



Quartley Public Debt Bulletin (Quarter II, 2021)

Debt Management Unit
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Abbreviations

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

1. Quarter II. Progress in Debt Management issues:

During the second quarter of 2021, the Government of Somalia continued negotiations with Russia in order to agree on a settlement of a short-term loan and the corresponding terms of repayment as well as the bilateral agreement within the framework of the Paris Club agreement.

Once the Ministry of Finance approved the negotiation strategy, DMU prepared individual tailored letters to non-Paris Club creditors to request Paris Club-comparable treatment. DMU has subsequently received replies from all bilateral creditors (Bulgaria, Kuwait Fund, Iraq, Libya, Romania, Saudi Fund, and Abu Dhabi Fund) confirming receipt of the debt relief request. Negotiations with these creditors are expected to take place during the upcoming Quarter. Furthermore, most of the Multilateral creditors (AMF, AFESD, IDA EU loans, and IsDB) have also responded to the Ministry's letters requesting debt relief under the HIPC framework.

Two debt relief proposals from the Arab Fund for Economic and Social Development (AFESD) and the Kuwait Fund have been received and DMU is engaging in further negotiations with them.

Virtual meetings were held with the following creditors:

- IFAD – On May 24, 2021, a meeting was held with IFAD. The objective of the meeting was to explore ways for securing bridge financing to clear outstanding arrears. Negotiations continue in order to find a solution to this critical issue.
- Abu Dhabi Fund – On June 13, 2021, a similar virtual meeting with held with Abu Dhabi Fund. During the meeting, DMU had an opportunity to lay out the debt relief framework in which to conduct the negotiations. Furthermore, specific debt relief proposals were sent for them to review and to revert back to DMU

Additionally, virtual meetings are expected to be arranged with the Saudi Fund and the Islamic Development Bank.

In the meantime, DMU continued to engage with DFI in order to upgrade its debt recording management system with the Commonwealth Meridian System. This is a cloud-based IT system which will allow for an in-depth analysis of the existing portfolio. The majority of the loans have now been migrated to the new system. We expect the work to be finalized and go live with the new system by October 2021.

With regards to the data presented in this bulletin, all the debt data refers to External Central Government debt and does not include any guarantees. Somalia does not, currently, issue any domestic securities and has no contracted domestic loans. No new external loan agreement has been signed during this period.

2. Somalia's stock and flow data, QII, 2021

Stock of debt at end of Quarter II, 2021

The existing debt portfolio for Somalia is made up of only external debt and it is divided into multilateral and bilateral creditors as well as and One (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 with the International Monetary Fund, the World Bank, and the African Development Bank under the HIPC Initiative's framework.

The total stock of debt at the end of June 2021 stood at USD 4.519 billion, of which multilaterals represented less than 25 percent with USD 1.10 billion. The largest creditors are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3.412 billion with Paris Club creditors representing close

to 75 percent of the bilateral debt. The main creditors are the USA, Russia¹, Italy and France, in that order. Non-Paris club debt amounts to 0.726 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 a sizeable amount of debt in arrears. There are remaining arrears mainly with non-Paris Club and other Multilaterals. Arrears represent 44 percent of the total outstanding debt of the country. The Government is currently implementing an engagement strategy in order to approach the remaining creditors 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. Table 1 below, provides a comparison between the stock of debt at the end of 2020 and at the end of June 2021 and reflects the impact of the arrears' clearance strategy Pursued by Government during 2020 until QII, 2021.

Table 1. Somalia, external debt by creditor. Comparison between 2020 and QII, 2021.

