



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

**Quartley Public Debt Bulletin
(Quarter IV, 2020)**

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 Agricultural 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. Background:

Since 2016, the Federal Government of Somalia has been implementing an ambitious reform program supported by the IMF and WB. The program supported Government's efforts to undertake rigorous economic and financial reforms to foster economic recovery and stimulate economic growth. It also enabled Somalia to benefit from the debt relief contemplated under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) initiatives.

Indeed, the IMF Staff Monitored Program allowed Somalia to qualify for the HIPC Decision Point¹ on March 25, 2020. Having successfully qualified for the Decision Point in record time, Somalia reached an agreement for clearing existing arrears with the IMF, IDA and the African Development Bank, with the assistance of international donors. Also, Somalia reached an agreement with Paris Club creditors, on the 31st of March 2020, to clear all outstanding arrears and obtain interim debt relief. The total amount of debt relief attained under the Paris Club reached US\$1.35 billion – US\$ 435.28 million of principal and US\$ 922.75 million of interest - effective immediately. The agreement was concluded under the Cologne terms² 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. During the IV Quarter 2020, the following agreements were signed with Paris Club creditors: Denmark, France, Japan, Netherlands, Norway, Spain, UK and USA. The agreement with Italy and Russia were still being negotiated. Negotiations with Russia are focusing on agreeing on the total amount of the claims due to an outstanding short term debt which was excluded from the Paris Club agreement. Somalia is committed to securing comparable treatment from its Non-Paris Club creditors and is in the process of implement a strategy to engage with these creditors.

Further debt relief from other multilaterals, contemplated under the HIPC Initiative's burden sharing principle, is expected to reach approximately US\$ 308 million.

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.

¹ [Somalia : Enhanced Heavily Indebted Poor Countries \(HIPC\) Initiative-Decision Point Document \(imf.org\)](#)

² Treatment under Cologne Terms included 90% debt relief in NPV terms and with repayment of non-ODA credits over 23 years, with 6 years of grace and repayment of ODA credits over 40 years with 16 years of grace. Somalia also benefited from 67% NPV cancellation in outstanding arrears

2. Somalia's stock and flow data, 2020

Stock of debt at end IV Quarter, 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 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 Dec, 2020 stood at USD 4.5 billion, of which multilaterals represented less than 25 percent with USD 1.10 billion. The largest creditors are the IMF, AM, 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 the USA, Russia³, Italy and France, in that order. 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 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 designing 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 2019 and 2020 and reflects the impact of the arrear's clearance strategy followed by Government during 2020.

³ Negotiations with Russia are being conducted in order to agree on certain claims currently in dispute.

Table 1. Somalia, external debt by creditor. Comparison between 2019 and 2020.

<i>Standard Debt Stock comparison</i> (in USD million)						
	2019			2020		
	<i>Total</i>	<i>Of which</i>	<i>Arrears</i>	<i>Total</i>	<i>Of which</i>	<i>Arrears as</i>
Total Debt Stock	5,310.86	5,113.12	96%	4,528.89	1,997.07	44%
Total Multilateral	1,529.62	1,352.18	88%	1,113.80	574.08	52%
<i>AjDB*</i>	139.11	110.51	79%	26.62	-	0%
<i>IMF 1/</i>	336.13	336.13	100%	370.76	-	0%
<i>IDA*</i>	499.97	353.76	71%	137.83	-	0%
<i>AFESD</i>	184.26	184.26	100%	186.95	186.95	100%
<i>IFAD</i>	30.94	28.31	91%	32.82	28.31	86%
<i>IsDB</i>	12.98	12.98	100%	13.52	13.52	100%
<i>OFID</i>	35.65	35.65	100%	35.82	35.82	100%
<i>AMF</i>	290.58	290.58	100%	309.48	309.48	100%
Total Bilateral	3,778.91	3,758.61	99%	3,412.69	1,420.59	42%
<i>Paris Club</i>	3,072.20	3,054.93	99%	2,693.39	704.11	26%
<i>Denmark</i>	8.50	8.50	100%	2.97	-	0%
<i>France</i>	433.39	433.39	100%	156.88	-	0%
<i>Italy 2/</i>	625.63	625.63	100%	629.32	-	0%
<i>Japan 3/</i>	125.61	125.61	100%	135.66	-	0%
<i>Netherlands</i>	6.68	6.68	100%	2.38	-	0%
<i>Norway</i>	1.85	1.85	100%	0.61	-	0%
<i>Spain 4/</i>	40.46	40.46	100%	40.45	-	0%
<i>UK</i>	85.21	85.21	100%	28.88	-	0%
<i>USA</i>	1,048.82	1,031.93	98%	991.81	-	0%
<i>Russia 5/</i>	694.50	694.50	100%	702.79	702.79	100%
<i>EU IDA 6/</i>	1.55	1.17	75%	1.66	1.32	80%
Non-Paris Club	706.71	703.68	100%	719.31	716.48	100%
<i>Algeria</i>	1.56	1.56	100%	1.56	1.56	100%
<i>Bulgaria</i>	10.58	10.58	100%	10.71	10.71	100%
<i>Iraq</i>	186.80	186.80	100%	191.25	191.25	100%
<i>KFAED</i>	119.69	119.69	100%	120.71	120.71	100%
<i>Libya</i>	32.22	32.22	100%	33.90	33.90	100%
<i>Romania</i>	2.53	2.53	100%	2.53	2.53	100%
<i>SFD</i>	111.12	108.09	97%	112.67	109.85	97%
<i>ADFD</i>	242.21	242.21	100%	245.98	245.98	100%
Total Commercial	2.33	2.33	100%	2.40	2.40	100%
<i>Serbia</i>	2.33	2.33	100%	2.40	2.40	100%

