6,383	6,864	6,465	6,616	7,141	7,622	8,018	8,648
Private (net), including remittances	2,102	2,401	2,409	2,588	2,525	2,829	3,123	3,358	3,564	3,869
Official	3,542	3,987	3,974	4,275	3,940	3,786	4,018	4,264	4,454	4,779
On budget aid 1/	359	554	546	461	626	429	357	267	136	102
Off-budget aid	3,182	3,434	3,429	3,814	3,314	3,357	3,661	3,997	4,318	4,677
Capital account and financial account	1,059	1,062	1,135	1,118	999	1,194	1,342	1,619	1,871	1,941
of which:										
Foreign direct investment	570	690	692	703	686	761	836	886	932	1,033
Other Investment	0	0	0	75	0	0	129	219	380	407
of which:										
Long-term debt liabilities 2/	0	0	0	0	0	0	0	0	0	0
Official concessional borrowing	0	0	0	75	0	0	129	219	380	407
Amortization, public debt 3/	-11	-9	-2	-12	-7	-12	-15	-19	-29	-28
Multilateral, official	-11	-5	0	-6	-3	-5	-7	-12	-24	-27
Bilateral, official	0	-4	-2	-6	-4	-6	-7	-7	-6	-1
Errors and omissions	0	0	0	0	0	0	0	0	0	0
Overall balance and error and omissions	-15	-20	21	-20	-20	-22	-4	-9	-20	-25
Financing	15	20	-21	20	20	22	4	9	20	25
Change in central bank reserves (- = increase)	-44	0	-41	0	0	2	4	9	20	25
Use of Fund resources (net)	-275	20	20	20	20	20	0	0	0	0
Purchases and loans	59	20	20	20	20	20	0	0	0	0
of which: ECF	40	20	20	20	20	20	0	0	0	0
Repayments	-334	0	0	0	0	0	0	0	0	0
Arrears, net change (+ = accumulation)	-2,445	0	0	0	0	0	0	0	0	0
Debt relief and rescheduling 4/	2,780	0	0	0	0	0	0	0	0	0
Memorandum items:										
Nominal GDP	10,969	12,111	12,149	13,018	13,127	14,197	15,356	16,558	17,807	19,128
GIR, excluding government deposits 5/	213	211	211	211	211	209	205	197	176	152
in months of next year's imports 6/	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Exports of goods and services	2,164	2,480	2,485	2,742	2,697	2,989	3,295	3,590	3,902	4,240
Exports of goods and services (percent change)	20	15	15	11	9	11	10	9	9	9
Exports of goods (percent change)	43	14	14	10	9	9	8	8	8	8
Imports of goods and services	-8,836	-9,911	-9,934	-10,700.7	-10,128	-10,764	-11,721	-12,774	-13,741	-14,777
Imports of goods and services (percent change)	7	12	12	8	2	6	9	9	8	8
Imports of goods (percent change)	9	9	9	8	2	7	8	8	8	8
Remittances (percent change)	-2	14	15	8	5	12	10	8	6	9
Current transfers, official (percent change)	3	11	12	7	-1	-4	6	6	4	7
External debt 4/, 7/	1,047	710	1,044	793	1,057	1,065	1,179	1,378	1,729	2,108

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. The World Bank extended grant financing for new commitments until June 2028.

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/ Calculated as the sum of CBS's gold, SDR, US$ balances held abroad, less government SDR and US$ deposits and commercial bank deposits.

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

7/ 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, 2023–2030 1/

(Percent of GDP) 2/

	2023	2024		2025		2026	2027	2028	2029	2030
		Prog.	Est.	Prog.	Proj.			Proj.		
Current account balance	-9.8	-8.9	-9.2	-8.7	-7.8	-8.6	-8.8	-9.8	-10.6	-10.3
Overall trade balance	-60.8	-61.4	-61.3	-61.1	-56.6	-54.8	-54.9	-55.5	-55.3	-55.1
Goods balance	-54.2	-53.2	-53.2	-53.3	-49.7	-49.1	-49.3	-49.3	-49.3	-49.3
Exports of goods, f.o.b.	9.2	9.5	9.5	9.7	9.5	9.5	9.6	9.6	9.6	9.7
Imports of goods, f.o.b.	-63.4	-62.7	-62.7	-62.9	-59.2	-58.7	-58.8	-58.8	-58.9	-59.0
Services, net	-6.6	-8.1	-8.1	-7.9	-7.0	-5.6	-5.6	-6.2	-6.0	-5.8
Service credits	10.5	11.0	11.0	11.4	11.0	11.5	11.9	12.1	12.3	12.5
Service debit	-17.1	-19.1	-19.1	-19.3	-18.0	-17.1	-17.5	-18.3	-18.3	-18.3
Income (net)	-0.4	-0.3	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
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)	51.5	52.7	52.5	52.7	49.2	46.6	46.5	46.0	45.0	45.2
Private (net), including remittances	19.2	19.8	19.8	19.9	19.2	19.9	20.3	20.3	20.0	20.2
Official	32.3	32.9	32.7	32.8	30.0	26.7	26.2	25.8	25.0	25.0
On budget aid 1/	3.3	4.6	4.5	3.5	4.8	3.0	2.3	1.6	0.8	0.5
Off-budget aid	29.0	28.4	28.2	29.3	25.2	23.6	23.8	24.1	24.2	24.5
Capital account and financial account	9.8	8.9	9.2	8.7	7.8	8.6	8.8	9.8	10.6	10.3
of which:										
Foreign direct investment	5.2	5.7	5.7	5.4	5.2	5.4	5.4	5.4	5.2	5.4
Other Investment	0.0	0.0	0.0	0.6	0.0	0.0	0.8	1.3	3.1	4.1
of which:										
Long-term debt liabilities 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
New concessional borrowing	0.0	0.0	0.0	0.6	0.0	0.0	0.8	1.3	2.1	2.1
Amortization 3/	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
Overall balance and error and omissions	-0.1	-0.2	0.2	-0.2	-0.2	-0.2	0.0	-0.1	-0.1	-0.1
Change in central bank reserves (- = increase)	-0.4	0.0	-0.3	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Memorandum items:										
Nominal GDP (Million of U.S. dollars)	10,969	12,111	12,149	13,018	13,127	14,197	15,356	16,558	17,807	19,128
External debt 4/, 5/	9.6	5.9	8.6	6.1	8.0	7.5	7.7	8.3	9.7	11.0
Exports of goods and services	19.7	20.5	20.5	21.1	20.5	21.1	21.5	21.7	21.9	22.2
Imports of goods and services	80.6	81.8	81.8	82.2	77.2	75.8	76.3	77.1	77.2	77.3

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. The World Bank extended grant financing for new commitments until June 2028.
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 20:
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 Under the ECF

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, 2022–2030 1/

(Millions of U.S. Dollars)

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross financing requirement	*6,500.6*	*9,508.7*	*7,496.1*	*7,444.4*	*7,793.8*	*8,446.9*	*9,207.1*	*9,866.5*	*10,561.9*
Trade deficit	6,417.5	6,672.0	7,448.6	7,431.5	7,774.8	8,426.2	9,184.0	9,839.0	10,537.1
Amortization	11.9	10.8	2.3	6.9	11.9	14.7	19.4	29.5	27.8
Interest on external obligations	0.8	2.4	4.3	6.1	9.0	9.8	12.2	18.5	21.5
Official arrears/repayments	0.0	2,779.5	0.0	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	0.0
Change in reserves (increase = +)	70.4	44.0	40.9	0.0	-1.9	-3.8	-8.5	-20.5	-24.5
Available financing	*6,256.7*	*6,580.3*	*7,286.5*	*7,299.7*	*7,685.9*	*8,318.0*	*8,988.4*	*9,486.0*	*10,155.3*
Current transfers (net) 1/	5,413.0	5,555.3	6,193.7	6,340.1	6,527.6	7,141.4	7,621.9	8,018.1	8,648.0
Of Which : Remittances	2,141.7	2,102.4	2,408.7	2,524.5	2,829.5	3,123.2	3,357.8	3,564.2	3,868.6
Of Which : On-budget project grants 2/	287.8	270.5	356.5	501.5	341.0	357.0	267.0	136.0	102.0
Foreign Direct Investment	530.6	570.4	692.5	685.7	760.6	835.7	886.1	931.6	1,032.9
Other flows 3/	313.1	454.6	400.3	273.9	397.7	340.9	480.4	536.3	474.4
Financing gap	*243.9*	*2,928.4*	*209.7*	*144.7*	*108.0*	*128.9*	*218.6*	*380.5*	*406.6*
Exceptional Financing	0.0	2,779.5	0.0	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	0.0
HIPC debt relief	0.0	2,779.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : IMF 4/	0.6	334.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Remaining gap	*243.9*	*148.9*	*209.7*	*144.7*	*108.0*	*128.9*	*218.6*	*380.5*	*406.6*
Identified financing	243.9	148.9	209.7	144.7	108.0	128.9	218.6	380.5	406.6
Official budget grants 2/	171.4	88.7	189.4	124.8	88.0	0.0	0.0	0.0	0.0
IMF 5/	27.9	60.3	20.3	19.9	19.9	0.0	0.0	0.0	0.0
ECF 2020	27.9	18.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECF 2023	…	39.9	19.9	19.9	19.9	0.0	0.0	0.0	0.0
SDR	0.0	1.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Official loans (net) 6/	44.6	0.0	0.0	0.0	0.0	128.9	218.6	380.5	406.6

Sources: Somali authorities; and IMF staff estimates and projections.
1/ On-budget project grants, off-budget grants, and private remittances.
2/ The World Bank extended grant financing for new commitments until June 2028.
3/ Includes other financial account flows.
4/ Includes HIPC interim assistance received between the Decision and Completion Points, and HIPC and beyond-HIPC debt relief at Completion Point in 2023.
5/ Disbursements in 2024-26 are conditional on Board approval of ECF reviews.
6/ Includes WB loan financing only from 2027 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	17.4	19.8	20.6	17.1	8.3	6.0	2.3	0.0	0.0
2. Charges and interest 1/																
SDR related charges	0.0	1.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total obligations	250.4	1.5	0.6	2.0	3.4	6.9	15.7	18.0	20.3	21.2	17.7	8.8	6.6	2.8	0.6	0.6
Outstanding Fund credit, end of period	72.0	87.0	102.0	115.6	112.8	106.5	91.4	74.0	54.2	33.6	16.5	8.3	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	-17.4	-19.8	-20.6	-17.1	-8.3	-6.0	-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	17.4	19.8	20.6	17.1	8.3	6.0	2.3	0.0	0.0
Memorandum items:																
Outstanding Fund credit, in percent of																
Exports of goods and services	4.4	4.7	5.0	5.1	4.6	3.9	3.1	2.3	1.6	0.9	0.4	0.2	0.0	0.0	0.0	0.0
External public debt	9.1	11.1	12.8	14.4	12.7	10.3	7.0	4.7	2.8	1.4	0.6	0.2	0.1	0.0	0.0	0.0
Gross official reserves	44.9	54.9	64.3	73.6	73.1	72.0	68.8	59.8	43.8	27.2	13.3	6.7	1.8	0.0	0.0	0.0
GDP	0.9	1.0	1.0	1.1	1.0	0.9	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	45.3	33.2	20.6	10.1	5.0	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	0.3	0.5	0.6	0.6	0.6	0.4	0.2	0.1	0.1	0.0	0.0
External public debt	31.8	0.2	0.1	0.2	0.4	0.7	1.2	1.1	1.1	0.9	0.6	0.3	0.2	0.1	0.0	0.0
Gross official reserves	156.3	0.9	0.4	1.3	2.2	4.7	11.8	14.5	16.4	17.1	14.3	7.1	5.3	2.3	0.5	0.5
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	0.4	1.2	2.1	4.2	9.6	11.0	12.4	13.0	10.8	5.4	4.0	1.7	0.4	0.4
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 (December 2024–March 2026) 1/

(Millions of U.S. Dollars)

	Dec. 2024 4/			Mar. 2025			Jun. 2025 4/		Sept. 2025		Dec. 2025 4/	Mar. 2026
	Prog.	Act.	Status	Prog.	Act.	Status	Prog.	Proposed	Prog.	Proposed	Proposed	Proposed
Quantitative Performance Criteria												
1 FGS domestic revenue, floor 2/	357	369	Met				178	170			415	
2 Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/	468	439	Met				260	260			491	
3 Net international reserves (excl. all SDR holdings of MoF), floor 7/	1.5	2.8	Met				1.5	1.5			1.5	
4 Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/	0	0	Met				0	0			0	
5 Accumulation of new external arrears, ceiling 3/	0	0	Met				0	0			0	
Indicative Targets												
1 FGS domestic revenue, floor 2/				85	94	Met			283	275		101
2 Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/				131	111	Met			387	387		146
3 Net international reserves (excl. all SDR holdings of MoF), floor 7/				1.5	2.6	Met			1.5	1.5		1.5
4 Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/				0	0	Met			0	0		0
5 Accumulation of new external arrears, ceiling 3/				0	0	Met			0	0		0
6 Fiscal balance, floor (cash basis) 2/ 5/	-38	21	Met	-47	-27	Met	-62	-64	-86	-88	-29	-45
7 Contracting of new domestic debt, ceiling 3/	0	0	Met	0	0	Met	0	0	0	0	0	0
8 Accumulation of new domestic expenditure arrears, ceiling 3/	0	0	Met	0	0	Met	0	0	0	0	0	0
Memorandum item												
Contracting or guaranteeing of new external concessional debt 5/ 6/	0	0		0			0	0	75	0	0	0

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 third, fourth and fifth reviews, respectively.

5/ The fiscal balance floor for 2025 is broadly in line with the authorities' 2025 budget (-US$28 million), which is consistent with the IMF staff forecast (-US$73 million). The difference is mainly explained by different assumptions regarding budget support grants. The authorities' 2025 budget includes US$170 million in budget support grants, while the IMF staff forecast incorporates US$125 million in grants. 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.

Table 11. Somalia: Structural Benchmarks Under the ECF, March 2024–March 2026 (continued)

	Benchmarks	Target dates	Sector/FGS Agency	Rationale	Monitoring	Status
1	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-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.	Met
2	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.	Met
3	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.	Met
4	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.	Met
5	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.	Continuous SB, met
6	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.	Met

Table 11. Somalia: Structural Benchmarks Under the ECF, March 2024–March 2026 (concluded)

	Benchmarks	Target dates	Proposed new target date	Sector/FGS Agency	Rationale	Monitoring
7	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.
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	End-August 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-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
10	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.
	Proposed Structural Benchmarks					
11	Complete the income tax administrative manual for tax administrators, in line with IMF recommendations	End-December 2025		Domestic revenue / MOF	Enhance revenue collection	Send IMF staff the manual for tax administrators.
12	CBS Board approval of foreign exchange regulations outlining the CBS criteria for selecting counterparties and specifying how these counterparties will fulfill their obligations to the general public under the CBA, in line with IMF recommendations	End-May 2026		Financial Supervision / CBS	Advance preparations for the currency exchange and currency board arrangement	Send IMF staff the regulations approved by the CBS Board.
13	CBS Board approval of a regulation, to become effective with currency exchange, that specifies the process to produce and publish the CBA balance sheet on a weekly basis with minimal lag	End-July 2026		Financial Supervision / CBS	Advance preparations for the currency exchange and currency board arrangement	Send IMF staff the regulation approved by the CBS Board.
14	Publish the Public Financial Management (PFM) Reform Strategic Plan for 2026-2029, which includes plans to strengthen multi-year commitment controls, public investment management, fiscal transparency, and institutional coordination, in line with IMF recommendations	End-March 2026		PFM/MOF	Strengthen governance and expenditure efficiency.	Publish the plan approved by MoF on the MoF website. Send IMF staff the link to the plan.

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, 2025 - December 31, 2025)

PPG external debt contracted or guaranteed	Volume of new debt, USD million	Percent
Sources of debt financing	**19.9**	**100**
Concessional debt, 1/	**19.9**	**100**
o/w IMF prospective	19.9	100
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	**19.9**	**100**
Project Financing	0.0	0
Budget Financing	19.9	100
Type of interest rate	**19.9**	**100**
Fixed Interest Rate	19.9	100
Variable Interest Rate	0.0	0
Currency denomination	**19.9**	**100**
USD denominated loans	0.0	0
Loans denominated in other currency	19.9	100
Memorandum items		
Indicative projection FY2026	**19.9**	
Indicative projection FY2027	**128.9**	

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.

