DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE
FEDERAL GOVERNMENT OF SOMALIA

Quartley Public Debt Bulletin
(Quarter III, 2021)

Debt Management Unit
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Contents

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
FV	Face Value – outstanding stock of debt, including principal arrears
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 III. Progress in Debt Management issues:

During the third quarter of 2021, the Government of Somalia continued engaging with Russia 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.

DMU continued implementing the Government's negotiation strategy, and has held virtual negotiations meetings with the following creditors:

Arab Monetary Fund – negotiations focused on the proposed debt relief agreement and restarting technical assistance with Somalia. The proposal is being analyzed and negotiations continue.

IsDB – DMU laid down the debt relief framework in order to advance the process. Negotiations continue in order to reach a consensus on the debt relief delivery method.

Saudi Fund - DMU laid down the debt relief framework in order to advance the process. Negotiations continue in order to reach a consensus on the debt relief delivery method. The proposal is being taken to the Board

DMU also is expecting reply form the Kuwait Fund and Abu Dhabi Fund regarding the proposed debt relief package after discussions at their Board. Furthermore, Somalia's debt relief proposals are also being reviewed by the Governments of Bulgaria and Romania.

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. The system is now live at a DFI facility. DMU is working on upgrading its IT environment in order to house the system. Staff at DMU participated in advance training conducted by DFI in order to enhance technical capacity at the Unit to run the system and produce the necessary statistical outputs.

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 agreements have been signed during this period.

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

Stock of debt at end of Quarter III, 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.. The debt data included in the table in Annex, 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 September 2021 stood at USD 4,509 billion, of which multilaterals represented less that 24 percent with USD 1,093 billion. The largest creditors are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3.415 billion with Paris Club creditors representing close to 75 percent of the bilateral debt. The main creditors are the USA, Russia[1], Italy and France, in that order. The main Non-Paris Club creditors included mainly Arab creditors, such as Abu Dhabi Fund, Iraq, and the Saudi and Kuwait Funds.

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

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 which represented approximately 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 which 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 T-003 includes a detailed table showing the stock of debt at the end of September by creditor.

T-003

Period: Calendar Quarter (01/04/2021 - 30/09/2021)Currency Units: Millions of US Dollars

Creditor Category	Creditor Name	2021 - Q2				2021 - Q3			
		Face Value	Interest Arrears	Other Fee Arrears	Total Debt Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Debt Stock
GRAND TOTAL		3,342.68	1,017.33	160.50	4,520.51	3,324.84	1,024.60	159.80	4,509.24
Commercial		1.51	0.90	-	2.41	1.51	0.93	-	2.44
	Government of Serbia	1.51	0.90	-	2.41	1.51	0.93	-	2.44
Multilateral		745.60	350.52	6.03	1,102.15	734.77	352.63	6.03	1,093.43
	African Development Fund	25.55	-	-	25.55	24.06	-	-	24.06
	Arab Fund for Economic and Social Dev.	76.27	112.89	0.05	189.21	76.11	114.06	0.05	190.22
	Arab Monetary Fund	78.60	228.88	-	307.48	77.63	229.79	-	307.42
	Int. Fund for Agricultural Development	25.26	7.56	0.03	32.85	24.95	7.55	0.03	32.53
	International Development Association	130.61	-	-	130.61	127.38	-	-	127.38
	International Monetary Fund	367.20	-	-	367.20	362.69	-	-	362.69
	Islamic Development Bank	12.23	1.16	-	13.39	12.08	1.15	-	13.23
	OPEC Fund for Int. Dev.	29.87	0.03	5.94	35.84	29.87	0.09	5.94	35.90
Non-Paris Club		288.29	335.20	98.52	722.01	288.13	338.02	98.52	724.67
	Abu Dhabi Fund for Developement	94.22	151.75	0.02	245.99	94.22	153.63	0.02	247.87
	Government of Algeria	0.90	0.66	-	1.56	0.90	0.66	-	1.56
	Government of Bulgaria	5.53	5.24	-	10.77	5.53	5.24	-	10.77
	Government Of Iraq	31.22	62.38	98.51	192.11	31.22	62.38	98.51	192.11
	Government of Libya	11.75	22.54	-	34.29	11.75	22.54	-	34.29
	Government of Romania	2.27	0.25	-	2.52	2.27	0.25	-	2.52
	Kuwait Fund for Econ. Dev	83.51	38.57	-	122.08	83.35	38.78	-	122.13
	Saudi Fund for Development	58.88	53.81	-	112.69	58.88	54.55	-	113.43
Paris Club		2,307.28	330.71	55.95	2,693.94	2,300.43	333.01	55.25	2,688.69
	European Economic Community	0.37	-	-	0.37	0.36	-	-	0.36
	Government of Denmark	3.04	-	-	3.04	3.01	-	-	3.01
	Government of France	162.57	-	-	162.57	158.39	-	-	158.39
	Government of Italy	627.67	-	-	627.67	625.89	-	-	625.89
	Government of Japan	58.54	14.21	55.95	128.70	57.80	14.03	55.25	127.08
	Government of Netherlands	2.35	-	-	2.35	2.29	-	-	2.29
	Government of Norway	0.70	-	-	0.70	0.68	-	-	0.68
	Government of Russia	389.67	316.50	-	706.17	389.67	318.98	-	708.65
	Government of Spain	40.90	-	-	40.90	40.90	-	-	40.90
	Government of UK	29.67	-	-	29.67	29.63	-	-	29.63
	United States of America	991.81	-	-	991.81	991.81	-	-	991.81