Source: DMU, MoF

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. To date, formally signed instructions have been received from the UK and France; the WB await formal instructions from Belgium, Denmark, Germany, Italy and the Netherlands.

The change in AfDB and IDA debt stock figure from 2019 to 2020 is due to the arrear's clearance operation and amortization payments during the year.

As part of Somalia's IMF-supported program, during 2020, 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 2020.***Table 2.** Somalia, debt service payment in 2020, by creditor. (In millions USD).

Total Debt Service Paid By Creditor (Jan-Dec, 2020)	In USD million		
	Principal	Interest	Total
Total Multilateral			
AfDB	1,16	0,23	1,39
IDA	11,39	1,66	13,05
Total	12,56	1,89	14,45

Source: DMU, MoF

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

<i>All amounts in millions \$US, otherwise noted</i>															
<i>Months</i>			<i>AfDB</i>		<i>IMF</i>		<i>IDA</i>		<i>IFAD</i>		<i>EU-IDA</i>		<i>SFD</i>		
	<i>Total Principal</i>	<i>Total Interest</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>P</i>	<i>I</i>	
			<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>
<i>Jan</i>	2.29	0.20	1.16	0.10	-	-	1.00	0.09	0.13	0.01	-	-	-	-	
<i>Feb</i>	0.31	0.18	-	-	-	0.16	0.31	0.02	-	-	-	-	-	-	
<i>Mar</i>	0.61	0.05	-	-	-	-	0.61	0.05	-	-	-	-	-	-	
<i>Apr</i>	1.01	0.10	-	-	-	0.00	0.91	0.06	-	-	-	-	0.10	0.04	
<i>May</i>	2.32	0.40	-	-	-	0.15	2.30	0.25	-	-	0.02	0.00	-	-	
<i>Jun</i>	1.56	0.07	-	-	-	-	1.45	0.06	0.11	0.01	-	-	-	-	
<i>Jul</i>	2.29	0.19	1.16	0.09	-	-	1.00	0.08	0.13	0.01	-	-	-	-	
<i>Aug</i>	0.31	0.18	-	-	-	0.16	0.31	0.02	-	-	-	-	-	-	
<i>Sep</i>	0.61	0.04	-	-	-	-	0.61	0.04	-	-	-	-	-	-	
<i>Oct</i>	1.01	0.10	-	-	-	-	0.91	0.06	-	-	-	-	0.10	0.04	
<i>Nov</i>	2.32	0.40	-	-	-	0.16	2.30	0.24	-	-	0.02	0.00	-	-	
<i>Dec</i>	1.56	0.06	-	-	-	-	1.45	0.05	0.11	0.01	-	-	-	-	
	16.18	1.96	2.33	0.20	-	0.64	13.14	1.01	0.48	0.04	0.04	0.00	0.20	0.08	

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, 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.