Table 13. Somalia: Decomposition of Public Debt and Debt Service by Creditor, 2024-2027

	Debt Stock (end of period) 6/			Debt Service 6/					
	2024			2025	2026	2027	2025	2026	2027
	(In millions of US$)	(Percent total debt)	(Percent GDP)	(In millions of US$)			(Percent GDP)		
Total 1/	1,111.3	100.0	9.1	12.9	20.9	24.5	0.10	0.15	0.16
External	1,043.5	93.9	8.6	12.9	20.9	24.5	0.10	0.15	0.16
Multilateral creditors	486.7	43.8	4.0	5.6	8.8	11.7	0.04	0.06	0.08
IMF 2/	139.1	12.5	1.1	0.7	3.5	6.4	0.01	0.02	0.04
Other Multilaterals	347.7	31.3	2.9	4.9	5.3	5.2	0.04	0.04	0.03
Arab Monetary Fund	201.5	18.1	1.7	0.2	0.2	0.2	0.00	0.00	0.00
Arab Fund for Economic and Social Development 3/	81.0	7.3	0.7	4.3	4.3	4.2	0.03	0.03	0.03
International Fund for Agricultural Development	1.6	0.1	0.0	0.0	0.5	0.4	0.00	0.00	0.00
Islamic Development Bank	27.2	2.4	0.2	0.1	0.1	0.1	0.00	0.00	0.00
OPEC Fund for International Development	36.4	3.3	0.3	0.2	0.2	0.2	0.00	0.00	0.00
Bilateral Creditors	556.8	50.1	4.6	7.3	12.1	12.8	0.06	0.09	0.08
Paris Club 4/	6.8	0.6	0.1	1.6	1.5	1.5	0.01	0.01	0.01
Russia	6.8	0.6	0.1	1.6	1.5	1.5	0.01	0.01	0.01
Non-Paris Club 5/	549.5	49.4	4.5	5.7	10.6	11.3	0.04	0.07	0.07
Algeria	0.3	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Bulgaria	2.0	0.2	0.0	0.0	0.1	0.1	0.00	0.00	0.00
Iraq	33.1	3.0	0.3	0.0	1.4	1.4	0.00	0.01	0.01
Kuwait	123.9	11.1	1.0	2.6	2.6	2.6	0.02	0.02	0.02
Libya	14.4	1.3	0.1	0.0	3.3	4.0	0.00	0.02	0.03
Romania	0.4	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Saudi Arabia	118.1	10.6	1.0	3.1	3.1	3.1	0.02	0.02	0.02
United Arab Emirates	257.3	23.2	2.1	0.0	0.0	0.0	0.00	0.00	0.00
Commercial creditors	0.5	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Serbia 3/	0.5	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Domestic	67.8	6.1	0.6	0.0	0.0	0.0	0.00	0.00	0.00
Of which: in arrears	67.8	6.1	0.6	0.0	0.0	0.0	0.00	0.00	0.00
Nominal GDP (in millions of US$)	12,149								

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.

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

3/ The debt stock and debt service amounts reported assume debt treatment in line with the HIPC CP debt relief analysis. This follows the guidance in the 2018 Guidance Note for Bank-Fund Debt Sustainablity Framework for Low-Income Countries (LIC DSF).

4/ The amount for PC debt reflects beyond-HIPC debt relief or the outright cancellation of claims by PC creditors, except for Russia where debt treatment is consistent with HPIC Initiative exit terms. The total amount for Russia also includes a Russian claim on the Central Bank of Somalia totaling $6.25 million as of end-2024, which has been deemed not eligible for HIPC debt relief.

5/ The debt stock and debt service amounts reported assume debt treatments in line with the HIPC CP debt relief analysis by creditors where agreements remain outstanding. Figures for Kuwait, Saudi Arabia, and United Arab Emirates reflect the terms of actual agreements reached.

6/ Debt stock and debt service amounts reflect full delivery of debt relief under the HIPC Initiative, MDRI, and beyond-HIPC assistance at the Completion Point reached in December 2023, actual debt relief agreements signed with remaining creditors post-HIPC CP, and hypothetical debt treatment on HIPC CP terms for debts pending a debt relief agreement. Estimates are based on April 18, 2025 exchange rates.

Table 14. Somalia: Progress on Negotiations with Creditors for Restructuring Outstanding HIPC-Eligible Debt (As of May 9, 2025)

	Enhanced HIPC debt relief in PV terms (in US$ million) 1/	Percentage of total assistance under HIPC	Status of Negotiations
Arab Fund for Economic and Social Development (AFESD)	99.1	5.2	The authorities and AFESD have reached a broad consensus on the terms of a debt relief agreement in line with the HIPC Common Reduction Factor (CRF). Discussions between the two parties have continued, most recently on May 1, 2025, with a focus on finalizing an agreement that incorporates more concessional debt servicing terms and an irrevocability clause for the debt relief, in accordance with the principles of the HIPC Initiative.
Arab Monetary Fund (AMF)	155.6	8.2	A debt restructuring agreement in line with the HIPC CRF was signed on April 9, 2025. Outstanding debt balance will be repaid at zero interest rate over 20 years in semi-annual installments, starting in June and December 2025, that increase over time under a tiered structure.
Islamic Development Bank (IsDB)	15.5	0.8	A debt rescheduling agreement over 30-years maturity period including zero grace period and zero interest rate with the first principal repayment beginning on 31st December 2024 was officially signed on July 16, 2024.
OPEC Fund for International Development (OFID)	19.3	1.0	A debt rescheduling agreement over a 20-year maturity period including a 10-year 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	**99.1**	**5.2**	
Paris Club Creditors	806.6	42.4	On March 13, 2024, the Paris Club group of creditors agreed on a debt treatment for Somalia under the HIPC process, and beyond-HIPC debt relief to cancel all debt on a voluntary basis. Bilateral agreements have been signed with Denmark, France, Italy, Japan, Netherlands, Norway, Russia, the United Kingdom and the United States. Negotiations are ongoing with the government of Spain on the terms of the latter's debt swap proposal, with most recent discussions taking place on April 10, 2025.
Non-Paris Club Creditors			
Algeria	0.3	0.0	The League of Arab States communique indicates that Somalia's debt to Algeria has been written off, although no official agreement was reached between the two parties. The authorities sent a follow-up communication to their Algerian counterparts in April 23, 2025; creditor 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. A follow-up letter was sent on April 23, 2025; creditor response is awaited.
Iraq	32.3	1.7	The Iraqi authorities reaffirmed on May 5, 2025 their offer to write off 67% of the outstanding debt. Discussions continue to agree on a repayment term for the balance of 33% in line with HIPC terms.
Kuwait	47.4	2.5	A debt restructuring agreement on Paris Club-comparable terms was signed in 2022, prior to the HIPC Initiative Completion Point. Outstanding debt is rescheduled in semi-annual installments over a 40-year period, including a 16-year grace period, at an interest rate of 1.5% per annum (inclusive of a 0.5% administrative charge).
Libya	14.0	0.7	Following communications in April and May 2025, discussion are set to resume to reschedule outstanding claims. The Somali Finance Minister have requested a bilateral meeting with his Libyan counterpart during the African Development Bank Annual Meetings on May 26-30, 2025. A virtual technical meeting has also been proposed.
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. A follow-up letter was sent on April 23, 2025; creditor response is awaited.
Saudi Arabia	46.6	2.4	A debt restructuring agreement on Paris Club-comparable terms was signed in early 2023, prior to the HIPC Initiative Completion Point. Outstanding debt is rescheduled over a 40-year period, including a grace period of 16 years.
United Arab Emirates	131.0	6.9	A debt restructuring agreement was signed on February 11, 2025, allowing repayment within 40 years, starting in 2040 after a 16-year grace period. The interest rate was reduced by half to 2%. Payments on deferred interest are scheduled over 5 years starting in February 2029.
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. A follow-up letter was sent on April 23, 2025; creditor response is awaited.
Total Bilateral and Commercial	**1,081.0**	**56.8**	
o/w Pending	**49.3**	**2.6**	
TOTAL	**1,903.5**	**100.0**	
o/w Total Pending	**148.4**	**7.8**	

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.

Annex I. National Transformation Plan (2025–2029)

In the newly-launched National Transformation Plan for 2025–2029, the authorities set out a broad and ambitious reform agenda to drive inclusive and sustainable development. The plan meets the key requirements of a comprehensive national development strategy and underscores the importance to mobilize domestic resources to address pressing development priorities. The strategic priorities of the NTP are well aligned with reform commitments under the ongoing Extended Credit Facility (ECF) arrangement. The plan has also been positively assessed by the World Bank, further attesting to its alignment with broader development objectives.

1. **Somalia adopted the National Transformation Plan in March 2025.** The National Transformation Plan (NTP) serves as the country's primary development framework for 2025–2029, succeeding the National Development Plan 9 (2020–2024). It is anchored on achieving the Sustainable Development Goals and aims to foster inclusive and sustainable growth through improved governance, economic diversification, human capital development, and environmental resilience. The NTP is underpinned by four strategic pillars:

- **Transformational Governance:** Enhancing institutional capacity, promoting inclusive governance, and strengthening the rule of law.
- **Sustainable Economic Transformation:** Stimulating economic growth through diversification, infrastructure development, and employment opportunities.
- **Social and Human Capital Transformation:** Investing in education, health, and social protection to improve quality of life.
- **Environmental Sustainability and Climate Resilience:** Addressing climate change impacts and promoting sustainable resource management.

2. **The goals and strategies of Somalia's NTP are well aligned with the objectives of the IMF-supported ECF program.** The ECF program focuses on strengthening key economic institutions, promoting macroeconomic stability, reducing poverty and achieving inclusive growth. The NTP is well-aligned with these objectives. Both the ECF arrangement and the NTP emphasize:

- **Maintaining macroeconomic stability** through prudent fiscal management, building reserve buffers, and strengthening financial oversight, particularly in the post-HIPC context.
- **Enhancing domestic revenue mobilization and public financial management (PFM)**, with the NTP reinforcing reforms supported by the ECF arrangement, including customs modernization, tax system reforms and enhancing revenue and spending efficiencies.

- **Promoting transparency and accountability** via institutional reforms. The focus on anti-corruption, financial governance, and enforcement of AML/CFT standards is central to both the NTP and ECF priorities, including the implementation of the National Anti-Corruption Strategy.

- **Fostering financial deepening and inclusion** by expanding access to credit and digital financial services, strengthening supervision, and widening the rollout of national digital ID.

- **Enabling private sector development and economic diversification** by bolstering private investment through regulatory and governance reforms, which also support job creation and inclusive growth.

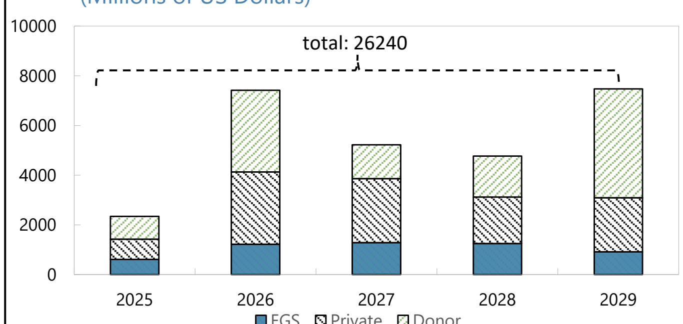
- **Strengthening debt sustainability.** The NTP's debt management framework supports the ECF program's call for continued use of concessional financing to ensure post-HIPC debt sustainability.

- **Building statistical capacity.** Enhancing data systems for policymaking and monitoring is a shared priority in both the NTP and the ECF arrangement.

- **Advancing monetary and exchange rate reforms.** The planned reintroduction of the Somali shilling and development of a credible monetary policy framework (a currency board arrangement) are fully consistent with ECF program objectives.

3. **Careful prioritization is important in implementing NTP initiatives to ensure credible and sustained progress, considering Somalia's resource and capacity constraints.** The NTP's success hinges on significant domestic resource mobilization (from both fiscal revenue and private investment) and continued strong donor support. The authorities estimate the total investment needs to reach USD 26.2 billion over 2025–2029, to be financed by the Federal Government of Somalia (FGS), the private sector, and development partners. The FGS is expected to contribute USD 5.3 billion (20 percent), the private sector USD 9.3 billion (36 percent), and donors USD 11.6 billion (44 percent) (Text Figure). Investment needs are projected to increase over time, with external support playing a critical role in expanding infrastructure and social services. Given limited fiscal resources—and with nearly half of expected financing dependent on donor contributions—the plan will require careful prioritization of the most impactful, cost-effective, and implementable projects to ensure credible and sustained progress without overburdening Somalia's limited implementation capacity.

Somalia: Annual Investment Requirement for NTP 2025-2029
(Millions of US Dollars)



Annex II. Assessing the Near-Term Macroeconomic Impact of Foreign Aid Cuts on Somalia[1]

This annex estimates the potential range of foreign aid cuts in 2025 and assesses its near-term macroeconomic impact on Somalia. Recognizing the elevated uncertainty associated with foreign aid developments, two shock scenarios are considered, with the estimated foreign aid cuts ranging between 3 and 4½ percent of GDP. The annex applies a bottom-up accounting framework to estimate the first-round impacts on growth and domestic revenue, drawing on calibrated elasticities using household survey data, and donor program-level disbursement records.

1. **Somalia is highly dependent on foreign aid.** While there is no comprehensive official recording of total aid flows to Somalia, information from various donors suggest that it could be around 20-30 percent of GDP over the last decade. Most aid is delivered off-budget by international agencies and partners, financing critical security, humanitarian, development, and stabilization programs. These aid flows support household incomes (including cash transfers), sustain essential services, and contribute to import demand and tax revenues. As such, reductions in aid can generate measurable near-term impacts on economic activity and social conditions.

2. **In light of the high uncertainty associated with foreign aid developments, two aid shock scenarios are considered, corresponding to cuts of 3 percent and 4.6 percent of GDP in 2025, respectively.** These scenarios reflect confirmed disbursement delays and planned retrenchment by key donors, particularly the United States and through its funding cuts to UN agencies operating in Somalia, as of May 2025. The assumed reductions are as follows:

- **Partial aid retrenchment scenario (US$400 million, 3.0 percent of GDP):** Reflects partial delays in disbursements, program reallocations, and lower funding to multilateral agencies, while preserving some humanitarian flows.

- **Broad-based aid withdrawal scenario (US$600 million, 4.6 percent of GDP):** Assumes full suspension of several aid flows, broader reductions in bilateral and multilateral support, and sharper cuts to humanitarian programs.

3. **The first-round macroeconomic impact of aid reductions is assessed through each expenditure component of GDP, and their corresponding effects on fiscal revenue:**

- **Private consumption:** Reductions in cash transfers and local NGO and contractor activities are mapped to consumption losses using marginal propensities to consume derived from the 2022 Somalia Integrated Household Budget Survey and donor disbursement data.
- **Government consumption** is held constant across both scenarios given direct budget support constitutes a small share of aid and no compensating fiscal policy response for off-budget humanitarian aid cut is assumed due to tight budget constraints.

[1] Based on a joint note prepared by the World Bank and the IMF Somalia team.

- **Investment:** Declines in donor-financed projects lower gross fixed capital formation. Impacts are based on sectoral aid composition and reported project delays.
- **Imports:** Most of the foreign aid cuts are expected to be offset by import compression. The import content of cash transfers and NGO operations is estimated using the 2022 budget survey data and partner input-output assumptions.[2]
- **Fiscal revenues:** Lower household income (including job losses), weaker economic activity and import compression affect personal income tax (through NGO payroll cuts), customs duties (through lower imports), and sales taxes.

4. **Under the two aid shock scenarios, real GDP growth in 2025 is estimated to be 0.8-1.4 percentage points lower than in the baseline, and domestic revenues US$8 – US$14 million lower.** Among the GDP expenditure components, private consumption is expected to be affected the most. In the partial aid cut scenario, private consumption growth is 1.2 percentage points lower than under the baseline (compared to 0.3 percentage points lower in investment growth and 0.9 percentage points in import growth). In the more broad-based aid cut scenario, the corresponding declines are 1.9, 0.5, and 1.3 percentage points, respectively. Export volumes are assumed to remain unchanged in both scenarios, given limited direct impact on export product basket and destination countries. Lower household income and economic activities (than under the baseline) are estimated to reduce domestic revenue by US$8 million (1.9 percent of domestic revenue, 0.06 percent of GDP) in the partial aid cut scenario and by US$14 million (3.4 percent, 0.1 percent of GDP) in the more broad-based aid withdrawal scenario.

5. **The full range of economic impact from foreign aid cuts could go beyond the estimates in this analysis.** As most of the foreign aid is off budget, there are no comprehensive official records of the total amount of foreign aid inflows in Somalia—the analysis is thus based on staff estimates using limited information and data sources. Moreover, economic activities funded by some aid programs (e.g., cash transfers) may concentrate in informal sectors, which may not be well captured in the official GDP or fiscal statistics. Also, the analysis focuses on the first-round impact of foreign aid cuts on the Somali economy. Therefore, the results do not reflect second round or general equilibrium effects, such as those related to informal employment, private investment, or worsening humanitarian conditions, which could amplify the overall impact.

6. **While difficult to quantify, the social impact of foreign aid cuts is likely to be profound—the reduction in aid-funded cash transfers alone is estimated to reduce the number of beneficiaries by more than one third from the level in 2024.** Beneficiaries of cash transfer programs tend to be the most vulnerable groups—deep cuts in the assistance to this population could further increase poverty and domestic displacement, jeopardizing social stability and development. Disruptions of other aid-funded service deliveries could deteriorate human development indicators, potentially unwinding Somalia's progress in achieving Sustainable Development Goals (SDGs).

[2] This note focuses on the first-order impacts and as such export volumes are assumed to remain unchanged.

Annex III. Risk Assessment Matrix[1]

Nature/Source of Main Risks	Overall Level of Concern	
	Relative Likelihood	Expected Impact if Threat Materializes
CONJUNCTURAL RISKS		
Trade and foreign aid policy shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation. Withdrawal of foreign aid by major global donors could lead to a deterioration in the fiscal and BOP positions of small low-income countries.	**High**	**High** Weaker global growth could lower remittances to the country, affecting local consumption and investment. Significant reductions in foreign aid, especially from the U.S., would intensify the humanitarian crisis in Somalia and may destabilize the country's already fragile security situation.
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.	**High**	**Low** 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.

[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.

<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><td>Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.</td><td>Medium</td><td>Low
Financial instability will negatively affect the incipient financial system and reduce the availability of credit.</td></tr>
<tr><td>Regional conflict(s). Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.</td><td>Medium</td><td rowspan="2">High
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, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increase commodity price volatility, external and fiscal pressures, social discontent, and economic instability.</td><td>Medium</td></tr>
<tr><td>Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.</td><td>Low</td><td>Medium
Opposite to a global deceleration, an acceleration of global growth will have positive effects on remittances, exports, and domestic growth.</td></tr>
</table>

Nature/Source of Main Risks	Overall Level of Concern	
	Relative Likelihood	Expected Impact if Threat Materializes
STRUCTUAL RISKS		
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	**High**	**Low** 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 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** Somalia's digital infrastructure base is weak, with minimal participation in digital currencies and crypto assets.
Extreme weather events and natural disasters. Extreme weather events, such as droughts, and natural disasters cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium**	**High** 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.
Social discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	**Medium**	**High** A social discontentment shock may intensify the already precarious security situation in Somalia.