Filters: Portfolio: All InstrumentsComments:

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Period: Calendar Quarter (01/07/2021 - 30/09/2021)Currency Units: Millions of US Dollars

Creditor Category	2021 - Q3		
	Principal Arrears	Interest Arrears	Other Fee Arrears
Commercial	1.51	0.93	-
Multilateral	216.93	352.63	6.03
Non-Paris Club	285.40	338.02	98.52
Paris Club	447.47	333.01	55.25

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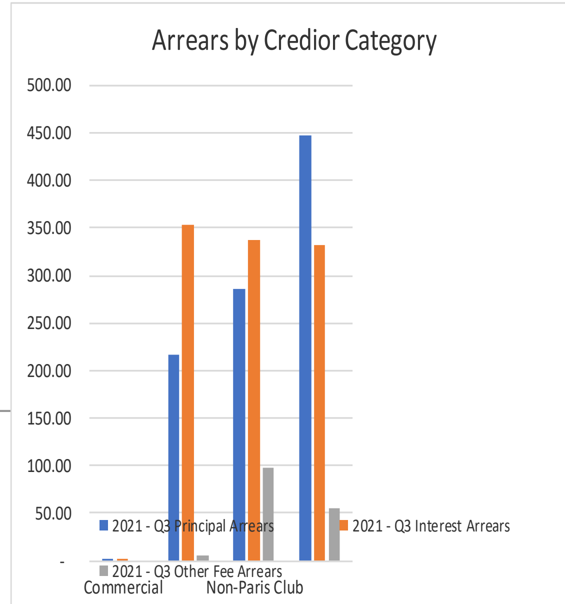

Debt Flows during Q3, 2021.

As part of Somalia's IMF-supported program, during QIII of 2021, Government prioritized debt service payments to the AfDB and IDA (as shown in table 1 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.

Table 1. Somalia, debt service payment in Q3, 2021, by creditor. (In millions USD).

Total Debt Service Paid By Creditor (July-September, 2021)	In USD million		
	Principal	Interest	Total
Total Debt Service (July-September, 2021)	**3,10**	**0,26**	**3,36**
IFIs & Multilateral	3,10	0,26	3,36
IMF	-	-	-
AfDB	1,21	0,10	1,30
IDA	1,90	0,16	2,06

Source: DMU, MoF

Table 2: Somalia, scheduled monthly debt service for the next 12-months, by creditor.

T-019

Period: Calendar Month (01/10/2021 - 30/09/2022)Currency Units: Millions of US Dollars

Creditor Category	Creditor Name	Measures	2021 - OCT	2021 - NOV	2021 - DEC	2022 - JAN	2022 - FEB	2022 - MAR	2022 - APR	2022 - MAY	2022 - JUN	2022 - JUL	2022 - AUG	2022 - SEP
Multilateral														
	African Development Fund	Principal Due	-	-	-	1.17	-	-	-	-	-	1.17	-	-
		Interest Due	-	-	-	0.09	-	-	-	-	-	0.08	-	-
	Int. Fund for Agricultural	Principal Due	-	-	0.11	0.12	-	-	-	-	0.11	0.12	-	-
	Development	Interest Due	-	-	0.03	0.03	-	-	-	-	0.01	0.01	-	-
	International	Principal Due	0.04	2.25	1.45	0.98	0.30	0.60	0.89	2.25	1.30	0.98	0.30	0.60
	Development Association	Interest Due	0.00	0.23	0.05	0.08	0.01	0.04	0.06	0.23	0.05	0.07	0.01	0.04
Non-Paris Club														
	Saudi Fund for	Principal Due	0.10	-	-	-	-	-	-	-	-	0.10	-	-
	Development	Interest Due	0.04	-	-	-	-	-	-	-	-	0.01	-	-

Filters: Portfolio: All InstrumentsComments:

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Source: DMU, MoF

3. Risks of the Debt Portfolio

a. Interest rate risk indicators

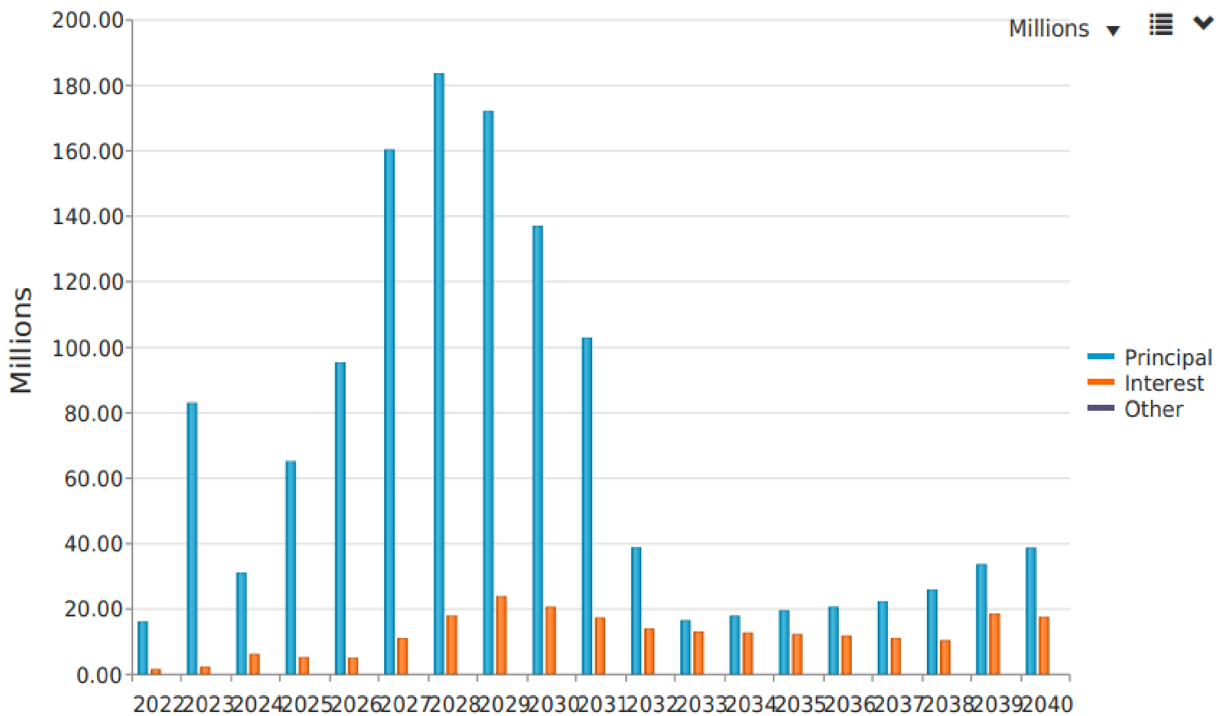
All of Somalia's outstanding current debt portfolio has been contracted with fixed interest rate. However, when taking into account the existing stock of arrears, there are loans that were contracted with variable interest rates. Debt with variable interest rate is limited to loans from Iraq and Libya amounting to USD 11.75 million. Out of the total Face Value of debt[2], including arrears, only 0.37 percent had 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 scheduled principal payments in next twelve months is USD 14.94 million which represent 0.33 percent of the total outstanding debt (including arrears) or 0.60 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.

