



**DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE
FEDERAL GOVERNMENT OF SOMALIA**

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Debt Management Unit
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Abbreviations

AfDB	African Development Bank
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DOD	Disbursed Outstanding Debt
GDP	Gross Domestic Product
IDA	International Development Association
IMF	International Monetary Fund
IFAD	International Fund for Agricultural Development
OFID	OPEC Fund for Agricultural Development
PPG	Public & Publicly Guaranteed Debt
SFD	Saudi Fund for Development
ECF	Extended Credit Facility
KFAED	Kuwait Fund for Arab Economic Development
IsDB	Islamic Development Bank
AFESD	Arab Fund for Economic and Social Development
AMF	Arab Monetary Fund
ADFD	Abu Dhabi Fund for Development
USD	United States Dollar
DP	Decision Point
CP	Completion Point
DMU	Debt Management Unit
USA	United States of America
UK	United Kingdom
HIPC	Heavily Indebted Poor Countries

1. Background:

Since 2016, the Federal Government of Somalia has been implementing an ambitious reform program supported by the IMF and WB in order to introduce and implement rigorous economic and financial reforms to foster economic recovery that stimulate economic growth to enable Somalia benefit from the debt relief contemplated under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDR) initiatives.

Indeed, under extensive process of engagement with IMF Staff Monitored Program Somalia reached the Highly Indebted Poor Countries (HIPC) Decision Point on March 25, 2020. Having successfully qualified to the Decision Point in record time Somalia has been accorded with immediate arrears clearance by the IMF, IDA and the African Development Bank. Also, Somalia has met the Paris Club requirements to obtain interim debt relief at the Decision Point and on 31/3/2020 the PC creditors agreed to cancel \$1.4 billion US Dollars effective immediately. The agreement was concluded under the Cologne terms designed to provide maximum interim debt relief as part of the HIPC initiative. The Paris Club agreement included debt deferral of all debt service due from November 1st, 2019 until March 31, 2024.

On the other hand, the authorities have also continued to engage with Non-Paris Club creditors and other Multilateral Institutions to find ways forward for obtaining the necessary debt relief on the remaining bilateral arrears with comparable treatment as that of the Paris Club agreement.

2. Somalia's stock and flow data, 2020

The existing debt portfolio for Somalia is made up of only external debt and it is divided into multilateral, bilateral and 1 loan from a private creditor in Serbia. Bilateral creditors are Somalia's biggest creditor type as shown in table 1 below. The debt data included in the table, already shows the debt relief provided by the Paris Club Creditors under the framework of the HIPC Initiative. The table also reflects the arrears clearance operations undertaken at the beginning of the year in order to reach the Decision Point of the HIPC Initiative with the International Monetary Fund, the World Bank, and the African Development Bank.

The total stock of debt at the end of Dec, 2020 stood at USD 4.5 billion, of which multilaterals represented less than 25 percent with USD 1.0 billion. The largest creditors are the IMF, AFESD and IDA in that order. Debt to bilateral creditors reached USD 3.4 billion with Paris Club creditors representing close to 80 percent of the bilateral debt. The main creditors are Russia¹, USA, Italy and France. Non-Paris club debt amounts to 0.7 billion and the main creditors are Arab creditors, mainly Abu Dhabi Fund, Iraq, and the Saudi and Kuwait Funds.

Somalia's debt portfolio is characterized by the sizeable amount of debt in arrears. There are remaining arrears mainly with non-Paris Club and other Multilaterals. Arrears represent 51 percent of the total outstanding debt of the country. The Government is currently designing an engagement strategy in order to approach the remaining creditors in order to clear arrears and secure the appropriate debt relief contemplated under the HIPC Initiative.

There is one claim considered commercial debt. The loan was originally contracted with a SOE in the former Yugoslavia. The Central Bank of Serbia has notified the Debt Management Unit that it is now in the hands of a commercial company.