Appendix I. Letter of Intent

<table>
<tr><td>Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.,
Washington, D.C. 20431, U.S.A.</td><td>Mogadishu, Somalia
June 23, 2025</td></tr>
</table>

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 ongoing transition from the African Union Transition Mission in Somalia to the African Union Support and Stabilization Mission in Somalia.

Our challenges have been exacerbated by the sharp declines in official development assistance which has been critical in mitigating food insecurity and supporting our stabilization and development objectives. A wide range of programs supporting security, agriculture, health, education, water, sanitation and hygiene have been disrupted, with profound macroeconomic and social impact. The outlook for foreign aid inflows is highly uncertain, with significant risks of more persistent and severe declines, which will exacerbate poverty and deteriorate human development indicators. More broadly, the reduction in foreign aid can undo progress achieved in rebuilding Somalia's institutional capacity, which is crucial for our economic development and poverty reduction.

As our access to official development assistance has become more limited, it is imperative that we accelerate reform efforts to mobilize domestic revenues, 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. If the downside risks of more severe and persistent foreign aid disruptions materialize, in addition to further strengthening our domestic revenue mobilization efforts, we will also seek financial assistance from our multilateral partners, including by requesting an augmentation in access under the ongoing IMF-supported ECF arrangement.

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 the newly launched National Transformation Plan (NTP) 2025-2029 and the forthcoming Centennial Vision 2060. Building on progress so far, policy priorities include to maintain macroeconomic stability, increase domestic revenues, strengthen public financial management, promote financial deepening and financial inclusion through effective financial sector supervision and currency reform, 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. With support from the IMF, we are also advancing with the preparation for 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 strong 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 3rd review of the program and disbursement of SDR 7.5 million (about 4.56 percent of quota). As previously communicated, we plan to use the disbursement under the 3rd review of the ECF arrangement for budget support. We met all quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2024 and end-March 2025, respectively. We would like to request a modification to the end-June quantitative performance criterion for the floor on FGS' domestic revenue to reflect the projected negative impact of foreign aid cuts on revenue.

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 June 2025 and May 2026. 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/
Bihi Iman Egeh
Minister of Finance of Somalia

/s/
Abdirahman M. Abdullahi
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 National Development Plans (NDP8 and NDP9), we implemented wide-ranging reforms that helped rebuild key institutions, including economic institutions, and laid the foundations for macroeconomic stability and growth. Building on these achievements, the newly launched National Transformation Plan (NTP) 2025–2029 serves as our current medium-term roadmap, aligned with the forthcoming Centennial Vision 2060. Developed through an extensive consultative process, the NTP is underpinned by four pillars—transformational governance, sustainable economic transformation, social and human capital development, and environmental resilience, reflecting the shared priorities of both federal and member states. The NTP underscores policies for reducing poverty and vulnerability by mobilizing domestic resources to finance social programs, invest in human capital, and expand access to basic services for the most underserved populations.

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. The disruptions in foreign aid have exacerbated these challenges. Somalia is also highly vulnerable to global trade uncertainty and 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 amid the ongoing transition from the African Union Transition Mission in Somalia (ATMIS) to the African Union Support and Stabilization Mission in Somalia (AUSSOM), which has officially started in early 2025. This transition, the scale-up of the military campaign, reduced international financial assistance on security, 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 AUSSOM.

5. Economic activity recovered in 2023 and 2024, supported by a rebound in agriculture production, livestock exports, and remittances. Real GDP growth was 4.2 percent in 2023 and is estimated to be [4 percent] in 2024. Ample rainfall in 2023Q4 and 2024Q1 boosted agricultural output in 2024, also improving food security—although rains have stalled in 2024H2 and 2025Q1. Inflation eased from 6.6 percent in end-December 2023 to 5.6 percent by December 2024, aided by softer global commodity prices. Remittances also rebounded as economic conditions improved in host countries, supporting domestic demand.

6. Somalia joined the East African Community (EAC) as its eighth Partner State in March 2024. Since then, a roadmap for Somalia's full integration into the EAC has been developed. While full integration, including the adoption of a customs union and common market, is expected to take several years, Somalia has begun laying the institutional and policy groundwork. A National Taskforce for the Customs Union Protocol is being established, bringing together representatives from key ministries at both federal and state levels. In parallel, the National Integration Committee is coordinating sectoral implementation plans and stakeholder consultations to build capacity and ensure alignment with EAC obligations and benefits.

7. In 2024, domestic revenues performed strongly, and expenditures were within the budget. Strong domestic revenue performance was supported by the implementation of higher customs duties and the sales tax electronic system, together with enhanced tax administration. Total expenditure was below budget expectations, and a small overall surplus was achieved in 2024. Domestic revenues in 2024 were larger than the cost of compensation of employees, as was the case in 2023. Revenue overperformance and budget support grants allowed us to maintain a cash balance to partially address liquidity needs in early 2025. In the first three months of 2025, domestic revenues performed in line with expectations (with strengthening tax administration efforts offsetting the initial impact of foreign aid cuts) and expenditures were below budget estimates.

8. We continued to make progress in domestic revenue mobilization reforms.

- **Medium-Term Revenue Roadmap (MTRR) for 2024-2027**. We finalized our MTRR on June 29, 2024. 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 tax administration capacity, 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) rolling out of SOMCAS to different ports and airports that has incorporated harmonized tariffs, Harmonized System (HS) codes, and harmonized item descriptions. Since early May 2025, the use of Port Customs Management Information System (PCMIS) has been discontinued, and SOMCAS has been fully operationalized in Mogadishu port and airport (SB#7, due by end-June 2025). In Kismayo port and airport (in Jubaland State), SOMCAS has also been implemented.

- **Income tax bill.** We finalized the Income Tax bill and submitted to Parliament on July 9, 2024. The law was approved by both Houses of Parliament in April 2025 and was signed by the President in May 2025, with the relevant regulations published at end-May.

- **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. We have expanded the registration of vehicles to enhance road tax collection.

- **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.

- **Non-tax revenue portal**. We have started the implementation of the non-tax revenue portal, which channels all fees charged by different MDAs to the Treasury Single Account. The payment integration is completed for the Ministry of Education and in progress for the Ministry of Commerce.

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. 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. We developed a roadmap to implement the Pay and Grade Policy, which was approved by the Cabinet on February 26, 2025 (SB#1, met). This roadmap includes 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 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.

- **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. With the implementation of the operating procedures, the IMCC has been instrumental in strengthening transparency and discipline in the concessions process. 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.

- **Public investment management (PIM).** The MoF has embarked on reforms to strengthen public investment management. The reform focuses on creating a systematic structure with defined mandate to manage the public investment projects cycle, especially as the FGS plans to scale up spending on public investments to spur economic growth and delivery of public goods and services. Reform activities have included: (i) drafting regulations to guide the identification, appraisal, prioritization, selection, budgeting, implementation and monitoring and evaluation of investment projects to be funded in the national budget, and (ii) training of key staff from the Ministry of Finance and three infrastructure ministries on PIM basics with support from the AfDB.

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. The first Annual Debt Management Report was published in April 2025 (SB#6, met). 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 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.

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. In April 2025, the Independent National Electoral and Boundaries Commission launched a voter registration campaign, marking a historic step towards Somalia's return to direct electoral democracy.

12. The CBS has made significant progress in promoting financial stability and enhancing supevision and regulation. 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 (effective in January 2024), which also cover risk management aspects. 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. All banks are compliant with the regulations on capital adequacy ratio (CAR) and LCR. 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, operator self-assessment of national payment system against Principles of Financial Markets Infrastructure (PMFI) has been conducted, and an oversight policy framework drafted. Capacity in financial supervision has been improving through increased resources, and we have moved 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. In December 2024, we completed the risk-based relicensing round for 13 banks. In May 2025, revised Financial Institutions and new Takaful (Islamic Insurance) legislations became effective, which expanded supervisory powers of the CBS to other non-bank financial institutions, including microfinance institutions and insurance service providers.

13. We have also made strides on financial deepening and inclusion. The launch of the National Payment System (NPS) in 2021 was a major milestone, allowing all banks in the country interoperable for the first time, 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. We developed a standardized National QR code in June 2023 and operationalized the instant payment system in January 2025 as part of the National SWITCH to support 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).

14. 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. All recommendations from the March 2020 safeguards assessment have been implemented except CBS Act amendment which is being finalized. Financial reporting transparency improved with the implementation of International Financial Reporting Standards, and governance bodies—the Board and the Audit Committee— continues to exercise their oversight responsibilities effectively. The 2024 audited financial statements were published in May 2025 with a clean auditor opinion for the fourth consecutive year, and the period-end closing procedures were established in January 2023. We have addressed most 2024 Safeguards recommendations, including on cyber security, internal controls, internal audit quality assessment, NIR procedure, reviews on program monetary tests, and expanded disclosures of 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. In November 2024, the CBS Board approved the new Strategic Plan (2025-2029) which will guide monetary and financial reforms for the next five years.

15. 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. Supported by technological advancement, CBS issued electronic Know Your Customer (eKYC) regulation in November 2024, which serves as a key enabler in digitizing customer identification and verification. As part of our preparations for the MENA-FATF Mutual Evaluation Assessment, we submitted amendments to the 2016 AML/CFT Law to Parliament (March 2024), submitted responses to the Effectiveness Questionnaire (April 2024) and completed the Technical Compliance Questionnaire (February 2025). In May 2025, MENAFATF adopted Somalia's Technical Compliance Report with 40 recommendations. The revised AML/CFT law was approved by Parliament in April 2025, and signed by the President in May 2025. In October 2024, CBS signed an MOU with the National Identification and Registration Agency (NIRA) to facilitate the implementation of the eKYC regulation. Following the signing of MOU between NIRA and the Somali Bankers Association, NIRA desks have been operating at major bank branches to rollout National digital IDs. In addition, to support an effective implementation of the eKYC regulation, NIRA has introduced online verification platform – Hubiye Platform, that has been integrated with financial institution systems. As of May 2025, ten licensed commercial banks have been fully integrated and tested in this platform, remaining banks and other financial institutions will be integrated in the fourth quarter of 2025.

16. We continue our governance and anti-corruption efforts. To enhance transparency in the regulatory process for key industries, the CBS and the National Communications 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 ratified the African Union Convention on Preventing and Combating Corruption, with the deposit of the instrument pending. As part of our obligations under UNCAC, Somalia successfully completed the first cycle of the Implementation Review Mechanism (IRM), including the submission of the self-assessment checklist, written responses to the reviewing States, and a formal country dialogue held with Belize and Equatorial Guinea in April 2025. In March 2025, we also acceded to the United Nations Convention Against Transnational Organized Crime (UNTOC) and its three protocols. Somalia is now a State Party to UNTOC. This will strengthen our ability to combat transnational organized crime, including money laundering, in line with the Financial Action Task Force (FATF) recommendations. Somalia implemented the 2020–2023 National Anti-Corruption Strategy (NACS).

17. 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.

18. We have finalized a comprehensive 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, and the revised tender protocol was approved by the IMCC in November 2022. The Extractive Industries Fiscal Regime Law (EIFRL) was enacted in June 2023. Since the 2nd review, significant milestones have been achieved: the regulation harmonizing the Petroleum and Procurement Acts—cementing the requirement that all PSAs (both direct negotiations and licensing rounds) be submitted to the IMCC for review and approval—was finalized in December 2024 (SB#2, met); the regulations for the EIFRL were published in January 2025 (SB#3, met); and the Petroleum Act regulations were finalized in March 2025. Furthermore, publication standards for PSAs were established in March 2025 (SB#4, met). 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. No new PSA was signed before the legal framework was 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 were submitted to IMCC for review and approval (continuous SB#5, met).

19. 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.

20. We launched the national digital ID in September 2023. As of March 2025, we enrolled 200 thousand individuals in the National Identification and Registration Agency (NIRA). The digital ID is supporting the implementation of targeted social protection programs and improving know-your-customer requirements to enhance the AML/CFT efforts.

21. 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.

22. 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 proxy means testing to determine potential eligibility for social programs. The registry is undertaking a nationwide survey covering approximately 2.2 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 and now transitioning to direct implementation through government systems.

23. 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. CBS published statistical bulletin for three consecutive years since 2022. 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 starting in May 2025. A business census was conducted in 2024, laying the foundation for the launch of an annual business survey. To promote data transparency, Somalia continues to implement the enhanced General Data Dissemination System (e-GDDS) framework.

Outlook and Risks

24. **Growth is expected to slow in 2025, reflecting reduced foreign aid, adverse weather events and high uncertainty, with significant downside risks.** Real GDP growth is projected to decline from 4 percent in 2024 to 3 percent in 2025, mainly driven by a sharp drop in foreign assistance. Preliminary estimates suggest that the potential reduction in aid inflows in 2025 could be around $400–600 million (3 –4½ percent of GDP), though uncertainty around these estimates remains high. The cuts—mainly to off-budget support through humanitarian agencies and NGOs—are expected to disrupt critical programs including those delivered by major UN agencies, including the World Food Program (WFP), Food and Agriculture Organization (FAO), UNICEF, and the International Organization for Migration (IOM). These cuts are expected to weigh on private consumption, as households lose access to aid-funded programs (including cash transfers) and NGOs and businesses that serviced those programs face funding cuts, leading to loss of lives and livelihoods. The social impact of foreign aid cuts is more profound—it will curtail assistance in food security, health and nutrition, education, water and sanitation, and support to displaced populations, especially in highly aid-dependent regions. The outlook for foreign aid remains highly uncertain, with significant downside risks of more persistent and severe declines that could reverse Somalia's hard-won gains in poverty reduction and institutional building. Inflation is projected to ease to 4.9 percent by end-2025, though the decline is slower than previously anticipated as the risk of drought pressures food prices. Over the medium term, growth is expected to recover gradually, supported by structural reforms, investment inflows, and improved access to concessional financing.

25. **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) that would be compounded if the humanitarian response is muted, further withdrawals of foreign aid, lower-than-anticipated global growth, and higher international food and energy prices. On the domestic front, downside risks are associated with the security situation—including underfunding of AUSSOM—and timely and smooth implementation of universal suffrage elections. 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

26. **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 the newly launched National Transformation Plan and forthcoming 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 (compensation of employees, goods and services excluding the CBS commission, and contingency), 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

27. 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

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

management to safeguard fiscal resources and strengthen governance; integrate the costs of national transformation plan priorities into our budgets going forward; and strengthen inter-governmental fiscal relations.

28. In 2025, we will continue to improve revenue collection and make room for priority spending, while containing discretionary expenditure pressures. The 2025 Budget envisages a small overall fiscal deficit of 0.2 percent of GDP, with continued implementation of the MTRR and disciplined expenditure to support growth. Any new hires will be incorporated in the payroll system, with wages in line with existing pay scales. However, the foreign aid cuts are expected to weigh on tax revenue, which is expected to reach 3.2 percent of GDP in 2025. While we have kept the overall spending envelope unchanged, we had to accommodate additional security spending on budget by reorienting other spending categories. Continued fiscal discipline will ensure that domestic revenues cover the compensation of employees by a margin, and the overall fiscal deficit is projected to be 0.6 percent of GDP in 2025.

29. 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 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 – ad valorem tariffs.** We will complete the ad valorem customs reform. 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. The MoF is collaborating with various stakeholders, including FMS, to achieve tariff harmonization before integrating into the Customs Union of the EAC.

- **Modern income tax law.** 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. We will complete an income tax administrative manual for tax administrators by the end of the year with IMF technical assistance (proposed SB #11, due end-December 2025) and publish it after completion. We will advance on taxpayer education to ensure the public's correct understanding of the new law and provide hands-on support in practical issues, such as filling and filing tax forms.

- **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. To strengthen compliance, we will request large and medium taxpayers to submit payment records and financial statements for CIT enforcement.

- **Other revenue administration measures.** To leverage information and communication technologies for revenue administration, we will develop the Integrated Tax Administration System (ITAS), currently in the process of procurement of a developer. 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 continue the rollout of the non-tax revenue portal to more MDAs. We will continue strengthening tax audits by building capacity and implementing the new audit manual, which draws lessons from rounds of audits since 2020. By the end of the second quarter of 2026, we will publish our first annual tax audit report for the fiscal year of 2025.

30. 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 (SB#8, rescheduled from end-June to end-August 2025 to allow sufficient time for implementation, including to test the system and train MDAs, while the drafting of regulations is well advanced).

- **Debt management.** With IMF TA support, we are at an advanced stage of developing our own Medium-term Debt Management Strategy (MTDS), in line with Somalia's MTFF, which is expected to be published later in 2025 to support the annual borrowing plan. These efforts are aimed at strengthening analytical capacity for debt management, enhancing debt transparency, and providing a source to government and external stakeholders to assess the state of debt management in Somalia.

- **Fiscal transparency and accountability.** We will ensure that the annual budget is aligned with the NTP priorities, with clear reporting of budget allocation for NTP initiatives. To expand the coverage of general government fiscal reports, we will coordinate with the Banaadir to develop a PFM system to participate in aggregated fiscal reporting.

- **Public investment management.** To facilitate a gradual increase in public investment over time, we will take further 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 submit to Cabinet the revised PFM regulations, including a revised section on PIM; develop a PIM policy and guidelines; and establish databases with required information for screening and appraisal of projects. With IMF TA, we will develop a PFM Reform Strategic Plan for 2026—29, including plans to strengthen multi-year commitment controls, public investment management, fiscal transparency, and institutional coordination (proposed SB#14, due end-March 2026).

- **Public-private partnerships (PPP).** 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 working 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. We will develop a procurement portal with a focus on transparency.