Creditor/Type of Financing	2020		June, 2021	
	Debt Stock	Of which: Arrears	Debt Stock	Of which: Arrears
Total Debt Stock	4,528,24	1,997,08	4,519,67	2,011,16
Total Multilateral	1,113,11	574,08	1,104,54	577,58
AfDB*	26,27	-	25,55	0,00
IMF 1/	370,76	-	367,20	0,00
IDA *	137,83	-	130,32	0,00
AFESD	186,95	186,95	190,04	190,04
IFAD	32,48	28,31	32,29	28,40
IsDB	13,52	13,52	13,39	13,39
OFID	35,82	35,82	35,90	35,90
AMF	309,48	309,48	309,85	309,85
Total Bilateral	3,415,13	1,423,00	3,412,69	1,431,15
Paris Club	2,693,42	704,11	2,685,73	706,91
Denmark	2,97	-	2,95	0
France	156,88	-	154,71	0
Italy 2/	629,32	-	627,67	0
Japan 3/	135,66	-	128,80	0
Netherlands	2,38	-	2,33	0
Norway	0,61	-	0,66	0
Spain 4/	40,46	-	40,55	0
UK	28,88	-	29,06	0
USA	991,81	-	991,81	0
Russia 5/	702,79	702,79	705,64	705,64
EU IDA 6/	1,66	1,32	1,57	1,27
Non-Paris Club	719,31	716,49	726,96	724,24
Algeria	1,56	1,56	1,56	1,56
Bulgaria	10,71	10,71	10,77	10,77
Iraq	191,25	191,25	193,65	193,65
KFAED	120,71	120,71	122,35	122,35
Libya	33,90	33,90	34,79	34,79
Romania	2,53	2,53	2,53	2,53
SFD	112,67	109,85	113,44	110,72
ADFD	245,98	245,98	247,87	247,87
Total Commercial	2,40	2,40	2,43	2,43
Serbia	2,40	2,40	2,43	2,43

Source: DMU, MoF

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

Explanatory notes:

1/ IMF new ECF/EFF arrangement

2/ No debt reduction at the HIPC Decision Point, Italy will cancel 100% of their debt stock at the HIPC Completion Point.

3/ No debt reduction at the HIPC Decision Point, Japan will cancel 100% of their debt stock at the HIPC Completion Point, only overdue charge will continue until the CP without sending any payment notifications.

4/ Post-cutoff loans 100% of the debt stock was rescheduled.

5/ Debt restructuring agreement is not yet signed.

6/ The EU-IDA facility, the World Bank have worked with the Paris Club Secretariat to draft and distribute a template letter which the concerned creditor countries are to use to instruct the IDA to implement the terms and conditions of the March Agreed Minutes for this facility. The World Bank have also been working internally with our WFA section to update them on the terms of the Agreed Minutes, and they are already preparing the necessary changes to the system repayment and billing. The WB received formal instructions from all bilateral creditors except Netherlands.

* The change in AfDB and IDA debt stock figure from 2020 to QII, 2021 is due to the debt service paid during the first and second quarter in 2021.

As part of Somalia's IMF-supported program, during QII of 2021, Government prioritized debt service payments to the AfDB and IDA (as shown in table 2 below) which were financed by HIPC grants. With regards to the Paris Club, all debt service due as a result of the Paris Club agreement has been deferred until 2023 and Somalia is committed to secure the same treatment from Non-Paris Club creditors. Separate negotiations are being carried out with the other multilateral creditors that will provide the necessary HIPC debt relief as determined in the Enhance HIPC Initiative Decision Point Document and would minimize the fiscal impact.

*Debt Flows during Q2, 2021.***Table 2.** Somalia, debt service payment in Q2, 2021, by creditor. (In millions USD).

Total Debt Service Paid By Creditor (April-June, 2021)	In USD million		
	Principal	Interest	Total
Total Debt Service (April-June, 2021)	4,63	0,37	5,00
IFIs & Multilateral	-	-	-
IMF	-	-	-
AfDB	-	-	-
IDA	4,63	0,37	5,00

Source: DMU, MoF

Table 3: Somalia, scheduled monthly debt service for the next 12-months ahead, by creditor.

