
**Quartley Public Debt Bulletin**
**(Quarter IV, 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 IV, 2021. Progress in Debt Management issues:

In this quarter of Oct-Dec. 2021, the Government of Somalia remained committed in engaging with its creditors and, in particular, with the government of 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.

Therefore, DMU continued implementing the Government's negotiation strategy in reaching out the Non-Paris Creditors and other multilaterals, and has held virtual negotiations meetings with the following creditors:

- Arab Monetary Fund and Arab Fund for Economic and Social Development – negotiations focused on the proposed debt relief agreement and restarting technical assistance with Somalia. The proposal is being analyzed and negotiations will continue during the upcoming visit by the Minister of Finance to the respective Headquarters.
- IsDB – DMU continued the negotiation process with this creditor to reach a consensus on the debt relief delivery method.
- After extensive technical discussions, the government has reached an understanding with the Kuwait Fund along the line of Paris Club Agreed Minutes and the signing of a final agreement is expected to be finalized during QI, 2022.
- A comparable agreement along the lines agreed with the Kuwait Fund was presented to the Saudi and the Abu Dhabi Funds. Negotiations continue and an agreement with these two Institutions is expected during QI, 2022.
- In order to cover the remaining balance of outstanding arrears to IFAD (about US$ 6 million), both the government of Somalia and IFAD Management have agreed to send a joint letter to potential donors soliciting them to cover this balance. Among the donors contacted included: Sweden, Norway, Denmark, European Commission, Italy and Swiss Confederation. So far, Sweden has shown its willingness to participant in this endeavor.
- Furthermore, Somalia's debt relief proposals are also being reviewed by the Governments of Bulgaria and Romania. Recent political developments in these two countries have delayed the resolution of the debt relief request.

On the other hand, DMU with the help of DFI has successfully upgraded 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 debt portfolio. The totality of the loans has 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.

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 contracted no domestic loans. No new external loan agreements have been signed during this period.

## 2. Somalia's stock and flow data, QIV, 2021

*Stock of debt at end of Quarter IV, 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 loan from a private creditor in Serbia. Bilateral creditors are Somalia's biggest creditor type.

The total stock of debt at the end of December 2021 stood at USD 4,486.13 billion, of which multilaterals represented 24 percent of the total with USD 1,080 billion. The largest creditors are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3,403.01 billion with Paris Club creditors representing close to 79 percent of the bilateral debt. The commercial loan amounted to USD 2.44 million. 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.

Somalia's debt portfolio is still characterized by a sizeable amount of debt in arrears. There are remaining arrears mainly with non-Paris Club and other Multilaterals which represented approximately 45 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 1 includes a detailed description of the stock of debt at the end of 2020 and 2021.

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

## **Table 1**. Somalia Stock of debt at the end of 2020 and 2021.

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Period: Calendar Year (01/01/2020 - 31/12/2021)Currency Units: Millions of US Dollars