- **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. Work has commenced on building a digital asset registry to record and track public nonfinancial assets in a centralized and transparent manner. We will proceed with training staff in the registration of public assets.

31. Implementation of expenditure policies will be carefully assessed to ensure fiscal costs are manageable. We will proceed with the roadmap to implement the Pay and Grade policies, including a pilot costing exercise to assess the fiscal implications of the reform. 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. In the meantime, we will establish a Pension and Gratuity Fund Directorate to begin collecting information and setting up administration systems to pave the way for future implementation of pension reforms.

32. 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.

33. We have continued to make best efforts to reach agreement with pending creditors to restructure Somalia's HIPC-eligible external public debt. Since reaching the Enhanced HIPC Completion Point in December 2023, we have made significant progress in negotiations with pending multilateral and bilateral creditors. On March 13, 2024, the Paris Club group of creditors agreed upon a debt treatment for Somalia under the HIPC process, and beyond-HIPC debt relief to cancel all debt on a voluntary basis. We have signed bilateral agreements with nearly all Paris Club creditors, and negotiations with Spain on a debt swap arrangement are advancing. Discussions with non-Paris Club bilateral creditors have also progressed, having reached a debt relief agreement with United Arab Emirates in February 2025 in addition to agreements signed with Kuwait and Saudi Arabia earlier in 2023. With regard to multilateral creditors, we concluded negotiations with Arab Monetary Fund in April 2025, adding to the deals earlier signed with the Islamic Development Bank and OPEC Fund for International Development. We remain engaged in best effort and good faith negotiations with our remaining creditors.

34. We are working towards implementing the harmonized legal framework for the extractive industries. With the legal framework revised and updated, efforts have shifted toward building institutional capacity to operationalize it. Any future direct negotiations will be limited and informed by price discovery through previous competitive licensing rounds.

Monetary and Financial Sector Reforms

35. We will continue implementing reforms to strengthen CBS institutional capacity and support financial deepening. With the support of international partners, we are developing regulations to implement the recently approved Financial Institutions and Takaful (Islamic Insurance) legislations. We will also strive to achieve steadfast approval of the National Payments System bill submitted to Parliament. Staffing and capacity of the CBS Licensing and Supervision Department will continue to be strengthened to improve the quality of supervision. We are also working closely with multilateral partners to enhance the regulatory framework for Islamic banking, including on Shariah compliance. We will continue to address the remaining recommendations of the 2024 IMF safeguards assessment, including on enterprise risk management, business continuity and the amendment of the CBS Law (see below). To enhance data reporting by banks, by end-July 2025 we will issue detailed instructions to CAR and LCR templates reported by banks (SB#10, due end-July 2025). With the support of the World Bank, we plan to adopt supervisory technologies to automate data collection and analysis systems.

36. In the context of the planned the currency reform, we have made progress in our efforts 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 important transaction and liquidity functions by facilitating small value payments. 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, establishing CBS branches in all federal member states and addressing the funding gap, including discussions with the World Bank. To support the currency exchange, we have advanced preparations for introducing a currency board arrangement (CBA) with IMF CD support. We believe that 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 are on track to submit amendments to the CBS Law to Parliament, including to cover the currency board arrangement, in line with IMF recommendations (SB#9, due end-December 2025), while also further strengthening governance and autonomy provisions. Once the revised CBS Act is enacted, we will advance the preparations for a CBA, including by securing: i) CBS Board approval of foreign exchange (FX) regulations outlining the CBS criteria for selecting counterparties and specifying how these counterparties will fulfill their obligations to the general public under the CBA, in line with IMF recommendations (proposed SB#12, due end-May 2026); and (ii) CBS Board approval of a regulation that specifies the process to produce and publish the CBA balance sheet on a weekly basis with minimal lag (proposed SB#13, due end-July 2026). Both regulations will be published and enter effect upon the completion of the currency exchange and the adoption of the CBA. 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.

37. 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. Delayed MENAFATF onsite visit is expected to take place once the security situation in Mogadishu improves. We will address the recommendations of the Technical Compliance Report, as part of the MENA-FATF Mutual Evaluation Assessment. We will also start implementing the recently approved AML/CFT law by issuing corresponding regulations.

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

38. We continue our strong commitment to improve governance and fight corruption. We plan to review the existing laws to ensure compliance with the UNCAC. In addition, we have advanced the ongoing work on the self-assessment as part of the UNCAC review mechanism. We will strengthen the resources of the Independent Anti-Corruption Commission and update our National Anti-Corruption Strategy.

39. **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 Ministries of Planning and Finance in collaboration with the Ministry of Agriculture launched a Food Security Crisis Plan in December 2023. Since the Plan's implementation in January 2024, regular Integrated Food Security Phase Classification and Joint Monitoring Reports are being prepared which serve as core inputs for early warning and crisis response, enabling timely, evidence-based interventions. 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 that aims 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 NTP, enhance their visibility, and facilitate monitoring and evaluation.

40. **We are advancing regional integration under the customs union and common market of the East African Community (EAC), and preparing for accession to the World Trade Organization (WTO)**. We are working towards the establishment of the Somali Revenue Authority, while aligning Somalia's fiscal calendar with the EAC's July 1–June 30 cycle would require legislative changes. We are engaging with the EAC secretariat to revise the roadmap timelines. The first accession meeting to WTO took place in February 2025, and work on the next steps is progressing.

41. **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 annual business survey to be finalized by end-2025. An agriculture census is planned for 2025-2026. A new population census is expected to begin in 2026, the first after 40 years. In addition, a nationally representative food security vulnerability survey is underway. The annual business surveys are intended to provide the foundation for deriving GDP by the production approach. Publication of quarterly GDP estimates is also planned as part of the expanded national accounts framework.

Program Monitoring and Access

42. **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 fourth and fifth reviews of the ECF arrangement will be based on the QPCs and ITs set for end-June 2025, and end-December 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 (December 2024–March 2026) 1/

(Millions of U.S. dollars)

	Dec. 2024 4/			Mar. 2025			Jun. 2025 4/		Sept. 2025		Dec. 2025 4/	Mar. 2026
	Prog.	Act.	Status	Prog.	Act.	Status	Prog.	Proposed	Prog.	Proposed	Proposed	Proposed
Quantitative Performance Criteria												
1 FGS domestic revenue, floor 2/	357	369	Met				178	170			415	
2 Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/	468	439	Met				260	260			491	
3 Net international reserves (excl. all SDR holdings of MoF), floor 7/	1.5	2.8	Met				1.5	1.5			1.5	
4 Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/	0	0	Met				0	0			0	
5 Accumulation of new external arrears, ceiling 3/	0	0	Met				0	0			0	
Indicative Targets												
1 FGS domestic revenue, floor 2/				85	94	Met			283	275		101
2 Spending on FGS compensation of employees, goods & services (excl. CBS commission), & contingency, ceiling 2/				131	111	Met			387	387		146
3 Net international reserves (excl. all SDR holdings of MoF), floor 7/				1.5	2.6	Met			1.5	1.5		1.5
4 Contracting or guaranteeing any new external, non-concessional debt, ceiling 3/				0	0	Met			0	0		0
5 Accumulation of new external arrears, ceiling 3/				0	0	Met			0	0		0
6 Fiscal balance, floor (cash basis) 2/ 5/	-38	21	Met	-47	-27	Met	-62	-64	-86	-88	-29	-45
7 Contracting of new domestic debt, ceiling 3/	0	0	Met	0	0	Met	0	0	0	0	0	0
8 Accumulation of new domestic expenditure arrears, ceiling 3/	0	0	Met	0	0	Met	0	0	0	0	0	0
Memorandum item												
Contracting or guaranteeing of new external concessional debt 5/ 6/	0	0		0			0	0	75	0	0	0

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 third, fourth and fifth reviews, respectively.

5/ The fiscal balance floor for 2025 is broadly in line with the authorities' 2025 budget (-US$28 million), which is consistent with the IMF staff forecast (-US$73 million). The difference is mainly explained by different assumptions regarding budget support grants. The authorities' 2025 budget includes US$170 million in budget support grants, while the IMF staff forecast incorporates US$125 million in grants. 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.

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

	Benchmarks	Target dates	Sector/FGS Agency	Rationale	Monitoring	Status
1	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-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.	Met
2	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.	Met
3	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.	Met
4	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.	Met
5	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.	Continuous SB is on track
6	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.	Met

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

	Benchmarks	Target dates	Proposed new target date	Sector/FGS Agency	Rationale	Monitoring
7	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.
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	End-August 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-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
10	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.
	Proposed Structural Benchmarks					
11	Complete the income tax administrative manual for tax administrators, in line with IMF recommendations	End-December 2025		Domestic revenue / MOF	Enhance revenue collection	Send IMF staff the manual for tax administrators.
12	CBS Board approval of foreign exchange regulations outlining the CBS criteria for selecting counterparties and specifying how these counterparties will fulfill their obligations to the general public under the CBA, in line with IMF recommendations	End-May 2026		Financial Supervision / CBS	Advance preparations for the currency exchange and currency board arrangement	Send IMF staff the regulations approved by the CBS Board.
13	CBS Board approval of a regulation, to become effective with currency exchange, that specifies the process to produce and publish the CBA balance sheet on a weekly basis with minimal lag	End-July 2026		Financial Supervision / CBS	Advance preparations for the currency exchange and currency board arrangement	Send IMF staff the regulation approved by the CBS Board.
14	Publish the Public Financial Management (PFM) Reform Strategic Plan for 2026-2029, which includes plans to strengthen multi-year commitment controls, public investment management, fiscal transparency, and institutional coordination, in line with IMF recommendations	End-March 2026		PFM/MOF	Strengthen governance and expenditure efficiency.	Publish the plan approved by MoF on the MoF website. Send IMF staff the link to the plan.

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 June 2025, and December 2025, and related ITs for September 2025, March 2026:

- 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 2025 and March 2026:

- 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

Memorandum item

- 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 accepted international 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)

	Jun-25	Sep-25	Dec-25	Mar-26
Maximum amount of the fiscal balance adjustor related to delays or shortfalls in budget support grants	**36.0**	**61.0**	**135.2**	**0.0**
Memorandum items				
Budget support grants in the Budget estimate	36.0	61.0	170.0	0.0
Interest payments in the Budget estimate	6.1	6.1	6.1	6.9
Possible sources of financing for fiscal deficit	180.6	190.6	135.2	154.6
Withdrawal of cash buffers 1/	44.7	44.7	44.7	8.8
MOF SDR holdings 3/	80.5	90.5	90.5	90.5
Proceeds from CBS temporary advances 2/	55.4	55.4	0.0	55.4

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 USD55.4 million—this amount will 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, EU balance transfer of SDR 7.5 million from Somalia Administered Account 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 assumed to be reconstituted.

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 paymentsuntil 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 judicially awarded 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.

[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.

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;

- 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.

[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.

Table 2. Somalia: Adjustors to the NIR Floor

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

	Maximum adjustment amounts			
	Jun-25	Sep-25	Dec-25	Mar-26
Adjustor 1, if the CBS transfers distributable earnings to the government	-0.2	-0.2	-0.2	-0.2
Adjustor 2: if the CBS provides temporary liquidity advances to the government 1/	-55.4	-55.4	0.0	-55.4

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 USD55.4 million—this amount will 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.

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.
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.

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	For annual and supplemental budgets: • Revenue by GFS 6-digit revenue classification; • Statement of tax exemption for the previous 12-month period (annual budget only); • Proposed Appropriation by MDA, program/project and 4-digit object code; • Proposed appropriation by MDA and 2- digit object code; • Staffing table by MDA; • Donor assistance tables by COFOG showing on and off-budget spending; • Proposed spending by NTP 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.
Ministry of Finance	FGS budget operations	Current year SFMIS reports showing budget, virements, and monthly data for: • Revenue at GFS 6-digit revenue classification code; • Expenditure by budget line and GFS classification with MDA lines, disaggregated by program/project and showing data by GFS 6-digit object code; and • For applicable MDAs, details (i.e., sources of funding and purpose) of budget transfers to each FMS and other units. 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.

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	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.
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) Total customs duties reported in the Treasury Single Account (SFMIS) (Excel format) 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

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	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).
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	End- April
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.

Table 3. Somalia: Data Reporting, December 2023–December 2026 (concluded)				
Reporting Agency	**Type of Data**	**Description of Data**	**Frequency**	**Timing (within period specified)**
Somalia National Bureau of Statistics	CPI	Price indices for all goods and subcategories at the subnational and national level	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

June 25, 2025

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERION—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 an update to the November 2024 LIC-DSA, adding three elements: (i) the assumed grant extension by the World Bank until June 2028 from June 2025 previously, (ii) updates to future debt service payments, following debt relief agreements signed as of April 2025, and (iii) updated macroeconomic forecasts. These factors do not materially affect the risk rating relative to the November 2024 LIC-DSA. Somalia is assessed to be at moderate risk of external and overall public debt distress. Total public debt is projected to increase marginally to US$1,124.4 million in 2025 from US$1,111.3 million in 2024, with the public debt-to-GDP ratio largely stable at 8.6 percent in 2025. Most public debt is external. The present value (PV) of public and publicly guaranteed (PPG) external debt is estimated at 4.9 percent of GDP in 2025 – 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. This is primarily driven by the expected increase in debt service cost associated with future new borrowings, which are in turn triggered by shocks to other non-debt creating flows (current transfers and FDI). Somalia is mechanically assessed to have substantial space to absorb shocks. However, the country continues to be vulnerable to security, international commodity price, slower global growth, and climate shocks. It is highly dependent on external financial assistance—broader and more persistent declines in foreign aid could thus have a significant economic impact. These vulnerabilities underscore the importance of accelerating domestic revenue mobilization, adopting a credible medium-term fiscal anchor to ensure sustainability, and strengthening debt management institutions and institutional capacity.

[1] This LIC-DSA update reflects Somalia's weak debt carrying capacity considering Somalia's Composite Indicator of 1.71, based on the April 2025 World Economic Outlook and the 2023 CPIA vintage.

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. [2] 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.[3] 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 Federal Government of Somalia (FGS) continues to strengthen its debt management capacity with the support of technical assistance from international partners.** The Ministry of Finance established a Debt Management Unit (DMU) in December 2015. The AfDB financed the installation of a debt recording system and provided training to staff in the unit, primarily to support the reconstruction of loan records. The debt recording system has been upgraded to the Commonwealth Meridien System, which is a cloud-based IT system that allows for an in-depth review of the existing debt portfolio. The institutional capacity of the DMU has been strengthened with the establishment of the middle office in 2024, supported by the World Bank's Development Policy Financing. The DMU has been issuing quarterly

[2] 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).

[3] 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).

debt bulletins since the end of 2020 and the quality of these bulletins has been improving with technical assistance from the IMF.[4] The DMU has committed to continue producing debt bulletins in a timely and regular manner, within the month following the end of each quarter. With IMF TA, the first Annual Debt Management Report was published in April 2025. A Medium-term Debt Management Strategy (MTDS) has also been developed and is expected to be published later in 2025. A pipeline of IMF technical assistance missions on debt management is intended to build DMU's capacity in developing annual borrowing plans (ABPs), assessing debt sustainability, analyzing the costs and risks of new fiscal commitments, and monitoring, recording, and reporting of debt and debt guarantees. Capacity building for the gradual development of a domestic financial market through technical assistance in the medium- to long-term will be important, as grant financing is expected to tighten over time and Somalia will require new sources of financing.

BACKGROUND ON DEBT

3. **The stock of outstanding public debt was estimated at US$1,111.3 million at end-2024, equivalent to 9.1 percent of GDP.** Public and publicly guaranteed (PPG) external debt amounted to US$1,043.5 million while the balance of US$67.8 million comprised central government wage arrears. The PPG external debt stock estimate has been revised up by US$346 million from the end-2023 level as reported in the November 2024 LIC-DSA, after reflecting the actual debt relief agreements signed with creditors as of April 2025.[5] Of the total PPG external debt at end-2024, 47 percent was owed to multilateral creditors while 53 percent was owed to bilateral creditors.

4. **The authorities have continued to make best efforts to reach agreement with individual creditors to restructure Somalia's public external debt.** Significant progress has been made in negotiations with pending multilateral and bilateral creditors since reaching the Enhanced HIPC Completion Point in December 2023. On March 13, 2024, the Paris Club creditors agreed on a debt treatment for Somalia under the HIPC process and, on a voluntary basis, granted beyond-HIPC debt relief by fully cancelling all outstanding claims to the Somali government.[6] Bilateral agreements with nearly all Paris Club creditors have been signed, and negotiations with Spain on a debt swap arrangement are ongoing. Discussions with non-Paris Club bilateral creditors have also advanced, with a debt relief agreement reached with the United Arab Emirates in February 2025 in addition to agreements signed with Kuwait and Saudi Arabia earlier in 2022–23. With regard to multilateral creditors, negotiations with the Arab Monetary Fund were concluded in April 2025, adding to the deals signed with the Islamic Development

[4] The publication of at least four consecutive quarterly debt reports was one of the triggers to reach HIPC Completion Point.

[5] While recently signed debt relief agreements are generally in line with the anticipated treatment under HIPC, they reflected a smaller reduction in the nominal debt stock than what was anticipated at the HIPC Completion Point (CP), thereby resulting to an increase in the 2023 and 2024 debt stock estimates. Instead, the relief provided under these agreements is achieved through debt reprofiling.

[6] All Paris Club creditors endorsed the agreed minutes to provide Somalia HIPC and beyond-HIPC nominal debt relief amounting to more than US$2 billion, reducing Paris Club HIPC-eligible claims on Somalia from US$2,043.5 million at Completion Point before implementation of HIPC debt relief and beyond-HIPC debt relief – but after application of traditional debt relief mechanisms (TDRM) – to US$0.70 million in nominal terms, owed to the Russian Federation.