Months	AfDB		IMF		IDA		IFAD		EU-IDA		SFD		
	Total Pri	Total Int/P	I	P	I	P	I	P	I	P	I	P	
Jul-21	2,29	0,19	1,16	0,09	-	-	1,00	0,08	0,12	0,01	-	-	-
ago-21	0,31	0,17	-	-	-	0,15	0,31	0,02	-	-	-	-	-
sep-21	0,61	0,04	-	-	-	-	0,61	0,04	-	-	-	-	-
oct-21	1,01	0,10	-	-	-	-	0,91	0,06	-	-	-	-	0,10
nov-21	2,31	0,54	-	-	-	0,30	2,30	0,24	-	-	0,02	0,00	-
dic-21	1,56	0,06	-	-	-	-	1,45	0,05	0,11	0,01	-	-	-
ene-22	2,29	0,18	1,16	0,09	-	-	1,00	0,08	0,12	0,01	-	-	-
feb-22	0,31	0,02	-	-	-	0,00	0,31	0,01	-	-	-	-	-
mar-22	0,61	0,04	-	-	-	-	0,61	0,04	-	-	-	-	-
abr-22	1,01	0,10	-	-	-	0,00	0,91	0,06	-	-	-	-	0,10
may-22	2,31	0,38	-	-	-	0,15	2,30	0,23	-	-	0,02	0,00	-
jun-22	1,42	0,06	-	-	-	-	1,30	0,05	0,11	0,01	-	-	-
	16,03	1,87	2,33	0,19	-	0,60	12,99	0,96	0,47	0,04	0,04	0,00	0,20

Source: DMU, MoF

3. Risks of the Debt Portfolio

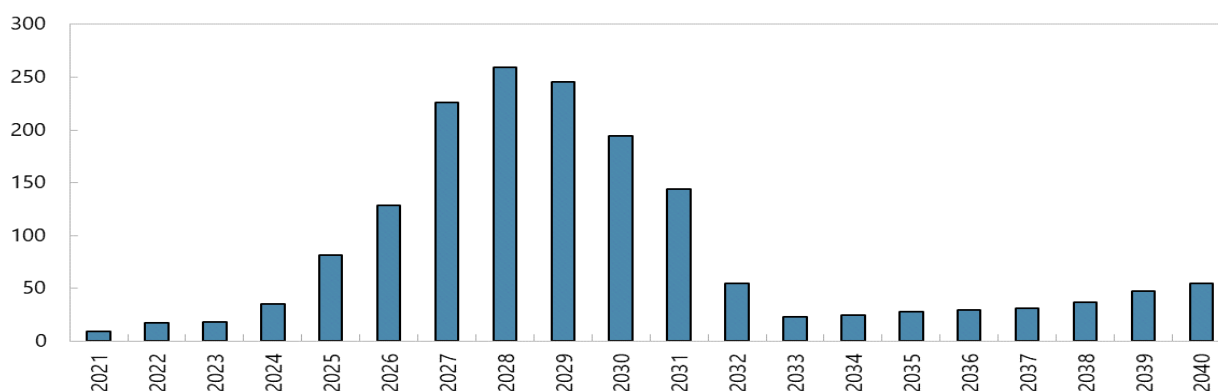
a. Interest rate risk indicators

All of Somalia's outstanding debt portfolio has been contracted with fixed interest rate. However, when taking into account the existing 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 (USD 309 million) Iraq (USD 96.907 million out of 193.65 as of June 2021) and Libya (USD 34.79 million) and amounts to USD 440.6 million. Out of the total debt stock, including arrears, only 9.7 percent has been contracted with variable interest rates.

b. Refinancing risk

The total amortization payments scheduled within one year is limited to five creditors: IMF, IDA, AfDB and the Saudi Fund and IDA administered EU loans. The total amount of principal payments in next twelve months is USD 16.3 million which represent 0.36 percent of the total outstanding debt (including arrears) or 0.64 percent of the outstanding debt (excluding arrears). The amortization profile of existing debt is presented in Fig. 1 below. The profile shows a concentration of payments between 2026 and 2031 due to the repayment of IMF and USA loans.

