

	propagated about the instrument limit ownership and accountability and are a source of reputational risk to the EU			that results achieved are disseminated to the public on a timely basis e.g. around the release of fixed and variable tranches.
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Lessons Learnt:

In terms of the first – and still ongoing - Somalia SRBC, it was broadly successful in supporting core state functions, underpin macroeconomic stabilisation measures and, with the onset of Covid-19 and other concurrent crisis, prevent a serious deterioration of the economic and social situation.

Through enabling the swift plugging of an emerging financing gap in Somalia's arrears clearance process, the operation was also instrumental in supporting Somalia access to the HIPC initiative. Somalia meeting **HIPC Decision Point in 2020 and re-establishing formal relations with IFIs**, opened the door to regular IDA funding (including additional resources from the Turn Around regime window for FCASs) to the tune of \$USD 735 million committed to new WB projects just in FY 2022. This is probably unprecedented globally when compared to countries' tax collection rates. IDA also funded \$100 million in budget support in 2020 (accounting for almost half of total DRM), and another \$100 million in 2022.

Being readmitted as a formal member of the IMF has also meant Somalia could in 2020 graduate from a Staff Monitored Programme to an Enhanced Credit Facility (ECF) supported programme, and was able to benefit from the 2021's global SDR creation exercise. This generated a windfall of US\$ 223 million, which essentially prevented salaries from going unpaid and fresh arrears from being accumulated until the finalisation of the much delayed federal elections, in turn paving the way to the resumption of budget support in 2022.

However, results were mixed in terms of using conditionality to support the **concrete realisation of the federal model of governance** (with an emphasis on fiscal elements such as customs and inter-governmental transfers), and to accelerate institutional reforms in the sectors of fisheries, education and security (with a focus on federal police).

In terms of **lessons learnt in the Education Sector**, a recent evaluation of the Somalia Education Sector Support Programme (November 2021) notes that project outcomes have generally been successful, especially in relation to creating expanded educational access and participation, but recommends a more coordinated and aligned approach including provision of system strengthening elements to augment the positive outcomes. The current projectized approach towards development of the education does not provide for sustainability in operations, nor does it provide a stable environment to allow for long-term development of a national education system. A more pronounced shift to system level support is required to phase in the much needed sustainability and accelerate progress in gross enrolment rate and other sector outcomes.

The political crisis in 2021 and the first half of 2022 translated into severe fiscal challenges, as international donors – specifically Turkey, the EU, and the World Bank – suspended budgetary support. However, immediately following the successful elections in 2022 the IMF completed the pending review under the IMF programme, and budget support payments resumed. This now means that for the foreseeable future the FGS will be able to implement a budget comparable to or even higher than pre-crisis levels.

Nevertheless, the crisis revealed the vulnerabilities of relying on external support, and also pointed to the need to reflect on fiscal sustainability issues like the composition of the budget (recurrent vs investments) and controlling the expansion of the wage bill. These issues will be addressed as part of the new operation.

The key contextual risk continues to be the **slow and uneven evolution towards political and institutional stability**, with contestation over power and resources posing a constant risk of increased levels of insecurity and violence (or even a potential revival of conflict).

Lack of sufficient progress on the inclusive politics agenda and finalisation of the constitution may lead to waning international support and negatively impact reforms leveraged by the instrument. Although the new Government has restated its commitment to sustain the reform effort to complete the HIPC initiative, there is a risk that ongoing reforms in critical areas of economic and financial governance are not consolidated and deepened as a consequence of political instability.