Bank and OPEC Fund for International Development in 2024. The authorities continue to make best efforts to negotiate with remaining multilateral (Arab Fund for Economic and Social Development) and official bilateral (Algeria, Bulgaria, Iraq, Libya, and Romania) creditors, as detailed in Table 7. They are also making good faith efforts to resolve the arrears from the commercial debt owed to Serbia on Paris Club-comparable terms.

BACKGROUND ON MACROECONOMIC FORECASTS

5. Growth in 2024 is estimated at 4 percent, driven by robust agricultural and livestock output. Ample rainfall boosted agricultural output, also improving food security. Inflation eased from 6.6 percent in end-December 2023 to 5.6 percent by December 2024, aided by softer global commodity prices. Remittances also rebounded as economic conditions improved in host countries, supporting domestic demand. The current account deficit in 2024 is estimated at 9.1 percent of GDP, driven by robust food imports and strong livestock exports in response to increased regional demand.

6. Through end-December 2024, domestic revenues performed strongly, and expenditures remained within the budget. Domestic revenue reached US$369 million by end-December 2024, surpassing the program floor of US$358 million, supported by improvements in custom duties and sales and income tax revenues. The strong revenue outturn was mainly attributed to the digitalization of tax and customs collection, along with efforts to broaden the tax base and enhance tax enforcement. Total expenditure was below the program ceiling, contributing to a small overall fiscal surplus and a build-up of cash buffers. Budget support grants were as expected, with shortfalls in bilateral grants (Türkiye and the United Arab Emirates) compensated by higher multilateral grants (World Bank, OPEC).

7. The growth forecast for 2025 has been downgraded to 3 percent, compared to 4 percent in the Article IV Consultation and 2nd review. The downward revision to growth is mainly driven by adverse climate events and a sharp drop in foreign assistance. Preliminary estimates suggest that aid inflows in 2025 could decline by around US$400–600 million (3¼ –5 percent of 2024 GDP) from the 2024 level, though uncertainty around these estimates remains high. The reduction in foreign aid is expected to weigh on private consumption, as households lose access to aid-funded programs (including cash transfers), and NGOs and businesses that serviced those programs face funding cuts. Reduced domestic demand will result in a compression in imports. Inflation is expected to ease to 4.9 percent by end-2025, though the decline is slower than previously anticipated as the risk of drought pressures food prices. Over the medium term, growth is expected to recover gradually, supported by structural reforms, investment inflows, and improved access to concessional financing.

8. Reduced foreign assistance and its corresponding impact on growth are set to increase spending pressures and erode domestic revenue in 2025. In the first three months of 2025, domestic revenues performed in line with expectations, supported by strong collection of taxes on personal and corporate income and non-tax revenues, and expenditures were below the program ceiling. However, as the full impact of foreign aid cuts hits the economy, domestic revenue collection is likely to dampen, particularly for customs duties due to import compression and personal income and sales taxes as salary payments to NGOs and contracting agencies reliant on US or UN funding are frozen. Moreover, some essential security spending, which used to be funded by off-budget foreign assistance, has now been brought on-budget by reorienting other spending to keep the overall expenditure envelope unchanged for 2025. Beyond 2025, the authorities' accelerated efforts in domestic revenue mobilization and expenditure reprioritization are expected to offset the potential impact of further foreign aid cuts, and keep the fiscal deficit within the 3.5-percent-of-GDP ceiling. Meanwhile, the impact of the foreign aid cut on the external balance is expected to be mitigated by import compression.

9. **Near-term risks are tilted to the downside (Annex I).** More persistent and severe declines in foreign aid as well as worse-than-expected climate events[7], especially irregular rainfalls, constitute key downside risks. If the rainy season fails, Somalia is highly vulnerable to drought that would worsen food insecurity and weaken economic activity, which would be compounded if the humanitarian response is muted. On the other hand, excessive rainfalls could lead to flooding, damaging infrastructure and disrupting livelihoods. Additional external risks emanate from lower global growth and higher commodity prices. On the domestic front, downside risks stem from a deterioration of the security situation—including underfunding of AUSSOM—and political frictions related to the implementation of universal suffrage. Should these adverse risks materialize, economic growth and domestic revenue would decline, and spending pressures would increase, raising financing needs. While existing cash buffers, 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.[8] Continued IMF support through the ECF arrangement and highly concessional financing (including grants) provided by the World Bank and other multilateral institutions and bilateral donors will unlock concessional external financing and help prevent the build-up of debt vulnerabilities.

10. **It is assumed that Somalia's access to grant terms under IDA21 will be extended by three years until June 2028 (subject to annual approval)[9], improving the medium-term fiscal outlook compared to the November 2024 LIC-DSA.** This extension of budget support grants, which amounts to

[7] 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.

[8] The World Bank is assisting the government to put in place a set of financing instruments to quickly access resources for emergency response: (1) Development Policy Financing with Climate Resilience Catastrophe Deferred Drawdown Option (DPF-Cat DDO; approved on May 23, 2025, amounting to US$20 million of IDA resources) and (2) Contingent Emergency Response Project (CERP; currently under preparation), along with possible scale-up of the national safety net program and other emergency response through the IDA Crisis Response Window (CRW).

The Rapid Response Option (RRO) agreement was signed in late March 2025 to enable the country to access up to 10 percent of undisbursed balances of Somalia's IDA portfolio for rapid response after an eligible emergency. The repurposed funds can be quickly disbursed in two ways: (1) as investment project financing through CERP prepared in advance of any crisis occurring, or (2) as budget support through DPF-Cat DDO at the time of the crisis, provided the disbursement conditions of that DPF-Cat DDO are met. The maximum size of DPF-Cat DDO is capped at up to 1 percent of the GDP.

[9] If Somalia becomes eligible for the Fragility, Conflict and Violence (FCV) Envelope in IDA21, it may receive grants instead of credits for FY26 (July 2025-June 2026). Eligibility for FCV envelope is assessed every year. In FY26, Somalia is expected to access the Global and Regional Opportunities Window, the Crisis Response Window, and the Private Sector Window.

an average of 2.3 percent of GDP in 2026-28, narrows the primary deficit in 2026–28 compared to the fiscal projections embedded in the November 2024 DSA (Text Table 2). From July 2028, Somalia's financing terms are assumed to change from grants to concessional loans.[10] It is assumed that the authorities will continue to work with multilateral and bilateral partners to secure concessional budget support financing.

11. **This DSA exercise incorporates updated estimates of future debt service payments based on debt relief agreements signed with creditors as of April 2025.** Somalia secured debt relief from participating multilateral creditors and beyond-HIPC assistance to cancel all outstanding claims from Paris Club creditors upon reaching the Completion Point of the Enhanced HIPC Initiative in December 2023. The authorities are also making best efforts to negotiate with remaining external creditors to deliver their share of debt relief on HIPC terms.[11] As of April 2025, the Somali authorities have concluded debt relief negotiations equivalent to 92 percent of Enhanced HIPC Initiative debt relief in PV terms, a significant improvement from 77 percent as of August 2024. Overall, the terms provide extended grace periods, leading to lower debt service payments between 2025 and 2035 compared to the hypothetical HIPC-consistent estimates in the DSA. However, debt service increases significantly around 2040 as amortization begins for debts representing a major proportion of the total public external debt.

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

	November 2024 LIC-DSA 1/							Current LIC-DSA						
	2023	2024	2025	2026	2027	2028	2029-44	2023	2024	2025	2026	2027	2028	2029-45
Real GDP growth	4.2	4.0	4.0	4.1	4.1	4.3	4.5	4.2	4.0	3.0	3.3	3.6	3.8	4.4
Consumer Price Inflation (eop)	6.6	4.5	3.9	3.5	3.3	3.1	2.2	6.6	5.6	4.3	3.6	3.3	3.1	3.0
Non-interest current account deficit	9.3	8.8	8.7	9.7	9.9	9.9	9.7	9.7	9.1	7.7	8.5	8.7	9.8	9.0
Exports	19.7	20.5	21.1	21.8	22.5	22.8	23.8	19.7	20.5	20.5	21.1	21.5	21.7	22.9
Primary fiscal deficit	-0.1	0.1	1.1	2.0	2.2	2.2	2.4	0.4	-0.2	0.5	0.5	0.7	1.1	2.6
Revenues and grants	6.8	7.5	6.8	5.1	4.6	4.6	6.4	6.3	7.5	7.9	6.6	6.2	5.8	6.4
of which: domestic revenues	3.0	3.0	3.3	3.6	3.9	4.2	6.4	3.0	3.0	3.2	3.6	3.9	4.2	6.3
of which: grants	3.8	4.6	3.5	1.5	0.8	0.5	0.0	3.3	4.5	4.8	3.0	2.3	1.6	0.1

Sources: Somali authorities and IMF staff calculations
1/ Somalia 2nd Review for the ECF arrangement approved by the Executive Board in December 2024.
Grey areas refer to projections.

12. **It is expected that Somalia will continue running a structural current account deficit over the medium- and long-term.** Somalia's exports are currently dominated by the export of livestock

[10] From July 2028 to June 2030, Somalia is assumed to have access to 40-year credits with a grace period of 11 years and 0 percent interest or service charge. After June 2030, the DSA assumes that Somalia will have access to regular credits. Grant disbursements for project commitments approved before end-June 2028 would continue, but these would decline over time.

[11] The DSA assumes debt treatment on terms in line with the Enhanced HIPC Initiative Completion Point for all debts with pending debt relief agreements. See Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018 (Appendix V. HIPC Initiative and MDRI).

(representing about 80 percent of total goods exports in 2021–23 according to CBS data). Over time, the volume of exports is expected to improve because of an ongoing diversification of exports markets beyond Saudi Arabia and outside of the Hajj period. New insurance products are being prepared to help mitigate risks to livestock. The authorities' commitment to the diversification of exports is also a response to the vulnerability of livestock to climate-related shocks. Expected pipeline investments in electricity and transport, together with reforms to improve fisheries management (supported by the World Bank), should facilitate the emergence of new productive sectors such as fisheries. The non-interest current account deficit is projected to deteriorate from 7.7 percent of GDP in 2025 to 9.8 percent in 2028 and 9.0 percent in the long term, as Somalia gradually loses access to grants. Subsequently, part of the current account deficit will be financed by increased access to external creditors and higher FDI inflows. After Somalia reached the HIPC Completion Point in December 2023, FDI inflows are estimated to have picked up in 2024, and are expected to rise broadly in line with nominal GDP growth over the medium term, supported by further improvements in the business environment.

13. Higher domestic revenues are expected to create greater space for public investment and social spending in the forecast horizon. Domestic revenue-to-GDP is projected to increase by around 0.3 percentage point on average per year over 2025–28, on the back of broad-based revenue-enhancing reforms guided by the Medium-term Revenue Roadmap (MTRR).[12] Over the medium-term, trade-related revenues (customs duties, sales tax on imports, and port fees) are expected to increase due to efficiency gains from customs modernization, which includes implementation of SOMCAS, improved data collection, and enhanced customs processes supported by the IMF and World Bank technical assistance and Sustainable Development Finance Policy (SDFP).[13] Further customs modernization reforms envisaged in the MTRR include customs harmonization, shifting from package-based custom duties to ad-valorem, and implementing the EAC common external tariff. The implementation of the recently approved Income Tax Law and continued enhancement in sales tax enforcement are projected to lead to further increases in income and sales tax revenues. Moreover, revenue administration is expected to continue adding new taxpayers to the tax net, e.g. large firms in banking and hospitality, expand its use of digital tools, and enhance its enforcement capacity. Over time, higher domestic revenues would make room for greater spending on public investment and social services. Meanwhile, sustained improvements in expenditure execution and public investment management will facilitate greater absorption of additional resources to expand public spending on human development and public infrastructure. While relevant external and public debt burden indicators remain below their respective thresholds and benchmarks in the long run, the upward trajectory of measures of debt-to-GDP and debt service underline the need for Somalia to

[12] These forecasts are supported by the authorities' strong track record in building tax capacity, which has increased from about 1 percent of GDP in 2013, to 3 percent of GDP in 2024. The projected medium- and long-term path for revenues is comparable to the experience of other HIPC fragile countries.

[13] Since 2023, Somalia has implemented important performance and policy actions (PPAs) under the SDFP that aim at strengthening domestic revenues and thereby contributing to fiscal sustainability. These include domestic revenue mobilization measures, notably the issuance of Customs Reference Values and Customs Declarations (FY23), Revenue Administration Regulations (FY24), and Petroleum Fiscal Regime Regulation (FY25). These reforms have helped streamline and harmonize customs procedures across the country, strengthen inland revenue collection, and provided the framework for imposing royalties and income taxes on petroleum industry operations.

continue seeking grant-financing and highly concessional borrowing to finance deficits even beyond the medium-term.

14. Data weaknesses constrain the scope of macroeconomic analysis, complicating the implementation of standardized stress tests in the LIC-DSA. Supported by IMF and World Bank technical assistance, data quality is gradually improving, with notable progress in GDP, CPI and trade statistics. Nonetheless, there remain significant limitations in the national accounts data, substantial gaps in the balance-of-payments data, and a heavy reliance on third-party data for estimates of trade and secondary transfers. Direct investment data are currently estimated.

15. The available realism tools are oftentimes challenging to apply. Given that the path of Somalia's public debt stock in recent years has largely been determined by the country's progress under the HIPC Initiative, the forecast error realism tool comparing debt stocks and flows across LIC-DSA vintages shows a significant decline in debt in the 5-year historical period versus the 5-year projection period due to debt relief and restructuring under the HIPC Initiative. The tool assessing the realism of the public investment-growth nexus is inoperable due to gaps in Somalia's investment data. The fiscal adjustment realism tool suggests a fiscal expansion in 2025 and 2026, reflecting the decline in budget support grants after reaching HIPC CP and pick-up in the expenditure (excluding projects)-to-GDP ratio in 2025 relative to the 2024 outturn. The fiscal adjustment and growth realism tool shows lower GDP growth projections in 2025 and 2026 compared to the multiplier-based projections, reflecting the negative impact of (off-budget) foreign aid cuts and adverse weather conditions on the economy (Figure 4).

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

16. Somalia's debt-carrying capacity is classified as weak. This classification is guided by the composite indicator score, as determined by the World Bank's CPIA, the country's real GDP growth, import coverage of foreign exchange reserves, remittances as percent of GDP, and growth of the world economy. This LIC-DSA uses the April 2025 vintage of the WEO and the 2023 CPIA. The latest available composite indicator score for Somalia is 1.71 (Text Table 3).

Text Table 3. Somalia: Composite Indicator and Threshold Tables

Country	Somalia
Country Code	726
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
	1.71	1.63	1.58

Applicable thresholds

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

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.158	0.8306	48%
Real growth rate (in percent)	2.719	3.265	0.0888	5%
Import coverage of reserves (in percent)	4.052	1.978	0.0801	5%
Import coverage of reserves^2 (in percent)	-3.990	0.039	-0.0016	0%
Remittances (in percent)	2.022	15.494	0.3133	18%
World economic growth (in percent)	13.520	2.973	0.4019	23%
CI Score			1.71	100%
CI rating			Weak	

Note: Calculated based on the April 2025 WEO vintage and the 2023 CPIA vintage.

EXTERNAL DEBT SUSTAINABILITY

17. Somalia's external debt profile is projected to improve significantly, in the context of post-HIPC Completion Point. In the baseline, external debt is projected to decline from 8.6 percent of GDP in 2024 to 7.5 percent in 2026, owing to lower debt service payments on existing debt as reflected in the signed debt relief agreements (Table 1). Thereafter, external debt is projected to inch higher toward 11.0 percent of GDP in 2030 and 18.6 percent in 2035 following a shift in financing from grants to concessional loan terms. Notwithstanding the upward revision in the external debt stock in 2024, the expected extension of IDA21 grant status by three years (with annual approval), updates to the debt service estimates in line with signed debt relief agreements (including grace periods that help reduce debt service payments between 2025 and 2035), and revisions to the macro forecasts induce a downward level shift in the external debt profile in the forecast horizon compared to the November 2024 LIC-DSA (Figure 3). In the current baseline, the PV of PPG external debt to GDP is forecast to rise gradually from 4.9 percent of GDP in 2025 to 6.7 percent of GDP in 2030, and to 11.4 percent in 2035 – well below the indicative threshold of 30 percent. The PV of PPG external debt to exports, external debt service to exports, and external debt service to revenue all remain below the indicative thresholds over the projection horizon in the baseline (Figure 1). Debt service ratios are expected to increase towards 2035 due to increased concessional borrowing to meet higher gross financing needs. Debt service ratios are set to rise further from 2040 owing to the resumption of payments on restructured debt.

18. **Standard stress tests to the baseline scenario confirm the PPG external debt position's vulnerability to unexpected shocks.** While the application of the standard LIC-DSA stress test to Somalia is complicated by structural breaks,[14] there is deterioration of some indicators under temporary shock scenarios. Shocks to other flows (current transfers and FDI) produce the most extreme stress environment, resulting in a sustained breach of the external debt service-to-revenue ratio relative to the indicative threshold starting in 2041 (Figure 1). The timing of the breach reflects a delay from that in November 2024 LIC-DSA, owing to the updates in projected debt service payments in the forecast horizon to reflect debt relief agreements signed as of April 2025. The stress scenario highlights the high vulnerability of Somalia to shocks and the risks that debt vulnerabilities could increase again. A shock in current official transfers is a significant vulnerability, highlighting Somalia's high dependence on official development assistance. Given Somalia's volatile history, a natural disaster tailored stress test to account for potential climate shocks similar to the droughts of 2021–23 were also conducted. This climate-related stress test produces debt and debt burden paths that are more benign than the most extreme stress environment[15] in the standardized stress test (Tables 3 and 4).[16]

PUBLIC DEBT SUSTAINABILITY

19. **Total public debt is contained in the baseline.** The PV of total public debt is projected to rise from 5.4 percent of GDP in 2025 to 22.1 percent of GDP in 2045 – well below the 35 percent indicative benchmark. It also remains contained in the stress scenario. The PV of total public debt to revenue rises steadily through the medium and long term. Like PPG external debt, pressures are likely to be felt on public debt service to revenue but the ratio only rises steadily in the long-term, as the burden on existing debt obligations and additional borrowing mounts. In general, the conclusions with regard to PPG external debt sustainability are also relevant for public debt sustainability, given that there is currently no market for domestic debt and the existing stock of domestic debt is limited to government wage arrears. The baseline

[14] The LIC-DSA stress test is not adjusted for the structural break, given severe persisting vulnerabilities that can materialize in the projection period, allowing past volatility to inform stress testing in the projection horizon.