Fig. 1: Somalia repayment profile. 2021 - 2040

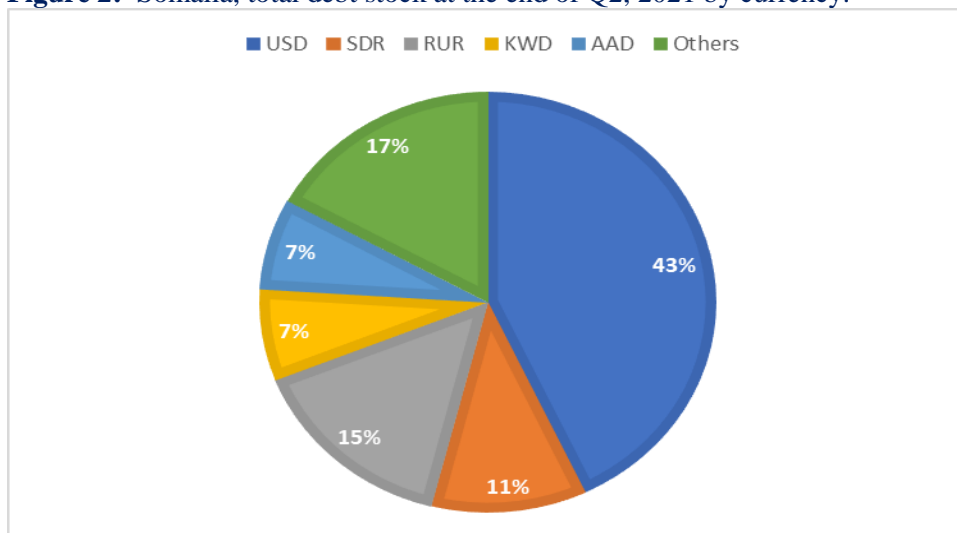


Source: DMU, Ministry of Finance

c. Foreign exchange rate risk

As mentioned in the previous section, all of Somalia’s debt is in foreign currency. The stock of debt, by currency, shows a 43 percent of debt is denominated in USD followed by the Russian Rubble at 15 percent, then the SDR at 11 percent which include a portion of loans from IDA, IMF, AfDB and IFAD. The Arab Accounting Dinar and the Kuwait Dinar show an equal distribution of 7 percent each. Lastly, Euros and Arab Emirates Dirham represent 5 percent each. The remaining is distributed in other currencies.

Figure 2: Somalia, total debt stock at the end of Q2, 2021 by currency.



Source: DMU, MoF

d. Summary of Somalia’s cost and risk indicators²

Table 4 below provides an overview of existing cost and risk indicators for Somalia’s debt portfolio as of end 2020. The indicators show a relatively long ATM (and ATR as all the current debt is in fixed interest rates) of aver 15 years with a small percentage falling due in the next year. Average interest rate of remaining debt is low, at 0.06 percent.

Table 4: Summary of cost and risk indicators

Risk Indicators		External debt
	Weighted Av. IR (percent)	0.06
Refinancing risk	ATM (years)	15.4
	Debt maturing in 1yr (percent of total)	0.36
	Debt maturing in 1yr (percent of GDP)	0.17
Interest rate risk	ATR (years)	15.4
	Debt refixing in 1yr (percent of total)	0.36
	Fixed rate debt excl. T-bills (percent of total)	100.0
FX risk	FX debt (percent of total debt)	100.0

² Excludes existing debt to Italy and Japan

- Currently, Somalia does not issue any Treasury Bills (T-bills).

Source: DMU, Ministry of Finance

e. Debt service ratios³

Projected debt service ratios in terms of revenues (including grants) and exports of goods and services show similar ranges. Table 5 below show the projected ratios.

