Somalia's Journey to Debt Relief Under Heavily Indebted Poor Countries (HIPC) Initiative and Review of Empirical Evidence of Debt Relief from Previous Countries Under HIPC Initiative

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I. Summary

On March 25, 2020, Somalia has taken the necessary steps and reached the Decision Point and would begin receiving debt relief under the Enhanced Highly Indebted Poor Country (HIPC) Initiative. The Federal Government of Somalia (FGS) received congratulatory notes from the International Monetary Fund (IMF) and the World Bank (WB). Subsequently, on March 31, 2020, the Paris Club[2] creditors agreed to cancel $1.4 billion of debt owed by Somali.[3] Finally, on March 31, 2020, Somalia became the 182nd member of the Multilateral Investment Guarantee Agency (MIGA), the WB's political risk insurance arm, which is a key part of accessing international private investment capital.

This is a demonstration of the resilience of the Somali nation, and although the current Federal Government of Somalia (FGS) should be congratulated, prior FGS who have contributed to this achievement should also be commended. This process goes back to President Abdiqasim Salad Hassan and Prime Minister Ali Khalif Galayr Administration and the current Administration has done tremendous work in bringing the process to the Decision Point. Future FGS Administration will take to the Completion Point—the home stretch.

This article gives a summary of Somalia's journey to the Decision Point and Completion Point. It also examines the benefits of this HIPC Initiative on prior countries who have reached the Completion Point and what it portends for Somalia. The empirical evidence from prior countries of this Initiative suggests that it has both short-run and long-run benefits. The evidence shows that after reaching the Completion Point, prior countries experienced:

- Increased capital investment in the short and the long run.
- School enrollment has increased both the short and long run and this is a key for Somalia as an educated population will lead to increased human capital.
- GDP per capita growth increased in the period between the decision point and the completion point, and higher increases were observed after the completion point.
- Debt relief is superior to other forms of aids and can usher in new development and investment for Somalia.

[2] The Paris Club includes western European and Scandinavian nations, the USA, the UK, and Japan.
[3] https://www.nytimes.com/reuters/2020/03/31/world/europe/31reuters-somalia-debt-paris-club.html

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All these benefits will allow Somalia to continue its journey to stability and growth after 30 years outside the international financial system and the immediate normalization of its ties with the international community will reopen access to vital additional financial capital to improve the economy, contribute to improving social conditions, lift millions of people out of poverty and build sustainable development for Somali people.

More importantly, current FGS and subsequent FGS must show good governance with transparency, accountability, and free of the deeply rooted corruption that has plagued Somalia in all previous administrations.

II. Somali's Journey to Decision Point and Completion Point under HIPC Initiative

a. Reaching the HIPC Decision Point

As was announced in a press release on March 25, 2020, the IMF and WB's International Development Association (IDA) have determined that Somalia has taken the necessary steps to begin receiving debt relief under the HIPC Initiative. Somalia is the 37th country to reach this milestone, known as the HIPC Decision Point. The following table lays out the requirement to reach the HIPC Decision Point under the HIPC Initiative[4]:

[4] ENHANCED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE-DECISION POINT DOCUMENT - IMF Country Report No. 20/86

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Box 1. Requirements to Reach the Decision Point under the HIPC Initiative.

Three countries remain potentially eligible for debt relief under the HIPC Initiative: Eritrea, Somalia and Sudan. The HIPC Initiative is a rules-based framework that has been effectively closed to new entrants since 2011. The three "ringfenced" countries are those that (i) are IDA–only and IMF PRGT-eligible; (ii) met the indebtedness criteria at end-2004 and end-2010; and (iii) might wish to avail themselves of debt relief under the HIPC Initiative.[1/]

The key steps needed for these countries to reach the Decision Point are:

- Establishing a satisfactory track record of strong policy performance under IMF- and World Bank-supported programs. Qualifying IMF programs include a staff-monitored program (SMP) with Upper Credit Tranche (UCT) conditionality.
- Clearing arrears to the IMF, the World Bank, and the African Development Bank, and clearing or preparing a plan to clear arrears to the remaining external creditors.
- Preparing a satisfactory (full or interim) Poverty Reduction Strategy (PRS), or similar document, reflecting a broad-based consultation, including with civil society
- Agreeing a set of floating Completion Point triggers with IDA and the IMF.
- Having debt indicators that, after traditional debt relief, are above the HIPC Initiative thresholds. This assessment should be made using the most recent data for the fiscal year immediately prior to the expected Decision Point.

1/ See "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Statistical Update, 2019".