¹ Negotiations with Russia are being conducted in order to agree on certain claims currently in dispute.

Table 1. Somalia, external debt by creditor at the end of Dec, 2020, (In millions USD).

Standard Debt Reporting as of December 31, 2020			
Total Outstanding Debt By Creditor			In USD Million
	Total Outstanding Debt	Of which arrears	As % of total
Total Debt Stock	4,490.35	2,277.03	51%
Total Multilateral	1,050.58	569.13	54%
<i>AfDB</i>	26.27	-	0%
<i>IMF</i>	313.19	-	0%
<i>IDA</i>	137.83	-	0%
<i>AFESD</i>	186.95	186.95	100%
<i>IFAD</i>	27.53	23.36	85%
<i>IsDB</i>	13.52	13.52	100%
<i>OFID</i>	35.82	35.82	100%
<i>AMF</i>	309.48	309.48	100%
Total Bilateral	3,437.37	1,705.50	50%
Paris Club Bilateral Creditors (BC-PC)	2717.25	988.21	36%
<i>Denmark</i>	2.97	-	0%
<i>France</i>	156.88	-	0%
<i>Italy</i>	629.32	-	0%
<i>Japan</i>	135.66	-	0%
<i>Netherlands</i>	2.38	-	0%
<i>Norway</i>	0.61	-	0%
<i>Spain</i>	40.45	-	0%
<i>UK</i>	28.88	-	0%
<i>USA</i>	731.58	-	0%
<i>Russia</i>	986.89	986.89	100%
<i>EU IDA</i>	1.66	1.32	80%
Non Paris Club bilateral creditors (BC-NPC)	720.12	717.29	100%
<i>Algeria</i>	1.56	1.56	100%
<i>Bulgaria</i>	10.71	10.71	100%
<i>Iraq</i>	192.06	192.06	100%
<i>KFAED</i>	120.71	120.71	100%
<i>Libya</i>	33.90	33.90	100%
<i>Romania</i>	2.53	2.53	100%
<i>SFD</i>	112.67	109.85	97%
<i>ADFD</i>	245.98	245.98	100%
Total Commercial	2.40	2.40	100%
<i>Serbia</i>	2.40	2.40	100%

Source: DMU, MoF

As the current ECF program foresees limited debt service has been paid during 2020, related to debt owed to the AfDB and IDA. No other debt service was paid during the year.

Table 2. Somalia, debt service payment in 2020, (In millions USD).

Total Debt Service Paid By Creditor		In USD million		
		Principal	Interest	Total
Total Multilateral				
AfDB		2.34	0.58	2.91
IDA		10.82	1.55	12.37
	Total	13.15	2.13	15.28

Source: DMU, MoF

3. Risks of the Debt Portfolio

a. Interest rate risk indicators

All of Somalia's current debt portfolio has been contracted with fixed interest rate. However, when taking into account the outstanding stock of arrears, there are loans that were contracted with variable interest rates. Debt with variable interest rate is limited to loans from the Arab Monetary Fund, Iraq and Libya and amounts to USD 0.4 billion. Out of the total debt stock, including arrears, only 10 percent has been contracted with variable interest rates.

b. Refinancing risk

The total amortization payments scheduled within one year is limited to four creditors: IDA, AfDB and the Saudi Fund and IDA administered EU loans. The total amount of principal payments in 2021 is USD 15.7 million, which represent 0.3 percent of the total outstanding debt (including arrears) or 0.6 percent of the outstanding debt (excluding arrears).

c. Foreign exchange rate risk

As mentioned in the previous section, all of Somalia's debt is in foreign currency.