[15] Combined shocks to key macroeconomic variables and shocks to non-debt flows for the PPG external debt indicators and shocks to non-debt flows for the public debt indicators.

[16] 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 the second half of 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.

assumes that the nominal stock of domestic debt will decline as a percentage of total debt over the medium-term.

RISK RATING AND VULNERABILITIES

20. Somalia is assessed to be at moderate risk of external and overall public debt distress. The three-year extension of grant financing through June 2028, updates to the debt servicing terms on existing debt obligations, and revisions to the macro forecasts do not have a material impact on the risk outlook across the LIC-DSA's medium- and long-term assessment horizon. While key debt burden indicators are contained in the baseline, the breach of the indicative threshold for the external debt service-to-revenue ratio in the long run under standardized stress tests suggests that Somalia is at moderate risk of external and overall public debt distress. While the total public debt indicator remains under the benchmark across the baseline and stress scenarios, the rapid increase in the public debt service-to-revenue under standardized stress tests highlights the need for vigilant debt management and prudent fiscal policy anchored in credible fiscal deficit limits, especially beyond 2030. The moderate risk rating tool mechanically indicates that Somalia has substantial space to absorb shocks. However, Somalia is highly vulnerable to a deterioration in the domestic security situation, climate shocks, slower global growth, and heightened geopolitical uncertainty. The country's heavy reliance on external concessional financing makes it particularly susceptible to shifts in donor priorities, which could undermine fiscal sustainability and development efforts. These risks and vulnerabilities underscore the critical importance of preserving debt sustainability by accelerating domestic revenue mobilization, developing a medium-term fiscal framework with a credible fiscal anchor, and strengthening debt management institutions and overall institutional capacity.

AUTHORITIES' VIEWS

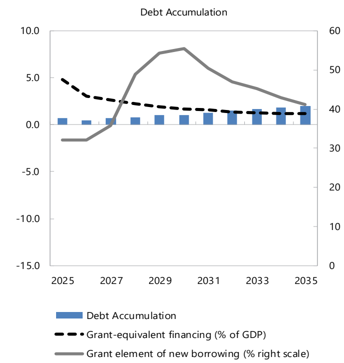
21. The authorities broadly agreed with staff's assessment of Somalia's debt sustainability. They acknowledged the importance of relying on grants and concessional financing in the post-HIPC period to mitigate debt sustainability risks. They are also actively pursuing debt relief agreements with creditors to secure more favorable financing terms in the near term. The authorities concurred on the importance of strengthening debt management capacity and ensuring full transparency of borrowing terms and conditions to better assess associated costs and risks. They welcomed the series of IMF technical assistance on debt reporting and management, medium-term fiscal framework and debt strategy, debt sustainability analysis and annual borrowing plans, and reiterated their commitment to the timely implementation of TA recommendations. They recognized the need to accelerate reforms to boost domestic revenue and control expenditure, to gradually enhance Somalia's debt servicing capacity.

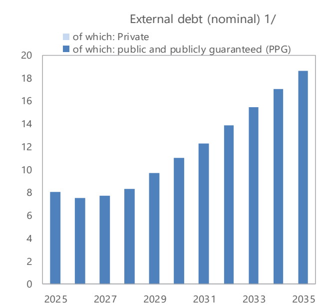
Table 1. Somalia: External Debt Sustainability Framework, Baseline Scenario, 2022–2045

(In percent of GDP, unless otherwise indicated)

	Actual			Projections 9/								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	37.5	9.6	8.6	8.0	7.5	7.7	8.3	9.7	11.0	18.6	32.5	**34.9**	**11.8**
of which: public and publicly guaranteed (PPG)	37.5	9.6	8.6	8.0	7.5	7.7	8.3	9.7	11.0	18.6	32.5	**34.9**	**11.8**
Change in external debt	-3.8	-28.0	-1.0	-0.5	-0.6	0.2	0.6	1.4	1.3	1.6	1.1		
Identified net debt-creating flows	0.5	2.0	2.5	2.3	3.0	3.1	4.2	5.1	4.5	3.9	1.6	**0.0**	**3.8**
Non-interest current account deficit	8.6	9.8	9.1	7.7	8.5	8.7	9.8	10.5	10.2	9.8	7.9	**6.3**	**9.5**
Deficit in balance of goods and services	62.9	60.8	61.3	56.6	54.8	54.9	55.5	55.3	55.1	56.0	53.8	**52.8**	**55.7**
Exports	17.7	19.7	20.5	20.5	21.1	21.5	21.7	21.9	22.2	22.5	23.8		
Imports	80.6	80.6	81.8	77.2	75.8	76.3	77.1	77.2	77.3	78.5	77.6		
Net current transfers (negative = inflow)	-54.7	-51.5	-52.5	-49.2	-46.6	-46.5	-46.0	-45.0	-45.2	-46.3	-45.8	**-46.9**	**-46.5**
of which: official	-33.7	-32.3	-32.7	-30.0	-26.7	-26.2	-25.8	-25.0	-25.0	-24.7	-24.0		
Other current account flows (negative = net inflow)	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.2	-0.1	**0.4**	**0.3**
Net FDI (negative = inflow)	-5.2	-5.2	-5.7	-5.2	-5.4	-5.4	-5.4	-5.2	-5.4	-5.4	-5.4	**-5.0**	**-5.4**
Endogenous debt dynamics 2/	-2.9	-2.6	-0.9	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.5	-0.9		
Contribution from nominal interest rate	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.4		
Contribution from real GDP growth	-1.0	-1.5	-0.3	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.7	-1.3		
Contribution from price and exchange rate changes	-1.9	-1.1	-0.6	...	...	...	...	...	...	...	...		
Residual 3/	-4.3	-29.9	-3.5	-2.8	-3.5	-2.9	-3.6	-3.7	-3.2	-2.3	-0.5	**-9.7**	**-2.9**
of which: exceptional financing	0.0	-25.3	0.0	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	...	...	4.6	4.9	5.0	5.3	5.6	6.1	6.7	11.4	22.1		
PV of PPG external debt-to-exports ratio	...	...	22.3	23.9	23.8	24.5	25.8	28.1	30.1	50.8	93.0		
PPG debt service-to-exports ratio	0.9	0.5	0.2	0.5	0.7	0.7	0.9	1.2	1.2	1.6	4.4		
PPG debt service-to-revenue ratio	6.2	3.5	1.4	3.1	4.2	4.1	4.5	6.0	5.4	6.2	12.5		
Gross external financing need (Million of U.S. dollars)	361.4	513.6	423.5	339.8	466.8	524.7	761.0	989.4	959.9	1335.4	2049.4		
Key macroeconomic assumptions													
Real GDP growth (in percent)	2.7	4.2	4.0	3.0	3.3	3.6	3.8	4.0	4.1	4.5	4.5	**2.9**	**4.0**
GDP deflator in US dollar terms (change in percent)	4.7	3.2	6.5	4.9	4.7	4.4	3.9	3.4	3.2	3.0	3.0	**3.7**	**3.8**
Effective interest rate (percent) 4/	0.0	0.0	0.3	0.6	0.9	0.9	1.0	1.3	1.2	1.1	1.5	**0.1**	**1.1**
Growth of exports of G&S (US dollar terms, in percent)	17.7	20.0	14.8	8.5	10.8	10.3	8.9	8.7	8.7	8.6	7.6	**10.6**	**8.8**
Growth of imports of G&S (US dollar terms, in percent)	25.6	7.5	12.4	2.0	6.3	8.9	9.0	7.6	7.5	7.7	7.9	**9.9**	**7.5**
Grant element of new public sector borrowing (in percent)	...	...	...	32.2	32.2	35.7	48.8	54.3	55.4	41.3	37.7	**...**	**44.1**
Government revenues (excluding grants, in percent of GDP	2.6	3.0	3.0	3.2	3.6	3.9	4.2	4.5	4.8	5.8	8.3	**2.3**	**4.6**
Aid flows (in Million of US dollars) 5/	462.7	315.7	570.4	626.3	429.0	485.9	485.6	516.5	508.6	831.9	2316.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.8	3.1	2.6	2.3	1.9	1.7	1.2	1.5	**...**	**2.1**
Grant-equivalent financing (in percent of external financinc	...	...	...	97.9	97.0	83.0	77.0	66.3	64.3	41.3	37.7	**...**	**65.9**
Nominal GDP (Million of US dollars)	10,203	10,969	12,149	13,127	14,197	15,356	16,558	17,807	19,128	27,952	58,366		
Nominal dollar GDP growth	7.6	7.5	10.8	8.0	8.2	8.2	7.8	7.5	7.4	7.6	7.6	**6.7**	**7.9**
Memorandum items:													
PV of external debt 7/	...	...	4.6	4.9	5.0	5.3	5.6	6.1	6.7	11.4	22.1		
In percent of exports	...	...	22.3	23.9	23.8	24.5	25.8	28.1	30.1	50.8	93.0		
Total external debt service-to-exports ratio	0.9	0.5	0.2	0.5	0.7	0.7	0.9	1.2	1.2	1.6	4.4		
PV of PPG external debt (in Million of US dollars)			555.4	645.7	711.0	807.8	925.5	1094.7	1278.3	3187.8	12906.3		
(PVt-PVt-1)/GDPt-1 (in percent)				0.7	0.5	0.7	0.8	1.0	1.0	2.0	2.6		
Non-interest current account deficit that stabilizes debt rati	12.4	37.7	10.1	8.3	9.0	8.5	9.1	9.1	8.9	8.2	6.7		

Definition of external/domestic	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 - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) 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 reflects full delivery of HIPC Completion Point in December 2023.

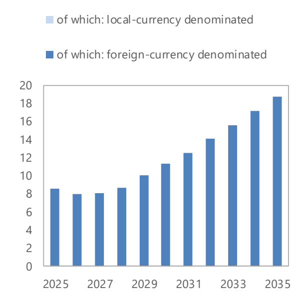
Table 2. Somalia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–2045

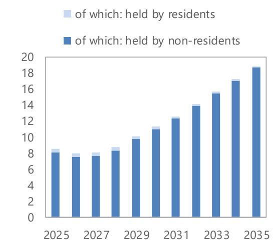
(In percent of GDP, unless otherwise indicated)

	Actual			Projections 7/								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections 7/
Public sector debt 1/	**38.2**	**10.2**	**9.1**	**8.6**	**8.0**	**8.1**	**8.7**	**10.0**	**11.3**	**18.8**	**32.5**	**35.6**	**12.1**
of which: external debt	**37.5**	**9.6**	**8.6**	**8.0**	**7.5**	**7.7**	**8.3**	**9.7**	**11.0**	**18.6**	**32.5**	**34.9**	**11.8**
Change in public sector debt	-3.9	-28.0	-1.0	-0.6	-0.6	0.1	0.6	1.3	1.3	1.6	1.1		
Identified debt-creating flows	**-3.0**	**-27.6**	**-1.2**	**-0.1**	**0.0**	**0.1**	**0.6**	**1.3**	**1.3**	**1.6**	**1.1**	**-9.7**	**1.0**
Primary deficit	**0.0**	**0.4**	**-0.2**	**0.5**	**0.5**	**0.7**	**1.1**	**1.9**	**1.9**	**2.6**	**2.9**	**-0.1**	**1.7**
Revenue and grants	7.1	6.3	7.5	7.9	6.6	6.2	5.8	5.3	5.3	5.8	8.3	**4.6**	**5.9**
of which: grants	4.5	3.3	4.5	4.8	3.0	2.3	1.6	0.8	0.5	0.0	0.0		
Primary (noninterest) expenditure	7.0	6.7	7.3	8.5	7.1	6.9	6.9	7.1	7.2	8.4	11.2	**4.5**	**7.5**
Automatic debt dynamics	**-3.0**	**-2.7**	**-1.0**	**-0.6**	**-0.6**	**-0.5**	**-0.5**	**-0.5**	**-0.6**	**-1.0**	**-1.8**		
Contribution from interest rate/growth differential	-3.0	-2.7	-1.0	-0.6	-0.6	-0.5	-0.5	-0.5	-0.6	-1.0	-1.8		
of which: contribution from average real interest rate	-1.8	-1.1	-0.6	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.3	-0.4		
of which: contribution from real GDP growth	-1.1	-1.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.7	-1.4		
Contribution from real exchange rate depreciation	0.0	0.0	0.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**-25.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-8.3**	**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)	0.0	-25.3	0.0	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	**-0.9**	**-0.4**	**0.1**	**-0.5**	**-0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**5.1**	**5.4**	**5.5**	**5.7**	**6.0**	**6.5**	**7.0**	**11.6**	**22.1**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**68.1**	**68.5**	**83.5**	**91.0**	**102.3**	**122.7**	**131.3**	**198.8**	**267.7**		
Debt service-to-revenue and grants ratio 3/	**2.3**	**1.7**	**0.6**	**1.2**	**2.2**	**2.9**	**3.6**	**5.4**	**5.1**	**6.4**	**12.6**		
Gross financing need 4/	0.1	-24.8	-0.2	0.2	0.1	0.8	1.3	2.1	2.1	3.0	4.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	2.7	4.2	4.0	3.0	3.3	3.6	3.8	4.0	4.1	4.5	4.5	**2.9**	**4.0**
Average nominal interest rate on external debt (in percent)	0.0	0.0	0.3	0.6	0.9	0.9	1.0	1.3	1.2	1.1	1.5	**0.1**	**1.1**
Average real interest rate on domestic debt (in percent)	-4.5	-3.1	-6.1	-4.7	-4.5	-4.2	-3.7	-3.3	-3.1	-2.9	-2.9	**-3.0**	**-3.6**
Real exchange rate depreciation (in percent, + indicates depreciati	0.0	0.0	0.0	...	...	...	...	...	...	...	...	**0.0**	**...**
Inflation rate (GDP deflator, in percent)	4.7	3.2	6.5	4.9	4.7	4.4	3.9	3.4	3.2	3.0	3.0	**3.7**	**3.8**
Growth of real primary spending (deflated by GDP deflator, in per	49.4	-1.2	14.2	18.8	-13.1	0.5	4.4	6.8	4.6	8.2	6.9	**18.3**	**5.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.9	28.4	0.8	1.1	1.1	0.5	0.5	0.5	0.6	1.0	1.8	**11.0**	**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.

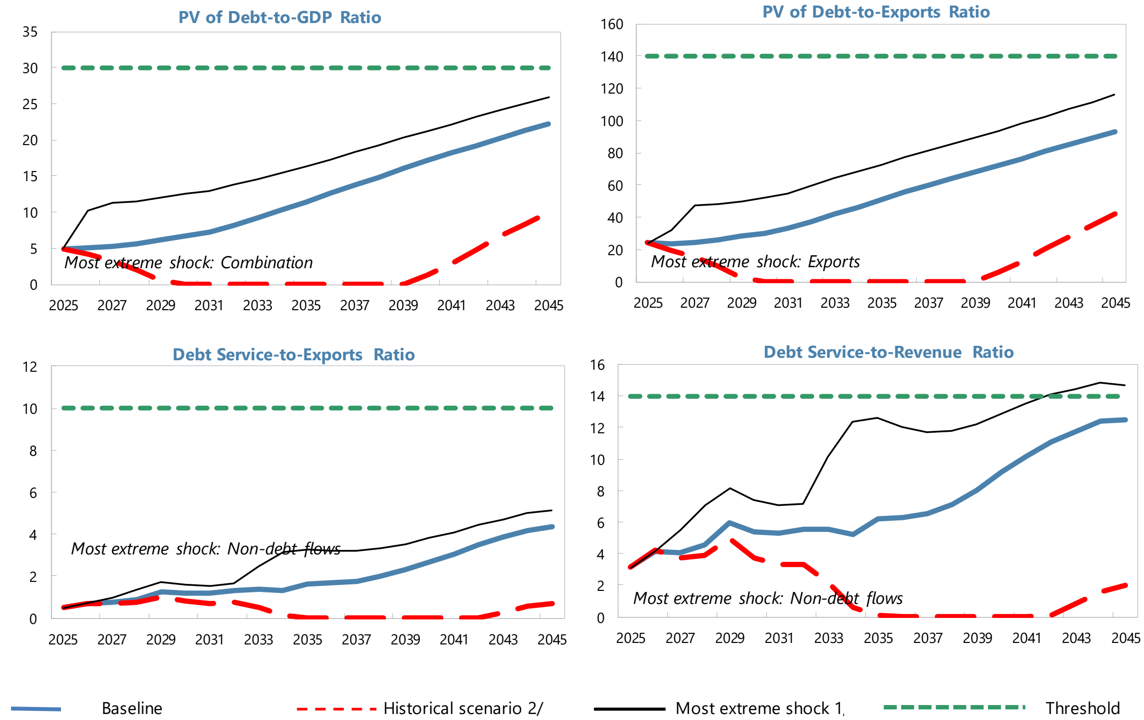
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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 reflects full delivery of HIPC Completion Point in December 2023.

Figure 1. Somalia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2025–2045



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	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	28
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.