Figure 1: Source IMF Country Report No. 20/86

Before going into details of Somalia's journey in reaching the Decision Point, a brief overview of Somalia's debt. Somalia's debt is owed to multilateral (WB, IMF, AfDB Group, AMF, and others) creditors and bilateral (the Paris Club and others) creditors. The multilateral creditors account for 29 percent of the total debt stock in nominal terms, with liabilities to IDA, IMF, and the AfDB constituting 18.5 percent of total external debt. The majority (58 percent) of Somalia's debt is owed to the Paris Club creditors, with the United States, Russia, and Italy as the major creditors. As the IMF Country Report No. 20/86 reports, "[a]s the of end-2018, **about 95.8 percent of Somalia's external debt was in arrears**[5] which is not surprising given that the country has been accumulating arrears since 1991. The following chart shows the composition of external debt as the end of 2018, with the largest percentage (58%) owed to Paris Club, followed by Non-Paris Club (13%), WB (10%), and IMF (6%).

[5]Somalia has not contracted external debt since late 1980s and most of the debt are arrears and late interest.

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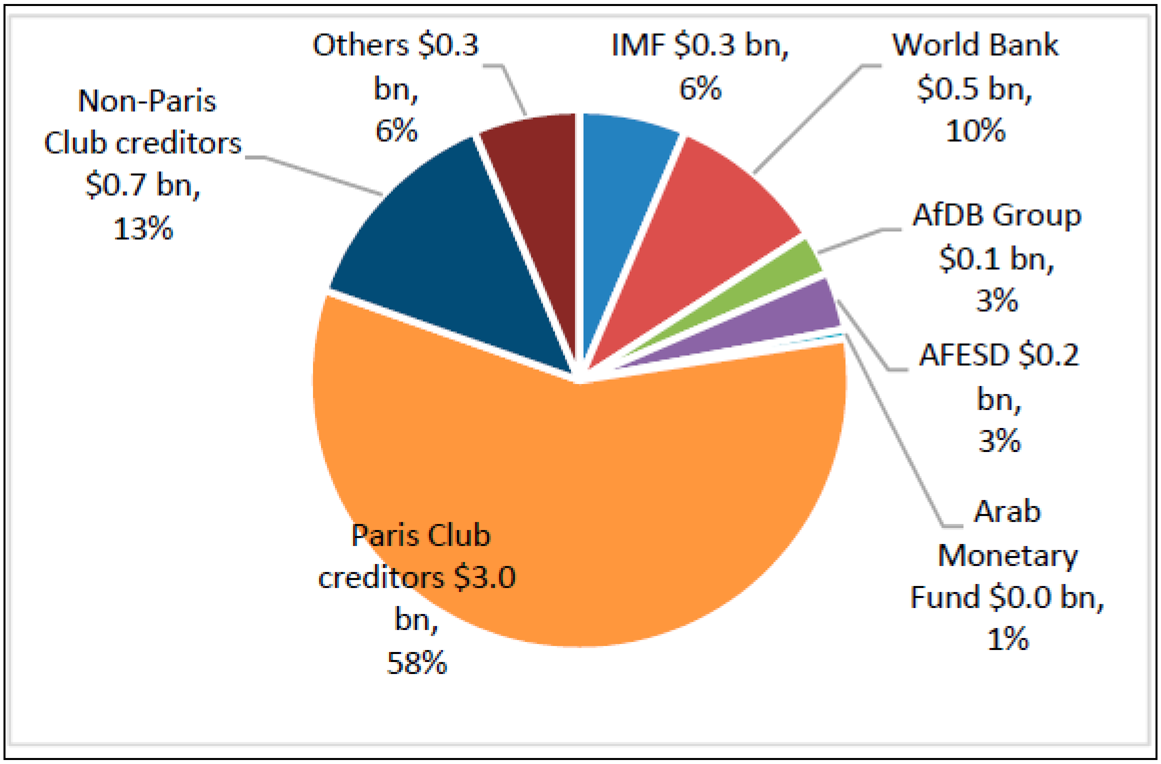

Figure 2: External Debt Stock as of 2018; Source: Somali authorities, IMF Country Report No. 20/86 and WB

Somalia was grandfathered into the HIPC Initiative in 2006 and in order to pave the way for reaching the HIPC Decision Point, Somalia and international organizations have been working on a set of economic policy reforms as laid out in Figure 3 below. Prominent of these reforms are Central Bank Act in 2012, IMF and WB reengagement, Financial Government Committee (FGC), AMF/CFT Act, and four Staff Monitored Programs (SMP) with the IMF. Although these reforms are laudable, Somalia remains a country mired in corruption, "weak security, political tensions, particularly between FGS and FMS and surrounding the upcoming national elections, and vulnerability to climate shocks" (IMF Country Report No. 20/86).