Table 5⁴. Somalia, Debt service ratios 2021-2025, (In millions USD)⁵

<i>(All amounts in \$US, otherwise noted)</i>											
	Q3-Q4, 2021		2022		2023		2024		2025		
<i>IFIs & Multilateral</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	
<i>IMF</i>	-	0,45	-	0,60	-	0,60	4,68	0,60	39,23	0,52	
<i>AfDB</i>	1,16	0,09	2,33	0,18	2,33	0,16	2,33	0,14	2,26	0,13	
<i>IDA</i>	6,57	0,49	12,85	0,91	12,46	0,82	12,06	0,72	11,87	0,63	
<i>IFAD</i>	0,47	0,04	0,47	0,04	0,47	0,03	0,47	0,03	0,47	0,02	
<i>Paris Club Creditors</i>											
<i>DK</i>	-	-	-	-	-	0,02	0,05	0,05	0,05	0,05	
<i>FR</i>	-	-	-	-	-	1,02	0,67	5,12	0,76	5,11	
<i>NL</i>	-	-	-	-	-	-	0,01	0,01	0,01	0,01	
<i>NO</i>	-	-	-	-	-	-	0,01	0,00	0,01	0,00	
<i>ES</i>	-	-	-	-	-	-	8,18	0,21	8,18	0,16	
<i>UK</i>	-	-	-	-	-	0,17	0,57	0,75	0,57	0,73	
<i>EU-DA administered loans</i>	0,04	0,00	0,04	0,00	0,04	0,00	0,04	0,00	0,04	0,00	
<i>Non-Paris Club Creditors</i>											
<i>SFD</i>	0,20	0,08	0,20	0,08	0,20	0,08	0,20	0,08	0,20	0,08	
<i>Principal & Interest</i>	8,45	1,16	15,89	1,80	15,50	2,90	29,28	7,70	63,66	7,44	
<i>Total debt service</i>	9,60		17,69		18,39		36,98		71,10		
<i>Projected debt Stock</i>	4.511,22		4.495,33		4.479,84		4.450,56		4.386,90		
<i>Debt Service as percentage of Revenues</i>	2%		2,7%		2,5%		5,8%		9,8%		
<i>Debt Service % of Export of Goods & Service</i>	1%		1,4%		1,4%		2,6%		4,6%		
<i>Debt Stock as percentage of GDP</i>	84%		79,7%		75,4%		71,0%		66,1%		
<i>Memo items:</i>											
<i>Revenues and grants</i>	536,70		648,72		742,63		639,34		723,00		
<i>Exports of goods & services</i>	1.170,01		1.252,30		1.342,67		1.441,64		1.538,86		
<i>GDP</i>	5.367,00		5.641,00		5.941,00		6.268,00		6.633,00		

Source: DMU, MoF and IMF staff estimates⁶

³ Current macroeconomic projection for revenues and grants are limited to a three-year period, no data is available for 2024 & 2025.

⁴ Projected debt stock excludes potential future debt relief

⁵ GDP, Revenue & Export data derived from IMF Somalia Country Report No. 20/310. Revenues are inclusive of grants.

⁶ Aide Memoire, April 2021 IMF Staff Visit.

4. Upcoming Activities for QIII 2021

During the third quarter of 2021, DMU will continue engaging with Russia in order to finalize and sign the bilateral agreement and the short-term debt which remained outside the Paris Club. Furthermore, the approved strategy to engage with Non-Paris Club and other multilaterals will continue to be implemented to secure all the HIPC debt relief envisioned under the HIPC Initiative. To do that, DMU plans to organize virtual meetings with the various creditors to agree on the delivery method for the remaining HIPC debt relief. In September, DMU will prepare and submit the semi-annual status of negotiations report to brief the Paris Club Secretariat of progress in the negotiations with other non-Paris Club creditors. Two training events are being planned during the third quarter:

- 1- A workshop in Nairobi to train DMU staff in the use the Commonwealth Meridian Debt-recording System. Moreover, the validation of the migrated data will take place in latter part of the quarter.
- 2- An advance training on the use of the Meridian software.