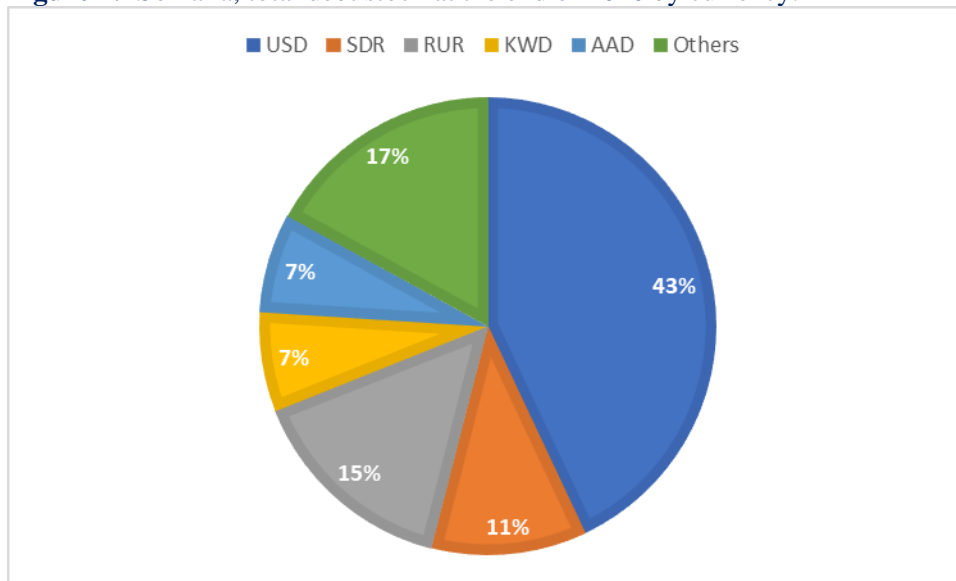
b. Refinancing risk

The total amortization payments scheduled within one year is limited to five creditors: IMF, IDA, AfDB and the Saudi Fund and IDA administered EU loans. The total amount of principal payments in 2021 is USD 16.18 million, which represent 0.35 percent of the total outstanding debt (including arrears) or 0.64 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. 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.

Figure 1: Somalia, total debt stock at the end of 2020 by currency.



Source: DMU, MoF

d. Debt service ratios⁴

Projected debt service ratios in terms of revenues (including grants) and exports of goods and services show similar ranges. Table 4 below show the projected ratios.

Table 4⁵. Somalia, Debt service ratios 2021-2025, (In millions USD)⁶

⁴ Current macroeconomic projection for revenues and grants are limited to a three-year period, no data is available for 2024 & 2025.

⁵ Projected debt stock excludes potential future debt relief

⁶ GDP, Revenue & Export data derived from IMF Somalia Country Report No. 20/310. Revenues are inclusive of grants.

(All amounts in \$US, otherwise noted)											
	2021		2022		2023		2024		2025		
IFIs & Multilateral	P	I	P	I	P	I	P	I	P	I	
<i>IMF</i>	-	0.64	-	0.63	-	0.63	4.75	0.63	39.87	0.55	
<i>AfDB</i>	2.33	0.20	2.33	0.18	2.33	0.16	2.33	0.14	2.26	0.13	
<i>IDA</i>	13.14	1.01	12.85	0.91	12.46	0.82	12.06	0.72	11.87	0.63	
<i>IFAD</i>	0.48	0.04	0.48	0.04	0.48	0.03	0.48	0.03	0.48	0.02	
Paris Club Creditors											
<i>DK</i>	-	-	-	-	-	0.02	0.05	0.05	0.05	0.05	
<i>FR</i>	-	-	-	-	-	1.04	0.69	5.24	0.78	5.23	
<i>NL</i>	-	-	-	-	-	-	0.01	0.02	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	
Non-Paris Club Creditors											
<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>	16.18	1.96	15.89	1.84	15.50	2.95	29.37	7.86	64.32	7.59	
<i>Total debt service</i>	18.15		17.73		18.46		37.23		71.91		
<i>Projected debt Stock</i>	4,497.19		4,479.47		4,461.01		4,423.78		4,351.87		
<i>Debt Service as percentage of Revenues</i>	3%		2.7%		2.5%		n/a		n/a		
<i>Debt Service % of Export of Goods & Service</i>	2%		1.4%		1.4%		2.6%		0.0%		
<i>Debt Stock as percentage of GDP</i>	84%		79.3%		74.8%		70.2%		65.1%		
Memo items:											
<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

4. Upcoming Activities for Q1 2021

During the first quarter of 2021, DMU will be engaged in finalizing and signing the remaining Paris Club Agreements with Italy and Russia. Furthermore, DMU is preparing a strategy that will guide its approach to other Multilateral and non-Paris Club creditors to secure the required debt relief contemplated under the HICP Initiative.

In order to improve the existing IT system for debt recording, DMU is expected to complete the installation of the Commonwealth Meridian debt recording system. Work is expected to start during Q1 in 2021.