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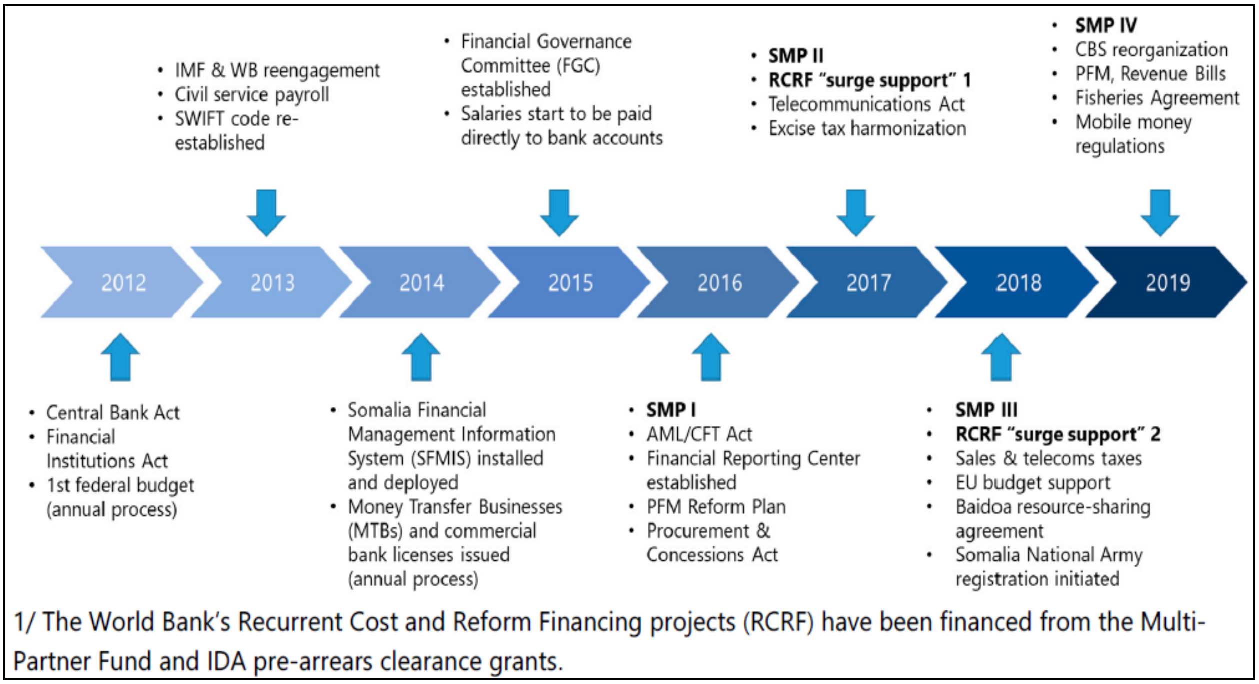

Figure 3: Source IMF Country Report No. 20/86

A source of confusion for many has been the new bridge loans which Somalia used to clear the arrears for WB, IMF, and African Development Bank (AfDB). Many Somalis misconstrued this as if Somalia is taking onerous loans to pay off prior loans. While technically speaking, Somalia is receiving new loans to clear arrears owed to WB, IMF, and AfDB; it's a requirement of the HIPC Initiative to clear off any arrears to multilateral organization before reaching the HIPC Decision Point (*see Figure 1 for requirements*). The clearance of arrears to WB's IDA, IMF and AfDB included the following[6]:

- Somalia's arrears to IDA of WB was cleared on March 5, 2020 by a $365.9 million bridge loan from the Norwegian government.[7] The clearance of these arrears will allow Somali to "access new IDA resources, work with the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to support the development of its private sector." [8]
- Arrears to the IMF were cleared on March 25 with the assistance of $330 million bridge financing from the government of Italy.

[6] ENHANCED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE-DECISION POINT DOCUMENT - IMF Country Report No. 20/86

[7] https://www.worldbank.org/en/news/press-release/2020/03/05/somalia-clears-arrears-to-world-bank-group

[8] https://www.worldbank.org/en/news/press-release/2020/03/05/somalia-clears-arrears-to-world-bank-group

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- Arrears to the African Development Bank (estimated to be $122.6 million) were cleared on March 5, 2020, through bridge financing provided by the government of the United Kingdom and a contribution from the EU.

Given the prevailing economic conditions in Somalia, which is unable to clear any arrears owed to the multilateral creditors, the above countries (Norway, Italy, and UK/EU) stepped in and worked with the International Financial Institutions (IFI) such as WB, IMF, and AfDB. Although each multilateral institution has specific guidelines in arrear clearance, the process Somalia is going through has been previously used with other countries under the HIPC Initiative. The details of the bridge loans are not available, but they could be concessionary terms and could fall into the bilateral debt relief under the HIPC Initiative. As Norway's Minister of International Development, Dag-Inge Ulstein, said "if Somalia receives debt treatment in the Paris Club under the HIPC initiative, this debt will be canceled." Finally, it is important to note that as part of the arrears clearance and HIPC process, unilateral creditors give assurances to the IFI of their intentions of debt relief before the Decision Points and, as reported by the IMF, many of the unilateral creditors have given assurances and the Paris Club followed through on March 31, 2020, by canceling $1.4 billion of Somalia's debt. Minister of Finance of Somali, Dr. Abdirahman D. Beileh, had a press conference on this on April 1, 2020.[9]