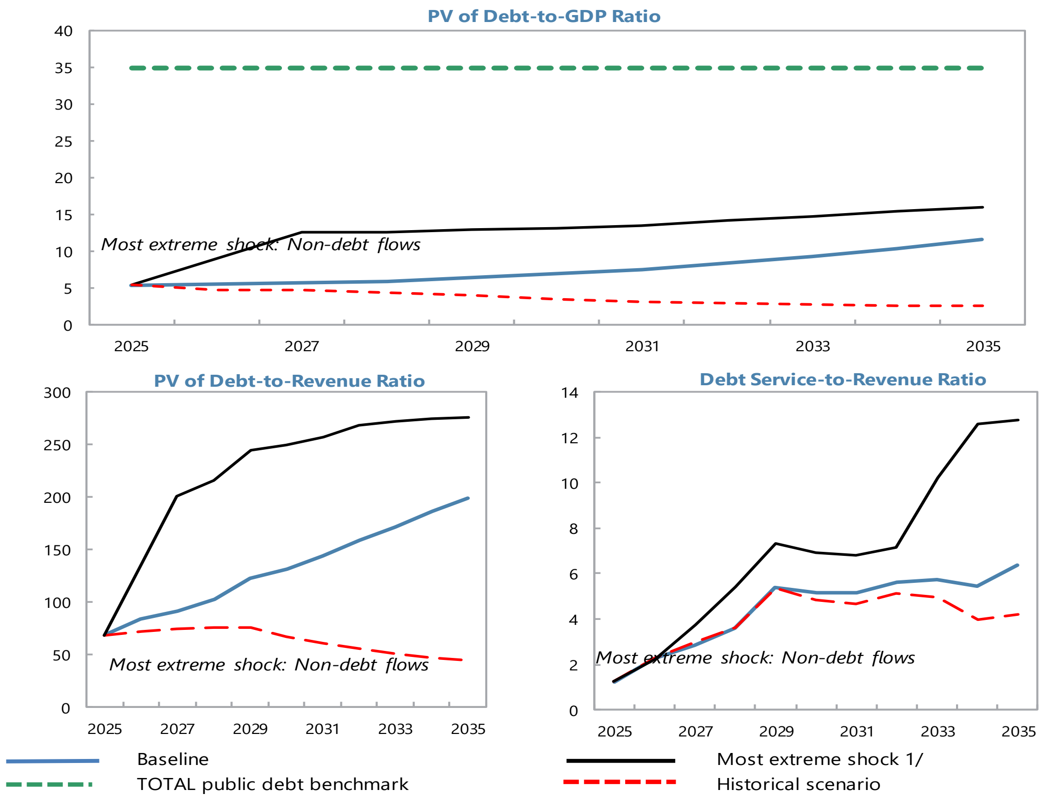
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. 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, 2025–2035



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	0.9%	0.9%
Avg. maturity (incl. grace period)	28	28
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.

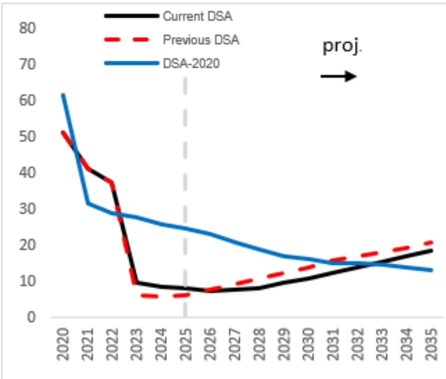
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. 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.

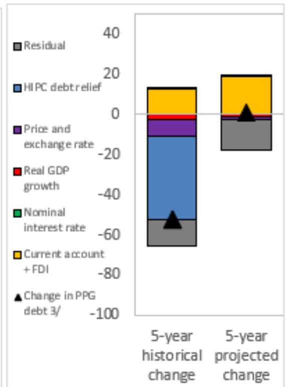
Figure 3. Somalia: Drivers of Debt Dynamics – Baseline Scenario

External Debt

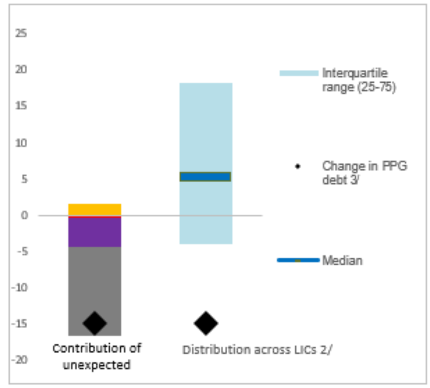
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating Flows
(percent of GDP)

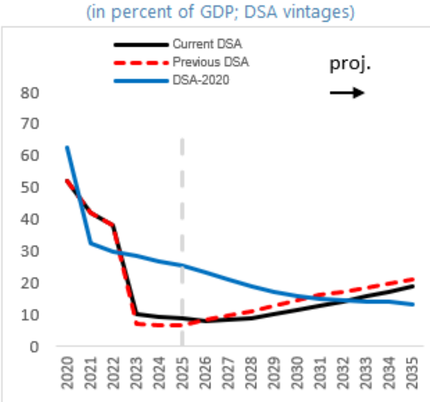


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

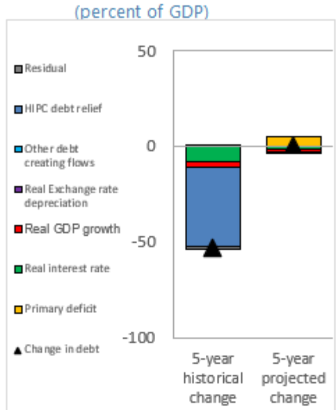


Public Debt

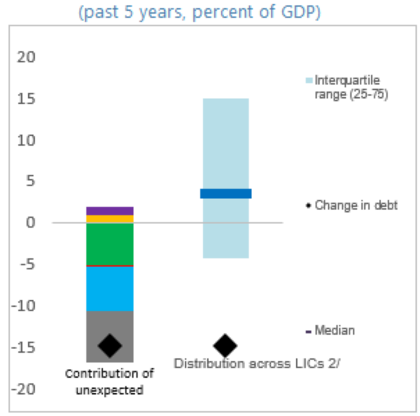
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating Flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



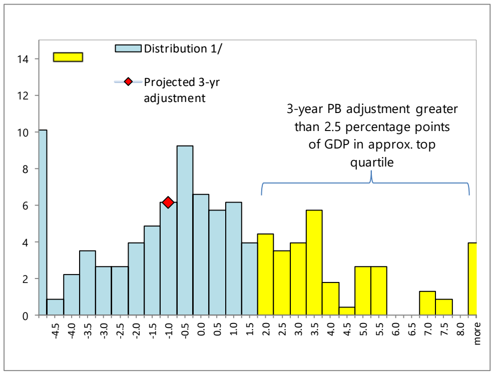
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

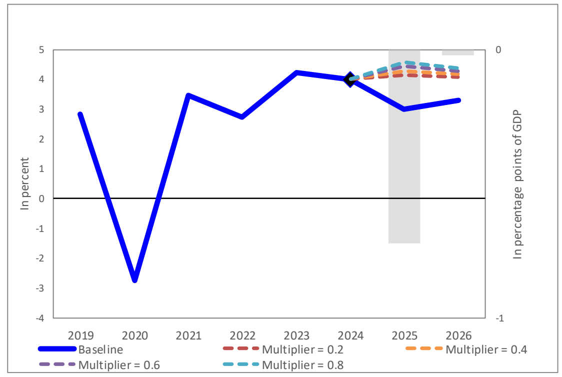
Figure 4. Somalia: Realism Tools

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



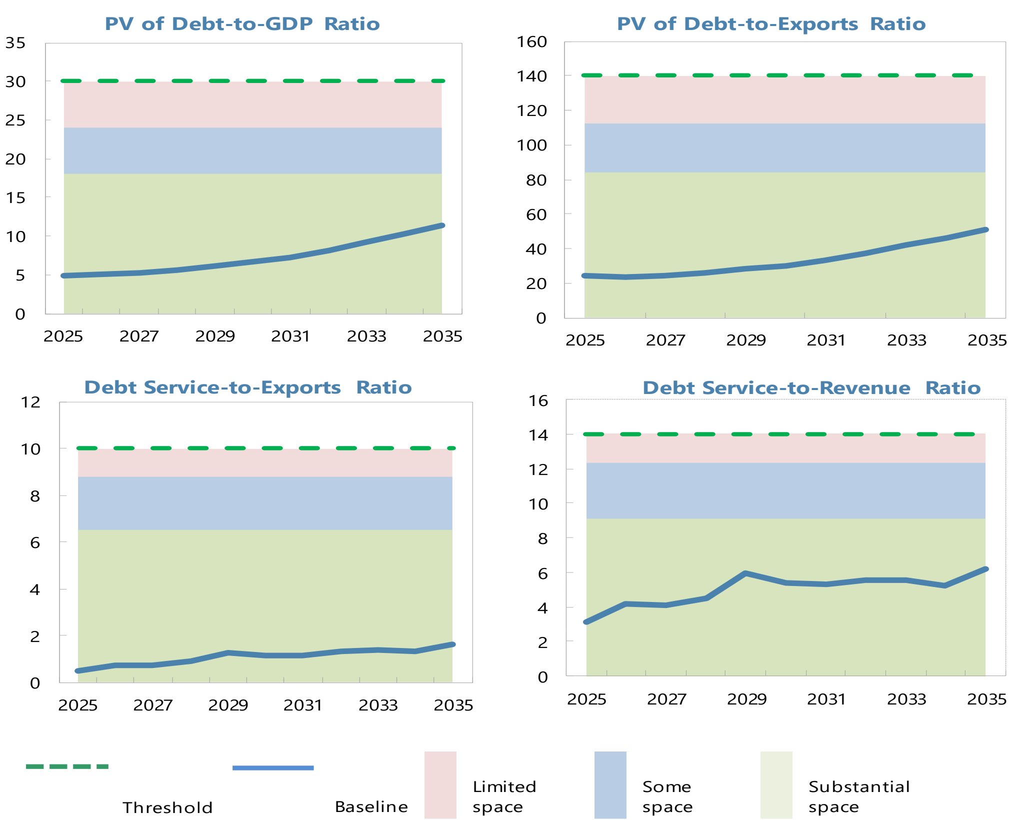
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on

Fiscal Adjustment and Possible Growth Paths 1/



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 5. Somalia: Qualification of the Moderate Category, 2025–2035 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, 2025–2035

(In percent)

	Projections 1/ 4/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	5	5	5	6	6	7	7	8	9	10	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	5	4	3	2	1	-1	-1	-2	-2	-3	-3
B. Bound Tests											
B1. Real GDP growth	5	5	6	6	7	8	8	9	10	12	13
B2. Primary balance	5	6	6	7	7	8	8	9	10	11	12
B3. Exports	5	6	9	9	9	10	10	11	12	13	14
B4. Other flows 3/	5	8	12	12	13	13	13	14	15	15	16
B5. Depreciation	5	6	-3	-2	-1	0	1	3	4	6	8
B6. Combination of B1-B5	5	10	11	12	12	12	13	14	15	15	16
C. Tailored Tests											
C1. Combined contingent liabilities	5	8	8	9	9	10	10	11	12	13	14
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	5	6	6	7	7	8	9	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	24	24	25	26	28	30	33	38	42	46	51
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	24	19	15	9	2	-3	-6	-9	-11	-12	-12
B. Bound Tests											
B1. Real GDP growth	24	24	25	26	28	30	33	38	42	46	51
B2. Primary balance	24	27	29	30	32	34	37	41	45	49	54
B3. Exports	24	32	47	48	50	52	54	60	64	68	72
B4. Other flows 3/	24	40	57	56	57	58	60	64	66	68	71
B5. Depreciation	24	24	-10	-7	-3	0	4	9	14	22	29
B6. Combination of B1-B5	24	47	47	52	54	55	57	62	65	68	71
C. Tailored Tests											
C1. Combined contingent liabilities	24	39	39	40	42	43	45	50	54	58	62
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	24	24	25	26	28	30	33	38	42	46	51
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	0.5	0.7	0.7	0.9	1.2	1.2	1.2	1.3	1.4	1.3	1.6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	0.5	0.7	0.7	0.8	1.0	0.8	0.7	0.8	0.5	0.2	0.0
B. Bound Tests											
B1. Real GDP growth	0.5	0.7	0.7	0.9	1.2	1.2	1.2	1.3	1.4	1.3	1.6
B2. Primary balance	0.5	0.7	0.8	0.9	1.3	1.2	1.2	1.4	1.6	1.6	1.8
B3. Exports	0.5	0.8	1.0	1.3	1.7	1.6	1.6	1.8	2.1	2.6	2.8
B4. Other flows 3/	0.5	0.7	1.0	1.4	1.7	1.6	1.6	1.7	2.5	3.1	3.3
B5. Depreciation	0.5	0.7	0.7	0.3	0.7	0.7	0.7	0.9	1.0	-0.7	-0.2
B6. Combination of B1-B5	0.5	0.7	1.2	1.3	1.7	1.6	1.6	1.7	2.8	2.8	3.0
C. Tailored Tests											
C1. Combined contingent liabilities	0	1	1	1	1	1	1	1	2	1	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	0	1	1	1	1	1	1	1	1	1	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	3	4	4	5	6	5	5	6	6	5	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	3	4	4	4	5	4	3	3	2	1	0
B. Bound Tests											
B1. Real GDP growth	3	4	5	5	7	6	6	6	6	6	7
B2. Primary balance	3	4	4	5	6	6	6	6	6	6	7
B3. Exports	3	4	5	6	7	6	6	6	7	9	9
B4. Other flows 3/	3	4	5	7	8	7	7	7	10	12	13
B5. Depreciation	3	5	5	2	4	4	4	5	5	-3	-1
B6. Combination of B1-B5	3	4	7	7	8	8	7	7	12	11	12
C. Tailored Tests											
C1. Combined contingent liabilities	3	4	5	6	7	6	6	6	6	6	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	3	4	4	5	6	5	5	6	6	5	6
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, 2025–2035

(In percent)

	Projections 1/ 4/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	5	5	6	6	6	7	8	8	9	10	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	5	5	5	4	4	4	3	3	3	3	3
B. Bound Tests											
B1. Real GDP growth	5	5	6	7	8	9	10	11	13	14	16
B2. Primary balance	5	5	6	6	7	7	8	9	10	11	12
B3. Exports	5	7	9	9	9	10	10	11	12	13	14
B4. Other flows 3/	5	9	13	13	13	13	14	14	15	15	16
B5. Depreciation	5	6	6	6	6	6	6	6	7	7	8
B6. Combination of B1-B5	5	5	5	5	6	6	7	8	9	10	11
C. Tailored Tests											
C1. Combined contingent liabilities	5	8	8	8	9	9	10	10	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	9	10	11	13	14	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	68	83	91	102	123	131	143	159	172	186	199
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	68	72	75	75	75	67	61	56	50	47	44
B. Bound Tests											
B1. Real GDP growth	68	81	98	117	148	166	186	211	232	254	272
B2. Primary balance	68	80	92	104	125	134	146	162	175	189	202
B3. Exports	68	100	141	153	177	184	194	208	217	226	234
B4. Other flows 3/	68	136	201	216	245	249	257	268	272	275	276
B5. Depreciation	68	100	104	108	115	112	113	117	121	127	132
B6. Combination of B1-B5	68	79	80	88	108	118	131	147	162	177	190
C. Tailored Tests											
C1. Combined contingent liabilities	68	119	127	140	164	172	183	197	209	221	232
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	68	80	97	117	149	166	188	212	233	254	272
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	1	2	3	4	5	5	5	6	6	5	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	1	2	3	4	5	5	5	5	5	4	4
B. Bound Tests											
B1. Real GDP growth	1	2	3	4	6	6	6	7	8	8	9
B2. Primary balance	1	2	3	4	6	5	5	6	7	6	7
B3. Exports	1	2	3	4	6	6	6	6	7	9	9
B4. Other flows 3/	1	2	4	5	7	7	7	7	10	13	13
B5. Depreciation	1	3	4	5	7	7	7	7	8	7	8
B6. Combination of B1-B5	1	2	3	4	5	5	5	6	6	5	6
C. Tailored Tests											
C1. Combined contingent liabilities	1	2	4	4	6	6	6	6	6	6	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	1	2	3	4	6	6	6	7	7	7	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, 2024–2027

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

	Debt Stock (end of period) 6/			Debt Service 6/					
	2024			2025	2026	2027	2025	2026	2027
	(In millions of US$)	(Percent total debt)	(Percent GDP)	(In millions of US$)			(Percent GDP)		
Total 1/	1,111.3	100.0	9.1	12.9	20.9	24.5	0.10	0.15	0.16
External	1,043.5	93.9	8.6	12.9	20.9	24.5	0.10	0.15	0.16
Multilateral creditors	486.7	43.8	4.0	5.6	8.8	11.7	0.04	0.06	0.08
IMF 2/	139.1	12.5	1.1	0.7	3.5	6.4	0.01	0.02	0.04
Other Multilaterals	347.7	31.3	2.9	4.9	5.3	5.2	0.04	0.04	0.03
Arab Monetary Fund	201.5	18.1	1.7	0.2	0.2	0.2	0.00	0.00	0.00
Arab Fund for Economic and Social Development 3/	81.0	7.3	0.7	4.3	4.3	4.2	0.03	0.03	0.03
International Fund for Agricultural Development	1.6	0.1	0.0	0.0	0.5	0.4	0.00	0.00	0.00
Islamic Development Bank	27.2	2.4	0.2	0.1	0.1	0.1	0.00	0.00	0.00
OPEC Fund for International Development	36.4	3.3	0.3	0.2	0.2	0.2	0.00	0.00	0.00
Bilateral Creditors	556.8	50.1	4.6	7.3	12.1	12.8	0.06	0.09	0.08
Paris Club 4/	6.8	0.6	0.1	1.6	1.5	1.5	0.01	0.01	0.01
Russia	6.8	0.6	0.1	1.6	1.5	1.5	0.01	0.01	0.01
Non-Paris Club 5/	549.5	49.4	4.5	5.7	10.6	11.3	0.04	0.07	0.07
Algeria	0.3	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Bulgaria	2.0	0.2	0.0	0.0	0.1	0.1	0.00	0.00	0.00
Iraq	33.1	3.0	0.3	0.0	1.4	1.4	0.00	0.01	0.01
Kuwait	123.9	11.1	1.0	2.6	2.6	2.6	0.02	0.02	0.02
Libya	14.4	1.3	0.1	0.0	3.3	4.0	0.00	0.02	0.03
Romania	0.4	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Saudi Arabia	118.1	10.6	1.0	3.1	3.1	3.1	0.02	0.02	0.02
United Arab Emirates	257.3	23.2	2.1	0.0	0.0	0.0	0.00	0.00	0.00
Commercial creditors	0.5	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Serbia 3/	0.5	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00
Domestic	67.8	6.1	0.6	0.0	0.0	0.0	0.00	0.00	0.00
Of which: in arrears	67.8	6.1	0.6	0.0	0.0	0.0	0.00	0.00	0.00
Nominal GDP (in millions of US$)	12,149								

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.