[2] Face value includes current stock and principal arrears

Fig. 1: Somalia repayment profile. 2022 – 2040. Million USD



Source: DMU, Ministry of Finance

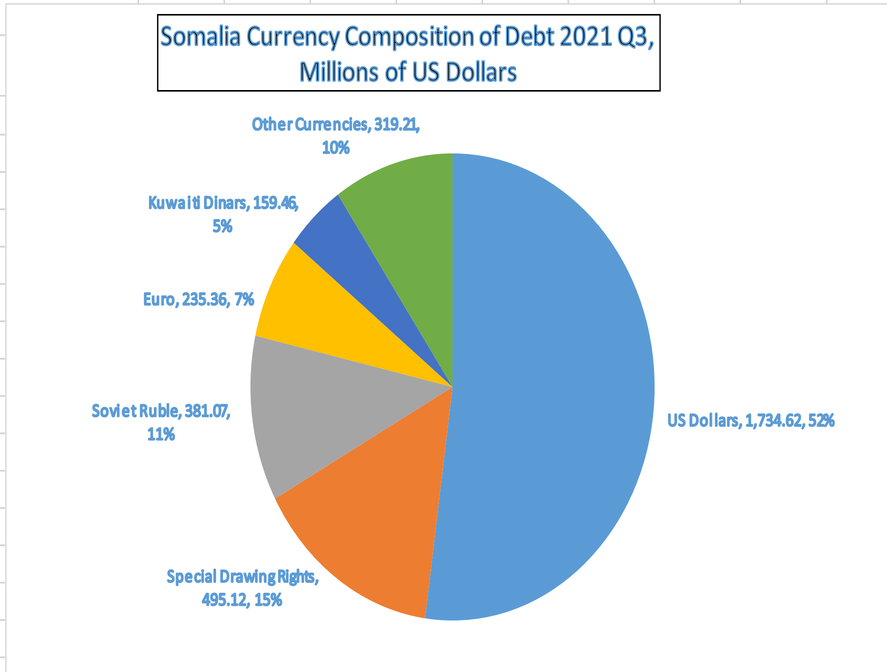
c. Foreign exchange rate risk

As mentioned in the previous section, all of Somalia's debt is in foreign currency. The stock of debt, by currency, shows a 52 percent of debt is denominated in USD followed by SDR at 15 percent which include a portion of loans from IDA, IMF, AfDB and IFAD, the Soviet Rubble at 11 percent. Euro denominated debt stood at 7 percent, Kuwait Dinar at 5 percent, the Arab Emirates Dirham and the Arab Accounting Dinar and represent 3 and 2 percent each. The remaining is distributed in other currencies.

Figure 2: Somalia, total debt stock at the end of Q3, 2021 by currency.

Somalia Currency Composition 2021 Q3

TOTAL DEBT (DOD+PRA)	3,324.84
US Dollars	1,734.62
Special Drawing Rights	495.12
Soviet Ruble	381.07
Euro	235.36
Kuwaiti Dinars	159.46
Other Currencies	319.21



Source: DMU, MoF

d. Summary of Somalia's cost and risk indicators[3]

Table 3 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.

[3] Excludes existing debt to Italy and Japan

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

Table 3: 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**

Source: DMU, Ministry of Finance

e. Debt service ratios

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 4[4]. Somalia, Debt service ratios 2021-2025, (In millions USD)[5]

(All amounts in $US, otherwise noted)										
	Q4, 2021		*2022*		*2023*		*2024*		*2025*	
IFIs & Multilateral	***P***	***I***	***P***	***I***	***P***	***I***	***P***	***I***	***P***	***I***
IMF	-	0.16	-	0.64	-	0.64	4.65	0.63	39.00	0.55
AfDB	-	-	2.33	0.18	2.33	0.16	2.33	0.14	2.26	0.13
IDA	4.66	0.35	12.85	0.91	12.46	0.82	12.06	0.72	11.87	0.63
IFAD	0.11	0.01	0.47	0.03	0.47	0.03	0.47	0.03	0.47	0.02
Paris Club Creditors										
Denmark	-	-	-	-	-	0.02	0.05	0.05	0.05	0.05
France	-	-	-	-	-	0.99	0.65	4.99	0.74	4.97
Netherlans	-	-	-	-	-	-	0.01	0.01	0.01	0.01
Norway	-	-	-	-	-	-	0.01	0.00	0.01	0.00
Spain	-	-	-	-	-	-	8.18	0.21	8.18	0.16
United Kingdom	-	-	-	-	-	0.17	0.57	0.75	0.57	0.73
European Economic Community (EEC)	-	-	-	-	0.04	0.00	0.04	0.00	0.04	0.00
Non-Paris Club Creditors										
SFD	0.10	0.08	0.20	0.08	0.20	0.08	0.20	0.08	0.20	0.08
Principal & Interest	4.87	0.59	15.84	1.84	15.49	2.91	29.22	7.61	63.40	7.34
Total debt service		5.46		17.68		18.39		36.82		70.74
Projected debt Stock		4,497.19		4,481.35		4,465.86		4,436.64		4,373.24
Debt Service as percentage of Revenues		1%		3.1%		2.7%		n/a		n/a
Debt Service % of Export of Goods & Service		0%		1.4%		1.3%		2.4%		0.0%
Debt Stock as percentage of GDP		83%		76.1%		67.6%		60.1%		54.3%
Memo items:										
Revenues		680.50		575.10		681.90		756.90		837.40
Exports of goods & services		1,177.01		1,271.81		1,394.92		1,536.08		1,692.81
GDP		5,424.00		5,888.00		6,611.00		7,385.00		8,061.00

Source: DMU, MoF and IMF staff estimates

[4] Projected debt stock excludes potential future debt relief
[5] GDP & Export data derived from IMF Somalia Country Report. Also revenue figures derived from the Federal Government of Somalia, 2021 Policy Framework Paper. Revenue figures are inclusive of grants.

4. Upcoming Activities for QIV 2021

During the fourth 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.