After the Completion Point, there will be a new chapter for Somalia which will allow the country access to additional grants and concessional loans to rebuild critical hard infrastructure such as roads, airports, and ports that effectively connects Somalia to the rest of the world, and immediately jump-start economic recovery to make a dent on the high levels of poverty. Recent research supports that economic return on investment projects in developing countries is the highest for roads (more than 200 percent), followed by electricity generation (40 percent) and telecommunications (30 percent to 40 percent). In addition to hard infrastructure, Somalia needs the rebuilding of soft infrastructure such as the financial system, credible judiciary system, and the provision of social services such as education and health care.

More pressing is the fact that "the majority of the Somalia's population (~67%) was born well after the 1980s civil war, receiving scant benefit from what Somalia's $5.3 billion external debt was used on, such as development projects whose impact has not been sustained, due to destructive armed conflict. It is unreasonable to saddle the current generation with these debts

[9] https://www.youtube.com/watch?time_continue=729&v=bPqYoOtAKyA&feature=emb_logo

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and even more problematic when these debts also restrict access to critically needed grants and concessional resources."[10]

b. Reaching the HIPC Completion Point

Once it reaches the HIPC Completion Point, in about three years (2023), Somalia's debt will be substantially reduced from $5.2 billion at the end-2018 to $557 million in net present value terms (NPV). Before it reaches the HIPC Completion Point, Somalia committed to set of goals such as (*see the Appendices for details on the Triggers for the Floating Completion Point*):

- maintaining macroeconomic stability;
- implementing a poverty reduction strategy; and
- putting in place a set of reforms focused on:
  - fiscal stability,
  - improving governance and debt management,
  - strengthening social conditions and
  - supporting inclusive growth.

Somalia has three years to achieve the above milestones. As has been previously done by 36 other countries, the reforms are achievable with the help of IMF, WB, and other unilateral supporters. For example, the IMF and WB are also committing to provide the technical assistance and policy guidance to achieve the above goals.

Somalia's Ninth National Development Plan (NDP9), which covers 2020–24, contains comprehensive reforms relating to poverty reduction and inclusive growth. However, FGS itself must commit the country to reach these goals and don't fall back into the previous traps. Considerable time and resources have been spent to reach the Decision Point as well as the Completion Point. Given Somali's lack of reliable data, it would be difficult to measure poverty reduction and will be a critical reform given that 70 percent of Somalis live on less than $2 a day.

III. Empirical Evidence of the HIPC Initiative

This section examines the benefits of the HIPC Initiative for prior countries who have reached the Completion Point and how it might impact Somalia. Figure four below shows countries that went through the HIPC Initiative, which reached the Decision and Completion point. The time

[10] Somali NGO Consortium, "Debt Cancellation for Somalia: The Road to Peace, Poverty Alleviation and Development," October 2018

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between the two milestones varies from as short as one year and as long as 14 years, whereas the average amount of time each country is between Decision Point and Completion Point is four years. Somalia will reach the Completion Point within three years (2023).

HIPCs	Decision point	Completion point
Afghanistan	July 1, 2007	January 1, 2010
Benin	July 1, 2000	March 1, 2003
Bolivia	February 1, 2000	June 1, 2001
Burkina Faso	July 1, 2000	April 1, 2002
Burundi	August 1, 2005	January 1, 2009
Cameroon	October 1, 2000	April 1, 2006
Central African Republic	September 1, 2007	June 1, 2009
Chad	May 1, 2001	April 1, 2015
Comoros	July 1, 2010	December 1, 2012
Democratic Republic of Congo	July 1, 2003	July 1, 2010
Republic of Congo	March 1, 2006	January 1, 2010
Côte d'Ivoire	March 1, 2009	June 1, 2012
Ethiopia	November 1, 2001	April 1, 2004
The Gambia	December 1, 2000	December 1, 2007
Ghana	February 1, 2002	July 1, 2004
Guinea-Bissau	December 1, 2000	December 1, 2010
Guyana	November 1, 2000	December 1, 2003
Haiti	November 1, 2006	June 1, 2009
Honduras	June 1, 2000	April 1, 2005
Liberia	March 1, 2008	June 1, 2010
Madagascar	December 1, 2000	October 1, 2004
Malawi	December 1, 2000	August 1, 2003
Mali	September 1, 2000	March 1, 2003
Mauritania	February 1, 2000	June 1, 2002
Mozambique	April 1, 2000	September 1, 2001
Nicaragua	December 1, 2000	January 1, 2004
Niger	December 1, 2000	April 1, 2004
Rwanda	December 1, 2000	April 1, 2005
São Tomé and Príncipe	December 1, 2000	March 1, 2007
Senegal	June 1, 2000	April 1, 2004
Sierra Leone	March 1, 2002	December 1, 2006
Tanzania	April 1, 2000	November 1, 2001
Togo	November 1, 2008	December 1, 2010
Uganda	February 1, 2000	May 1, 2000
Zambia	December 1, 2000	April 1, 2005

Figure 4: Countries under HIPC that reached Completion Point; Source: Gamel and Van

Most countries benefit after reaching the HIPC Completion Point, where they put the debt savings into health, education, and other development goals; however, Somalia isn't currently servicing its debt and any new expenditures will be a net plus for the country.