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

3/ The debt stock and debt service amounts reported assume debt treatment in line with the HIPC CP debt relief analysis. This follows the guidance in the 2018 Guidance Note for Bank-Fund Debt Sustainablity Framework for Low-Income Countries (LIC DSF).

4/ The amount for PC debt reflects beyond-HIPC debt relief or the outright cancellation of claims by PC creditors, except for Russia where debt treatment is consistent with HPIC Initiative exit terms. The total amount for Russia also includes a Russian claim on the Central Bank of Somalia totaling $6.25 million as of end-2024, which has been deemed not eligible for HIPC debt relief.

5/ The debt stock and debt service amounts reported assume debt treatments in line with the HIPC CP debt relief analysis by creditors where agreements remain outstanding. Figures for Kuwait, Saudi Arabia, and United Arab Emirates reflect the terms of actual agreements reached.

6/ Debt stock and debt service amounts reflect full delivery of debt relief under the HIPC Initiative, MDRI, and beyond-HIPC assistance at the Completion Point reached in December 2023, actual debt relief agreements signed with remaining creditors post-HIPC CP, and hypothetical debt treatment on HIPC CP terms for debts pending a debt relief agreement. Estimates are based on April 18, 2025 exchange rates.

Table 6. Somalia: Summary Table on Projected External Borrowing Program, January 1, 2025 to December 31, 2025

(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	**19.9**	**100**
Concessional debt, 1/	**19.9**	**100**
o/w IMF prospective	19.9	
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	**19.9**	**100**
Project Financing	0.0	0
Budget Financing	19.9	100
Type of interest rate	**19.9**	**100**
Fixed Interest Rate	19.9	100
Variable Interest Rate	0.0	0
Currency denomination	**19.9**	**100**
USD denominated loans	19.9	100
Loans denominated in other currency	0.0	0
Memorandum items		
Indicative projection FY2026	**19.9**	
Indicative projection FY2027	**128.9**	

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.

Table 7. Somalia: Progress on Negotiations with Creditors for Restructuring Outstanding HIPC-Eligible Debt (as of May 9, 2025)

	Enhanced HIPC debt relief in PV terms (in US$ million) 1/	Percentage of total assistance under HIPC	Status of Negotiations
Arab Fund for Economic and Social Development (AFESD)	99.1	5.2	The authorities and AFESD have reached a broad consensus on the terms of a debt relief agreement in line with the HIPC Common Reduction Factor (CRF). Discussions between the two parties have continued, most recently on May 1, 2025, with a focus on finalizing an agreement that incorporates more concessional debt servicing terms and an irrevocability clause for the debt relief, in accordance with the principles of the HIPC Initiative.
Arab Monetary Fund (AMF)	155.6	8.2	A debt restructuring agreement in line with the HIPC CRF was signed on April 9, 2025. Outstanding debt balance will be repaid at zero interest rate over 20 years in semi-annual installments, starting in June and December 2025, that increase over time under a tiered structure.
Islamic Development Bank (IsDB)	15.5	0.8	A debt rescheduling agreement over 30-years maturity period including zero grace period and zero interest rate with the first principal repayment beginning on 31st December 2024 was officially signed on July 16, 2024.
OPEC Fund for International Development (OFID)	19.3	1.0	A debt rescheduling agreement over a 20-year maturity period including a 10-year 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	**99.1**	**5.2**	
Paris Club Creditors	806.6	42.4	On March 13, 2024, the Paris Club group of creditors agreed on a debt treatment for Somalia under the HIPC process, and beyond-HIPC debt relief to cancel all debt on a voluntary basis. Bilateral agreements have been signed with Denmark, France, Italy, Japan, Netherlands, Norway, Russia, the United Kingdom and the United States. Negotiations are ongoing with the government of Spain on the terms of the latter's debt swap proposal, with most recent discussions taking place on April 10, 2025.
Non-Paris Club Creditors			
Algeria	0.3	0.0	The League of Arab States communique indicates that Somalia's debt to Algeria has been written off, although no official agreement was reached between the two parties. The authorities sent a follow-up communication to their Algerian counterparts in April 23, 2025; creditor 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. A follow-up letter was sent on April 23, 2025; creditor response is awaited.
Iraq	32.3	1.7	The Iraqi authorities reaffirmed on May 5, 2025 their offer to write off 67% of the outstanding debt. Discussions continue to agree on a repayment term for the balance of 33% in line with HIPC terms.
Kuwait	47.4	2.5	A debt restructuring agreement on Paris Club-comparable terms was signed in 2022, prior to the HIPC Initiative Completion Point. Outstanding debt is rescheduled in semi-annual installments over a 40-year period, including a 16-year grace period, at an interest rate of 1.5% per annum (inclusive of a 0.5% administrative charge).
Libya	14.0	0.7	Following communications in April and May 2025, discussion are set to resume to reschedule outstanding claims. The Somali Finance Minister have requested a bilateral meeting with his Libyan counterpart during the African Development Bank Annual Meetings on May 26-30, 2025. A virtual technical meeting has also been proposed.
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. A follow-up letter was sent on April 23, 2025; creditor response is awaited.
Saudi Arabia	46.6	2.4	A debt restructuring agreement on Paris Club-comparable terms was signed in early 2023, prior to the HIPC Initiative Completion Point. Outstanding debt is rescheduled over a 40-year period, including a grace period of 16 years.
United Arab Emirates	131.0	6.9	A debt restructuring agreement was signed on February 11, 2025, allowing repayment within 40 years, starting in 2040 after a 16-year grace period. The interest rate was reduced by half to 2%. Payments on deferred interest are scheduled over 5 years starting in February 2029.
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. A follow-up letter was sent on April 23, 2025; creditor response is awaited.
Total Bilateral and Commercial	**1,081.0**	**56.8**	
o/w Pending	**49.3**	**2.6**	
TOTAL	**1,903.5**	**100.0**	
o/w Total Pending	**148.4**	**7.8**	

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.

Statement by Mohamed Maait, Executive Director Somalia, and Abdulqafar Abdullahi, Advisor to Executive Director
July 9, 2025

Introduction and Context

On behalf of our Somali authorities, I would like to extend my sincere appreciation to Ms. Ran Bi, the new mission Chief for Somalia, and her team for the constructive engagements and productive policy dialogue during the program review discussions. I also would like to thank former Mission Chief for Somalia, Ms. Laura Jaramillo, who guided Somalia's economic reform journey for three and half years. This review was conducted against a backdrop of heightened global economic uncertainty, dwindling development assistance, and ongoing geopolitical tensions. The authorities broadly agree with the thrust of the staff's assessment of the program performance and policy priorities.

Somalia continues to face significant challenges on the security, humanitarian, and political fronts. The country also confronts more frequent and severe climate related events as well as persistently high incidents of poverty. The humanitarian situation has deteriorated recently, driven by a decline in donor funding and climate-induced shocks. Many critical programs in agriculture, health, education, water, sanitation, and hygiene, which are heavily reliant on donor funds, have been disrupted. While there is considerable uncertainty about whether the flow of donor funding will be restored, a prolonged or permanent reduction could reverse recent gains in poverty alleviation, economic development, and rebuilding of economic institutions. Thus, I would encourage development partners to sustain their financial support during this challenging period of Somalia's development and reform journey. Regarding political developments, to ensure timely elections and peaceful transfer of power, a broad-based, inclusive national dialogue aimed at building consensus for next year's electoral framework and resolving other sensitive political disputes, is currently underway.

On the security front, although risks persist, notable improvements have been achieved through the efforts of the Somalia National Army (SNA), supported by African Union forces and other international partners. As Somali security forces gradually assume responsibility for the security of the country, efforts to strengthen their capacity continue through the Somalia Security and Development Plan (SSDP) and the updated National Counterterrorism Strategy, aiming to build a resilient and self-reliant security sector. The African Union Support and Stabilization Mission in Somalia (AUSSOM), which commenced operations in January 2025, plays a pivotal role in supporting SNA to liberate and hold more territories, although it remains significantly underfunded. Somali authorities are actively engaging with the UN, AU, and bilateral partners to mobilize the necessary resources.

Program Performance

Somali authorities continue to demonstrate steadfast commitment to transformative and ambitious reforms supported by the IMF program. They have met all six structural benchmarks (SBs) due for this review period. They also met all quantitative performance criteria and indicative targets for end-December 2024 and March 2025.

Recent Economic Development

Somalia's economic growth forecast has been revised downward, with earlier projection for 2025 reduced from 4.0 percent to 3.0 percent, compared to 4.0 percent recorded in 2024. The authorities agree with the staff projection that should the risk of a significant reduction in foreign aid materialize, economic growth in 2026 and medium term will decline to 3.3 percent and 4.1 percent, respectively down from earlier forecasts of 4.0 percent and 4.5 percent. The expected economic slowdown is primarily driven by a decline in donor grants, which is expected to adversely affect key sectors reliant on external funding, including agriculture, health, and education. Humanitarian spending is also projected to decline, dampening household consumption. Additionally, climate-related shocks, such as below-average rainfall in some regions and flooding in others are likely to weigh on agricultural output, which had strong performance in 2024. Despite these challenges, the economy is expected to receive support for robust export performance, increased remittance inflows, and ongoing economic reforms. However, the overall outlook remains highly uncertain, clouded by a potential reduction in donor support, political tensions, persistent security risks, and broader geopolitical and regional instability. Inflation declined from 6.6 percent in December 2023 to 5.6 percent in December 2024, driven by lower global commodity prices. However, domestic food price pressures are expected to keep inflation elevated at around 4.9 percent by end-2025.

Fiscal Policy

Recognizing that domestic revenue mobilization in Somalia remains below its potential, the authorities continue to prioritize it as a key pillar in their fiscal strategy. In 2024, revenue collection exceeded both program targets and the approved national budget, driven by strengthened revenue administration and effective implementation of new tax measures. The authorities remain committed to the rigorous implementation of the 2024 Medium-Term Revenue Roadmap, which continues to anchor fiscal reforms and revenue mobilization efforts. A major milestone was achieved in May 2025 with the enactment of a modernized income tax law, replacing outdated legislation that had been in place for nearly sixty years. This reform marks a critical advancement toward enhancing tax equity, efficiency, and compliance.

Although revenue collection in 2025Q1 remained robust, projected economic slowdown due to external shocks is expected to weigh on revenues for the rest of this year and the next. However, new tax measures and recent revenue administration reforms, guided by the Revenue Administration Law regulation issued in April 2024, are expected to minimize potential revenue losses. Similarly, the implementation of the new income tax law and increasing use of digitalization to enhance tax administration – including the implementation of the non-tax revenue portal, digitalization of rental income and road tax collection – are also expected to make positive contributions to medium term revenue collection. Efforts to strengthen tax compliance and tax audits, as well as the planned rollout of the Integrated Tax Administration System, are expected to significantly enhance revenue collection efficiency and transparency. The operationalization of the Somalia Customs Administration System (SOMCAS) in Mogadishu port and airport as well as Kismayo port, is expected to yield significant benefit from this important revenue source.

Despite significant fiscal pressure, the authorities continue to demonstrate remarkable restraint and prudent fiscal management. Spending on federal government compensation of employees, goods, and services remained below the program ceiling, reflecting continued commitment to fiscal responsibility. Efforts continue to streamline the public service payroll through the implementation of Pay and Grade Policy Roadmap. However, looking ahead, the reduction in donor funding, which is often off budget, is expected to intensify fiscal pressure, particularly as demands for social services and security spending continue to rise. In this context, the authorities are determined to improve the efficiency of public expenditure, strengthen public finance management and the planned introduction of digital signature and a transition to paperless environment, which will enhance security, efficiency, transparency, and accountability of public spending. The planned completion of a new PFM Reform Strategic Plan (2026 - 2029) in early 2026 will guide the next phase of reforms in this priority reform area. Similarly, the IMF supported reforms aimed at establishing a strong public investment management framework will be crucial in the medium term, helping to ensure that public projects are selected and executed efficiently.

Monetary and Financial Sector

Somalia authorities are steadfast in their commitment to strengthen the financial sector and the regulatory and supervisory framework. In May 2025, the President of the Federal Republic of Somalia signed a revised Financial Institutions Law and a new Islamic Insurance (Takaful) Law, both of which will enhance the Central Bank of Somalia's (CBS) supervisory authority over bank and non-bank financial institutions. To facilitate implementation of the new laws, CBS issued regulations for licensing non-deposit taking microfinance institutions, as well as capital, solvency, and financial reporting for Takaful operators. Additionally, the capacity of the Licensing and Supervision Department staff is being strengthened to enhance oversight of Islamic banks with help from development partners. Authorities also plan to expand the use of supervisory technologies and digital systems to facilitate data collection and analysis. Efforts are underway to systematically implement the CBS Board-approved three-year action plan, adopted in July 2024, to enhance the quality of supervisory data. A key element of the plan – the issuance of detailed reporting instructions to banks on capital adequacy ratio and liquidity coverage ratio – is on track to be released in July 2025.

Transformational reforms at the Central Bank of Somalia (CBS) are progressing steadily. As a testament to their commitment, the authorities have implemented the majority of the 2024 Safeguards recommendations and made significant progress on others. The amended CBS Act, which is scheduled to be submitted to Parliament later this year, will bolster the CBS's independence and operational autonomy. Furthermore, the new 2025-2029 strategic plan launched in February 2025, which aims to create a modern, policy driven central bank, will guide the transformation through a well-defined and -considered practical and actionable implementation roadmap. A resilient and efficient national payment infrastructure is gradually taking shape. Since the launch of the national payment system, banks in Somalia become interoperable for the first time. Key milestones include the launch of IBAN account standardization, the development of standardized QR code, and operationalization of instant payment system in January 2025 under the National SWITCH initiative. Additionally, the National Payment Bill is currently under parliamentary review and is expected to be enacted by end-2025.

Despite financial and logistical challenges, Somalia authorities consider the currency exchange project as a national priority. The currency reform aims to replace the counterfeit and deteriorated notes currently in circulation and meet demand for local currency, particularly among the poorest segments of society. In addition to the efforts to secure the necessary financing, the authorities are also consulting with all stakeholders including all Federal Member States to secure commitments in support of the project. In preparation for the ultimate introduction of the new currency, CBS is creating the necessary instruments which have been made easier by the adoption of the Currency Board Arrangement (CBA). In the meantime, with support from IMF staff, the necessary regulatory framework for the successful implementation of the CBA, including amendments to the CBS Act, is under development. Additionally, further regulations to support CBA implementation, including foreign exchange regulations and requirements for weekly publication of the CBA balance sheet, are expected to be approved by mid-next year.

Structural Reforms

The authorities remain steadfast in their commitment to establishing robust institutions and a sound governance framework and laying a solid foundation for macroeconomic stability and inclusive, sustainable growth. These efforts will be strategically guided by the National Transformation Plan (2025-2029) and Somali Centennial Vision 2060, the latter of which was formally launched by the President of the Federal Republic of Somalia on June 23, 2025. On governance, following Somalia's accession of the UN Convention Against Corruption, the country has completed the first cycle of the Implementation Review Mechanism (IRM) consistent with UNCAC obligations. In March 2025, they acceded to the United Nations Convention Against Transnational Organized Crime. The rollout of the national digital ID system is underway, aimed at improving delivery of services, strengthening public finance management, and enhancing AML/CFT.

Somali authorities recognize that effective and transparent management of the country's emerging and promising petroleum sector is crucial to national development. In a major milestone, a comprehensive regulatory framework – aligned with international best practices – has been established to support the development of the promising petroleum sector. The Petroleum Sector law, the Extractive Industries Fiscal Regime law, and their respective regulations, along with harmonized regulations aligning the Petroleum and Procurement Acts, are now in place. The Inter- Ministerial Concessions Committee, tasked with reviewing and approving all petroleum production sharing agreements, has been significantly strengthened and empowered. To enhance transparency, Somalia established clear publication standards for all future PSAs in line with IMF recommendations, which have been formally integrated into the petroleum regulations.

Somalia accession in the East African Community marks a significant milestone in the path towards regional integration. However, they recognize that it presents opportunities and significant risks if the integration is not managed appropriately. Therefore, Somalia is adopting a deliberate and gradual approach to integration, aimed at safeguarding macroeconomic stability while advancing key economic reforms. These include solidifying internal common economic space through robust fiscal federalism and internal customs harmonization.

Conclusion

Somali authorities continue to demonstrate a strong and sustained commitment to implementing challenging reforms under the IMF-supported program. They acknowledge that progress on their ambitious reform agenda would not have been possible without the critical financial support, technical assistance, and capacity development provided by the Fund and other development partners. **Considering the strong performance and demonstrated commitment to reforms, the authorities request the Executive Directors' support for the completion of the third review as well as modification to the QPC on the Federal Government's domestic revenue floor.**