

**The Acting Chair's Summing Up  
Somalia—2015 Article IV Consultation  
Executive Board Meeting 15/77  
July 27, 2015**

Executive Directors welcomed Somalia's reengagement with the Fund, setting the stage for its first Article IV consultation since 1989. Directors agreed with the thrust of the staff appraisal. They noted that, following the protracted civil war, the country is facing daunting challenges. The first priority is to continue building institutions and administrative capacity, while undertaking key structural reforms to spur inclusive growth and reduce poverty. Directors underscored the importance of continued assistance from the international community to support the authorities' efforts. They welcomed the launch of the Trust Fund for Capacity Development, and highlighted the important role of Fund policy advice and technical assistance.

Directors stressed the need for decisive steps to build fiscal discipline, underpinned by realistic budgeting and effective implementation systems. They welcomed cabinet approval of a revised budget for 2015 that will avoid new arrears by raising revenues and rationalizing wages and services and other recurrent spending. Going forward, Directors stressed the importance of budgeting within a medium-term fiscal framework, based on sound fiscal principles and transparent reporting, and a public expenditure review to promote the allocation of resources towards investment in human capital and infrastructure.

Directors encouraged the adoption of sound mechanisms to ensure effective and transparent management of prospective natural resource wealth. They recommended building institutions consistent with international best practices to ensure that natural resource exploitation maximizes benefits for Somalis. They also stressed the need for clarity regarding the delineation of authority between the federal government and sub-national entities.

Directors supported ongoing efforts to strengthen the Central Bank of Somalia's capacity and governance structure, with support from the Fund and development partners. They cautioned that currency reform should not be implemented until all prerequisites are in place, in order to safeguard policy credibility.

Directors stressed that elaboration of a financial sector roadmap will be a critical first step to build credibility in licensing and supervising money transfer firms, in order to help channel remittances through the international banking system. They also recommended bringing the AML/CFT framework in line with international standards. Other priorities

include preparing and approving additional prudential regulations, and strengthening compliance.

Directors encouraged the authorities to improve statistical capacity, in order to enhance the scope, quality and timeliness of economic data compilation, with technical assistance from the Fund and development partners.

Directors noted Somalia's longstanding arrears to the Fund and other creditors, and encouraged the authorities to continue to work towards a pathway for arrears clearance and eventual debt relief. They noted that, in due course, the establishment of a track record of cooperation with the Fund on policies and payments in the context of a well-designed staff-monitored program (SMP) would be a key step in the process of arrears clearance and normalization of relations with the international community as a whole. Directors stressed the need for sustained international support and cooperation, and welcomed the formation of the Technical Working Group on Somalia's Debt.

It is expected that the next Article IV consultation with Somalia will be held on the standard 12-month cycle.