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The empirical evidence from prior counties of the HIPC Initiative suggests that it has both short-run (the period after the Decision Point) benefits and long-run (the period after the Completion Point) benefits. A paper by Kelsey Gamel and Pham Hoang Van in the Journal of Asian Business and Economic Studies shows the benefits of the HIPC Initiative after Completion Point. Gamel and Van used the 36 countries in Figure four which reached the Decision Point in staggered 10 year as a set of panel of treated countries that allowed them to identify the effects of debt reduction controlling for country and year fixed effects[11]. They ran time-shifted difference-in-differences estimation strategy to account for different Decision and Completion Points as well as different duration between HIPC Decision and Completion Points.

The regression result of their estimation shows a multitude of short- and long-run benefits under the HIPC Initiative to be robust and stable. The authors estimated "the effects debt relief on measures of physical capital investment, human capital investment, employment, and standard of living" (Gamel and Van, p.150).

The following figure shows increased capital investment before and after Decision Point, which shows a spiked increase in capital investment for HIPCs after receiving debt relief.

[11] Kelsey Gamel and Pham Hoang Van, The Journal of Asian Business and Economic Studies

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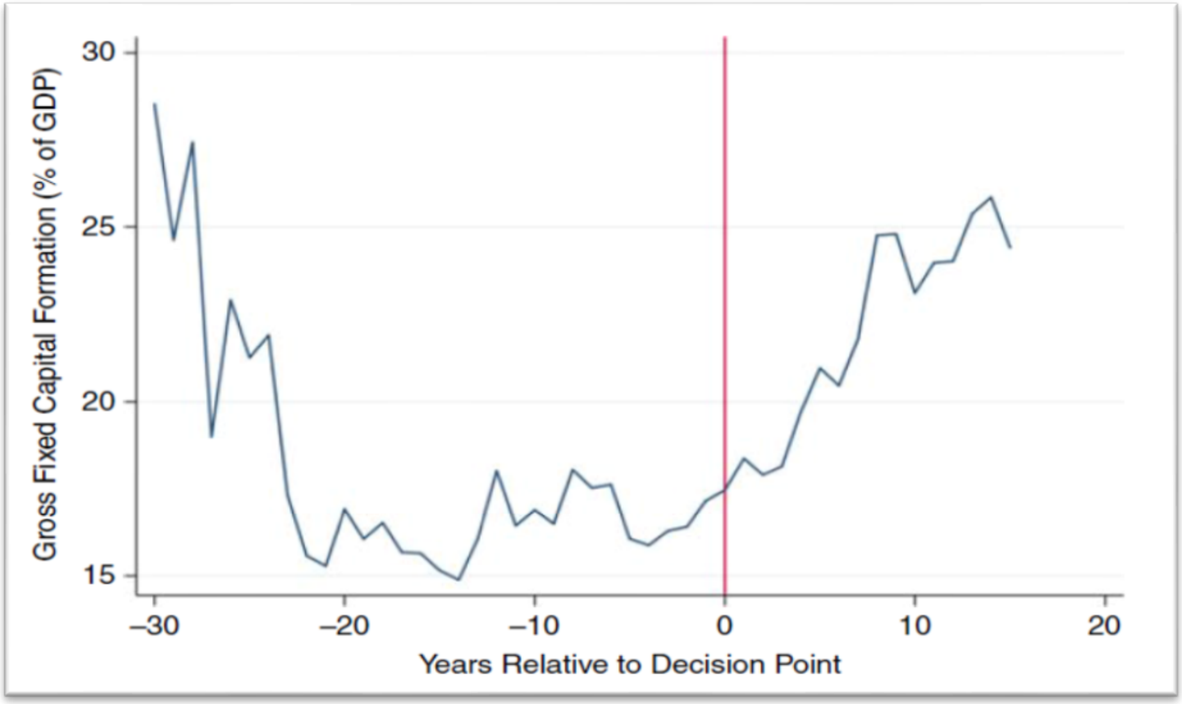

Figure 5: Investment rates for HIPC countries before and after the debt relief decision point; Source: Gamel and Van

Robust and stable increase in capital investment of 1.63 percent in the short-run (after the Decision Point) and 5.79 percent in the long run (after the Completion Point) were observed in the authors' econometric results for all the 36 countries who underwent the HIPC Initiative. While comparable capital investment figures aren't available, the IMF's recent report notes "[a]nnual real GDP growth is projected to increase gradually from 2.9 percent in 2019 to a peak of 5.4 percent in 2027 as benefits from physical and human capital investments in the interim-HIPC period gradually materialize. Subsequently, long-term growth is expected to settle around 4.8 percent" (IMF Country Report No. 20/86, p. 30).