d. Debt service ratios²

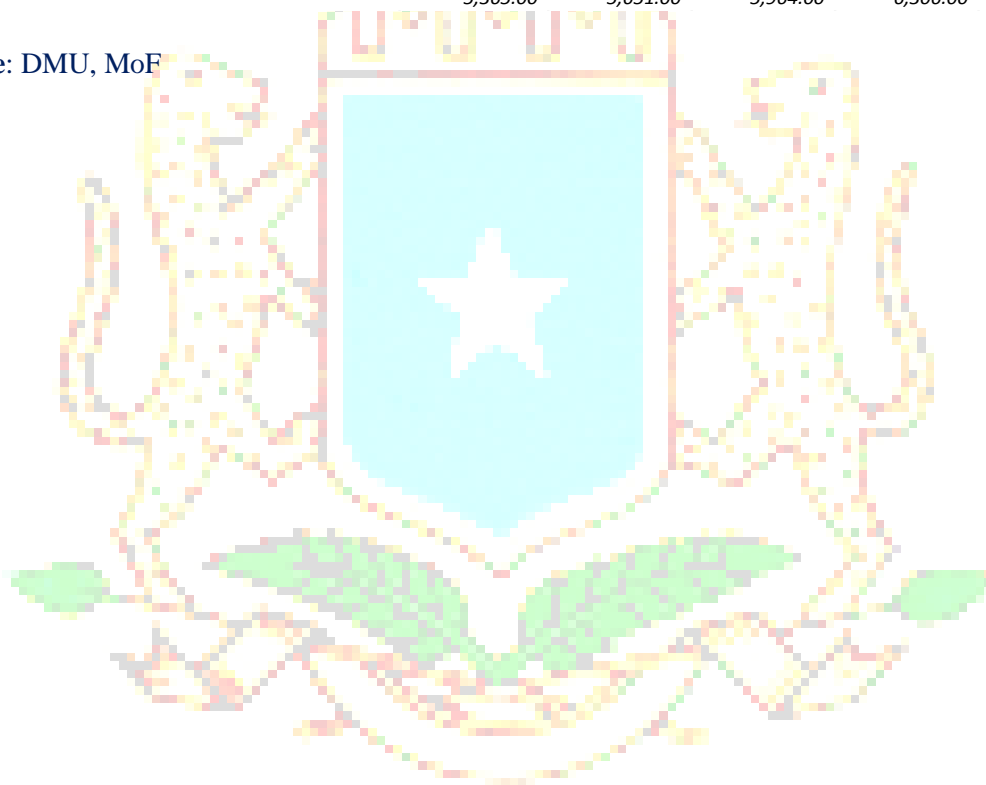
Projected debt service ratios in terms of revenues (including grants) and exports of goods and services show similar ranges. Table 3 below show the projected ratios.

² Current macroeconomic projection for revenues and grants are limited to a three-year period, no data is available for 2024 & 2025.

Table 3³. Somalia, Debt service ratios 2021-2025, (In millions USD)⁴.

	2021	2022	2023	2024	2025
Total Amortizations	15.71	15.42	15.02	23.36	23.10
Total Interest	5.25	5.20	4.55	5.71	4.94
Total debt service	20.96	20.61	19.57	29.07	28.04
Projected debt Stock	4,474.64	4,459.23	4,444.20	4,420.85	4,397.75
<i>Debt Service as percentage of Revenues</i>	3.9%	3.2%	2.6%	n/a	n/a
<i>Debt Service percentage of Export of Goods & Service</i>	1.8%	1.6%	1.5%	2.0%	1.8%
<i>Debt Stock as percentage of GDP</i>	83.4%	78.9%	74.5%	70.1%	65.8%
<i>Memo items:</i>					
<i>Revenues</i>	537.40	647.20	746.00	n/a	n/a
<i>Exports of goods & services</i>	1,171.64	1,254.17	1,343.91	1,439.26	1,540.78
<i>GDP</i>	5,365.00	5,651.00	5,964.00	6,306.00	6,687.00

Source: DMU, MoF



³ Projected debt stock excludes potential future debt relief

⁴ GDP, Revenue & Export data derived from IMF Somalia Country Report No. 20/310