Also, as shown in Figure 6, human capital, as measured by school enrollment, has increased both the short run (after the Decision Point) and the long term (after the Completion Point).

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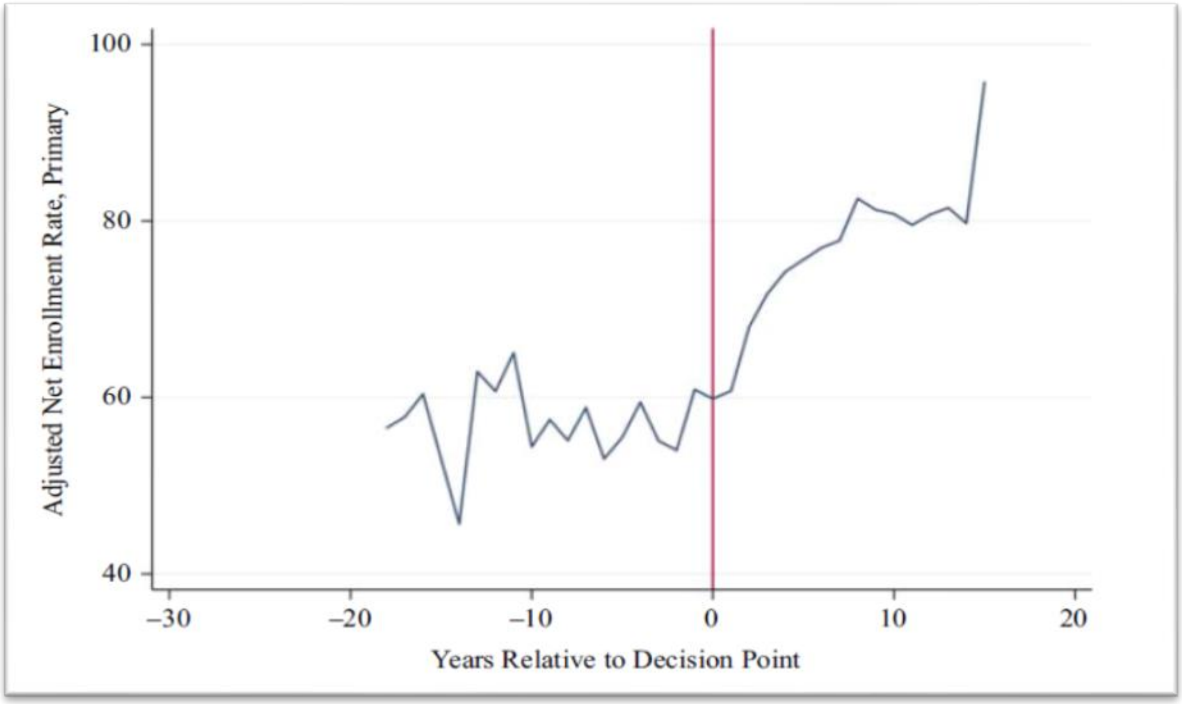

Figure 6: Enrollment rate of primary school-aged children in HIPC countries before and after the debt relief decision point; Source: Gamel and Van

Similar to the capital investment estimation, the authors found robust results of debt relief on human capital, measured in enrollment rates. Controlling for other variables, the authors found that "10 percent increase in the enrollment rate in the short run, but an even larger increase of 18.23 percent in the long run" (Gamel and Van, p.152). The impact was higher for enrollment rates for primary school-aged children. This is a key for Somalia as an educated population will lead to increased human capital for the country and reduction in poverty.

To estimate the effect of debt relief on the population of the countries under the HIPC Initiative, the authors examined the standard of living measurement, such as GDP per capita and household consumption. "GDP per capita growth increased by 1.38 percent in the period between the decision point and the completion point. It increased by 2.22 percent after the completion point" (Gamel and Van, p.156). In comparison terms, before the Decision Point, Somalia's GDP per capita was estimated to be 2.8 percent and 2.9 percent in 2018 and 2019, respectively.[12] After the Completion Point (2023 and after), Somalia's GDP per capita is projected to be 3.9 percent,

[12] ENHANCED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE-DECISION POINT DOCUMENT - IMF Country Report No. 20/86, Table 2, p. 16.

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4.2 percent, and 4.6 percent in 2023, 2024, and 2025, respectively. The numbers for Somalia are in line with the empirical evidence from prior studies of the HIPC Initiative, and it portends well for Somalia future after the Completion Point.

Although the benefits of the HIPC Initiative were muted for overall labor participation, the labor participation for the male population was positive, but not for the female population, which should be an area of concern for Somalia, given the urgency needed to have more employment for the female population. Foreign direct investment has not changed debt forgiveness, which suggests foreign investors might not be lured to Somalia as a result of debt relief under the HIPC Initiative; however, being a member of MIGA will make Somalia attractive for foreign investors, nonetheless.

Furthermore, "debt relief initially reduces government investment, but the effect becomes positive after two years, well outperforming other modes of aid delivery" (Cassimon and Van Campenhout, p.1) which illustrates debt relief is much superior to other forms of aids and can usher in new development and investment for Somalia. Similar conclusions were reached by other authors. For example, reducing the debt of HIPC would be good for the country's GDP, but debt can also be good for GDP to some degree, for example, the productive use of foreign debt by East Asia to minimize poverty and improve economic development (Siddique, Abu, et al., p. 15). Kalu, Ebere Ume, et al also found benefits under the HIPC Initiative.

IV. Prognosis for Somalia to Reach the Completion Point and Beyond

All the benefits illustrated above will depend on how the FGS must unite the Somali nation, commit to equitable power-sharing, and show Somalis the light at the end of the tunnel. The HIPC Initiative links debt relief to various initiatives that the FGS must undertake, such as poverty reduction strategy, and commit to multiple macroeconomic reforms (*see the appendices for the Triggers for the Floating Completion Point*). Current FGS and subsequent FGS must show good governance with transparency, accountability, and free of the deeply rooted corruption that has plagued Somalia in all previous administrations. For Somalia to reach the Completion Point within the allotted three years and not teeter to extended Completion Point in several years, it must make credible reforms.

a. Financial Governance

To have credible reforms, many of the FGS institutions need to be independent. For example, both the Auditor General and Attorney General need to show credible independence and free

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from manipulations. Similarly, the Procurement Office needs to be independent and show transparency in its work.

The Central Bank of Somalia (CBS) should be the preeminent institution of financial governance that sets the standard for the other government institutions. Unfortunately, FGS uses the CBS as a cashier and runs it as a back-office under the Prime Minister's office. There must be credible and independent CBS, which sets the standard for financial governance. The CBS has undertaken commendable reforms such as issuing Mobile Money Regulation, adopted the updated Strategic Plan and transition toward updated organizational structure (as approved by the CBS Board November 2018).

The recently established Bureau of Statistics, as mandated by National Statistics Law, needs to be independent and not in the office of the Ministry of Planning. The HIPC Initiative includes urgent needs to increase the capacity of data collection, develop critical data and statistics; therefore, the Bureau should be the leading organization for collecting and disseminating data needed for evidence-based decision-making reforms.

A new independent federal agency, "Somali Revenue Authority," must be created that has branches in all the regional federal member states modeled after the Rwanda Revenue Authority. This will stop the pervasive corruption of the Ministry of Finance and the Office of the Prime Minister that exempts taxation for many businesses connected to these officials as political favors (M.P.s who are owners of businesses or partners in big businesses). This insidious practice is very unfair to the many honest businesses that pay taxes. The formation of this agency will make revenue collection to be outside of the constraints of the executive branch, not susceptible to political manipulations and put an end to this significant revenue leakage.

The Telecommunication Law that was passed by the Somali Parliament has not been implemented and speaks to the lack of genuine commitment and reforms by the FGS. The FGS should implement this law and begin enforcing the telecommunication companies to pay their fair share of taxes. This can be implemented by installing a computer system at the Ministry of Telecom (as is done in all the countries in the world) that will be connected to the servers of the major Somali Telecom companies in the country. The government will be able to calculate all the taxes accurately due to it since it knows exactly all the active mobile phones in the country as well as the airtime usage. Implementing this Act will generate substantial revenue for the federal government that will allow self-sufficiency in funding the government's operations.

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The Mogadishu Port is a vast source of revenue for the federal government; however, they don't all reach FGS's coffers. The previous arrangement of Mogadishu Administration receiving 15%, which amounts to $3 to $4 million per month now, should be reexamined. The Mogadishu Government is currently receiving substantial tax revenues from business and property owners; therefore, the Port revenue is a source of revenue that doesn't get proper accounting and lacks transparency. More importantly, currently, the Port tax is levied based on volume and weight; however, it should be changed to a value-based tax system. Taking this step will also generate significant revenue for the federal government.

b. Anti-Corruption Governance

For reforms to be credible and fight corruption, the Anti-Corruption Commission Office, established by the Anti-Corruption Law, should be an independent office that directly reports to the Somali Parliament, approves and publishes the National Anti-Corruption Strategy (NACS). As laid out in the Triggers of HIPC Completion Point, Somalia must "enact the Extractive Industry Income Tax Law and ratify the United Nations Convention Against Corruption (UNCAC)."

Independent judiciary and court system to fight rampant corruption in Somalia should be the bedrock institutions to improve governance and fight corruption. Independent judiciary and the court system will allow Somalia to realize the benefits that come with the debt relief under the HIPC Initiative; however, Somalia has to improve the capacity of these institutions and establish a credible reforms that fight corruption in all of its forms.

In addition to fighting corruption and good financial governance, there must be independent media and free press. The current and prior administrations have shown no tolerance of independent media and free press, and this doesn't bode well for anti-corruption reforms. Independent civil society that holds fire to the feet of the FGS is critical and needed so that the Somali citizens can buy into the reforms as transparent and accountable.

c. Transparency and Fiscal Reforms

Domestic revenue collection increased from $183 million in 2018 to $280 million in 2019; however, this is small compared to the potential revenue, mostly non-tax revenue, and they include $191 indicative target (I.T.) and commencement of regular payment by the International Air Transport Association of over-flight fees and telecommunication license fees. As the IMF pointed out, the FGS must increase revenue collection "by implementing the recently enacted

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Revenue Act and the Customs Reform Roadmap."   Furthermore, the FGS must increase the capacity of debt management units, so it knows where revenue is coming and isn't coming, thus levy penalties and fines on delinquent businesses.

The FGS should be commended for enacting reforms that allowed Somalia to reach the HIPC Decision Point; however, transparency is required for prior grants such as the $140 million from the WB as a result of the successful conclusion of SMP III. The FGS has to level with the Somali people and account for the allotment of this grant to specific social services and not only salaries. The disbursement of this grant should be accounted for in budget items and not treated as discretionary funds. During the Decision Point, the IMF Board approved $395.5 million Enhanced Credit Facility (ECF) and Extended Fund Facilities (EFF) arrangement for Somalia, which is a three-year financing intended for the implementation of Somalia's NDP9 and reforms between Decision Point and Completion Point.[13] The focus of the reforms, among others, include strengthening of the public finance, deepening the CBS capacity, improvement of the business environment and governance, and enhanced statistics. In order for Somalia to take advantage of the ECF and EFF arrangements, it must show a track record of transparency commensurate with the level urgency needed to reach the Completion Point of the HIPC Initiative.

d. Social Sector

The governance reform is also a hurdle due to the recent drift between FGS and some of the Federal Member States (FMS) such as Puntland and Jubaland. This impasse must end for the good of Somalia, and the current Administration must show a leadership beyond and above what is required in normal times.

The FGS must start provisioning reliable social services and as the Triggers for the Floating Completion Point require:

- FGS must establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs.
- FGS and FMS Ministers of Health adopt a joint national health sector strategy.
- FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations.

[13] Financing under the ECF carries a zero-interest rate at least through June 2021, with a grace period of 5½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for concessional facilities under the Poverty Reduction and Growth Trust (PRGT) every two years based on the PRGT interest rate mechanism, with the next review expected to be completed no later than end-June 2021.

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The FGS has to be visionaries that aspire the Somalia population to a higher calling of good governance, development, and execute the vision laid out in the Somali Constitution and, in tandem, take this golden opportunity of the HIPC Initiative and institute credible reforms.

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Appendices

Appendix
A.

Poverty reduction strategy implementation

- Satisfactory implementation for at least one year of Somalia's full poverty reduction strategy, as evidenced by an Annual Progress Report on the implementation of the poverty reduction strategy submitted by the government to IDA and the IMF.

Macroeconomic stability

- Maintain macroeconomic stability as evidenced by satisfactory implementation of the 3-year ECF-supported program.

Public financial and expenditure management

- Publish at least two years of the audited financial accounts of the Federal Government of Somalia.
- Issue regulations to implement the Public Financial Management Act's provisions on debt, public investment, and natural resource revenue management.

Domestic revenue mobilization

- Adopt and apply a single import duty tariff schedule at all ports in the Federal Republic of Somalia (to also foster greater trade integration).

Governance, anti-corruption, and natural resource management

- Enact the Extractive Industry Income Tax Law.
- Ratify the United Nations Convention Against Corruption (UNCAC)

Debt management

- Publish at least four consecutive quarterly reports outlining the outstanding stock of general government debt; monthly debt-service projections for 12-months ahead; annual principal payment projections (for at least the next five years); and key portfolio risk indicators (including proportion of debt falling due in the next 12-months; proportion of variable rate debt; and projected debt service-to-revenues and debt service-to-exports for the next five years).

Social sectors

- Establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs.
- FGS and FMS Ministers of Health adopt a joint national health sector strategy.
- FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations.

Growth/structural

- Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector.
- Issue Company Act implementing regulations on minority shareholder protection (to encourage private sector investment).

Statistics

- Publish at least two editions of the "Somalia Annual Fact Book"

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Figure 7: Triggers for the Floating Completion Point; Source: IMF Country Report No. 20/86

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