| Creditor Category / Creditor Name | 2020 | | | | 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Face Value | Interest Arrears | Other Fee Arrears | Total Stock | Face Value | Interest Arrears | Other Fee Arrears | Total Stock | Of which arrears |
| **GRAND TOTAL** | **3,351.35** | **1,013.06** | **164.19** | **4,528.60** | **3,306.67** | **1,021.33** | **158.13** | **4,486.13** | **2,127.31** |
| **Commercial** | 1.51 | 0.88 | - | 2.39 | 1.51 | 0.93 | - | 2.44 | 2.44 |
| Government of Serbia | 1.51 | 0.88 | - | 2.39 | 1.51 | 0.93 | - | 2.44 | 2.44 |
| **Multilateral** | **758.01** | **350.16** | **6.01** | **1,114.18** | **724.25** | **350.40** | **6.03** | **1,080.68** | **572.11** |
| African Development Fund | 26.27 | - | - | 26.27 | 23.80 | - | - | 23.80 | - |
| Arab Fund for Economic and Social Dev. | 75.63 | 111.27 | 0.05 | 186.95 | 75.79 | 113.94 | 0.05 | 189.78 | 189.78 |
| Arab Monetary Fund | 79.36 | 230.12 | - | 309.48 | 76.92 | 227.68 | - | 304.60 | 304.60 |
| Int. Fund for Agricultural Development | 25.51 | 7.60 | 0.02 | 33.13 | 24.72 | 7.53 | 0.03 | 32.28 | 28.70 |
| International Development Association | 138.25 | - | - | 138.25 | 121.83 | - | - | 121.83 | - |
| International Monetary Fund | 370.77 | - | - | 370.77 | 359.36 | - | - | 359.36 | - |
| Islamic Development Bank | 12.35 | 1.17 | - | 13.52 | 11.97 | 1.14 | - | 13.11 | 13.11 |
| OPEC Fund for Int. Dev. | 29.87 | - | 5.94 | 35.81 | 29.87 | 0.11 | 5.94 | 35.92 | 35.92 |
| **Non-Paris Club** | **287.52** | **333.95** | **98.52** | **719.99** | **287.57** | **338.69** | **98.52** | **724.78** | **722.15** |
| Abu Dhabi Fund for Developement | 94.22 | 151.75 | 0.02 | 245.99 | 94.10 | 153.43 | 0.02 | 247.55 | 247.55 |
| Government of Algeria | 0.90 | 0.66 | - | 1.56 | 0.90 | 0.66 | - | 1.56 | 1.56 |
| Government of Bulgaria | 5.53 | 5.18 | - | 10.71 | 5.53 | 5.30 | - | 10.83 | 10.83 |
| Government Of Iraq | 31.22 | 62.33 | 98.51 | 192.06 | 31.22 | 62.42 | 98.51 | 192.15 | 192.15 |
| Government of Libya | 11.75 | 22.15 | - | 33.90 | 11.75 | 23.16 | - | 34.91 | 34.91 |
| Government of Romania | 2.27 | 0.25 | - | 2.52 | 2.27 | 0.25 | - | 2.52 | 2.52 |
| Kuwait Fund for Econ. Dev | 82.81 | 37.90 | - | 120.71 | 82.99 | 38.95 | - | 121.94 | 121.94 |
| Saudi Fund for Development | 58.81 | 53.73 | - | 112.54 | 58.80 | 54.51 | - | 113.31 | 110.69 |
| **Paris Club** | **2,304.31** | **328.07** | **59.66** | **2,692.04** | **2,293.34** | **331.31** | **53.58** | **2,678.23** | **830.61** |
| European Economic Community (EEC) | 0.37 | - | - | 0.37 | 0.35 | - | - | 0.35 | - |
| Government of Denmark | 3.08 | - | - | 3.08 | 2.97 | - | - | 2.97 | - |
| Government of France | 166.42 | - | - | 166.42 | 154.21 | - | - | 154.21 | - |
| Government of Italy | 624.11 | - | - | 624.11 | 624.11 | - | - | 624.11 | - |
| Government of Japan | 62.42 | 13.57 | 59.66 | 135.65 | 56.04 | 12.18 | 53.58 | 121.80 | 121.80 |
| Government of Netherlands | 2.40 | - | - | 2.40 | 2.23 | - | - | 2.23 | - |
| Government of Norway | 0.68 | - | - | 0.68 | 0.66 | - | - | 0.66 | - |
| Government of Russia | 381.72 | 314.50 | - | 696.22 | 389.68 | 319.13 | - | 708.81 | 708.81 |
| Government of Spain | 40.90 | - | - | 40.90 | 40.90 | - | - | 40.90 | - |
| Government of UK | 30.40 | - | - | 30.40 | 30.38 | - | - | 30.38 | - |
| United States of America | 991.81 | - | - | 991.81 | 991.81 | - | - | 991.81 | - |

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***Source:*** *DMU, Ministry of Finance*

**Table 2.** Somalia, Stock of arrears at the end of 2021

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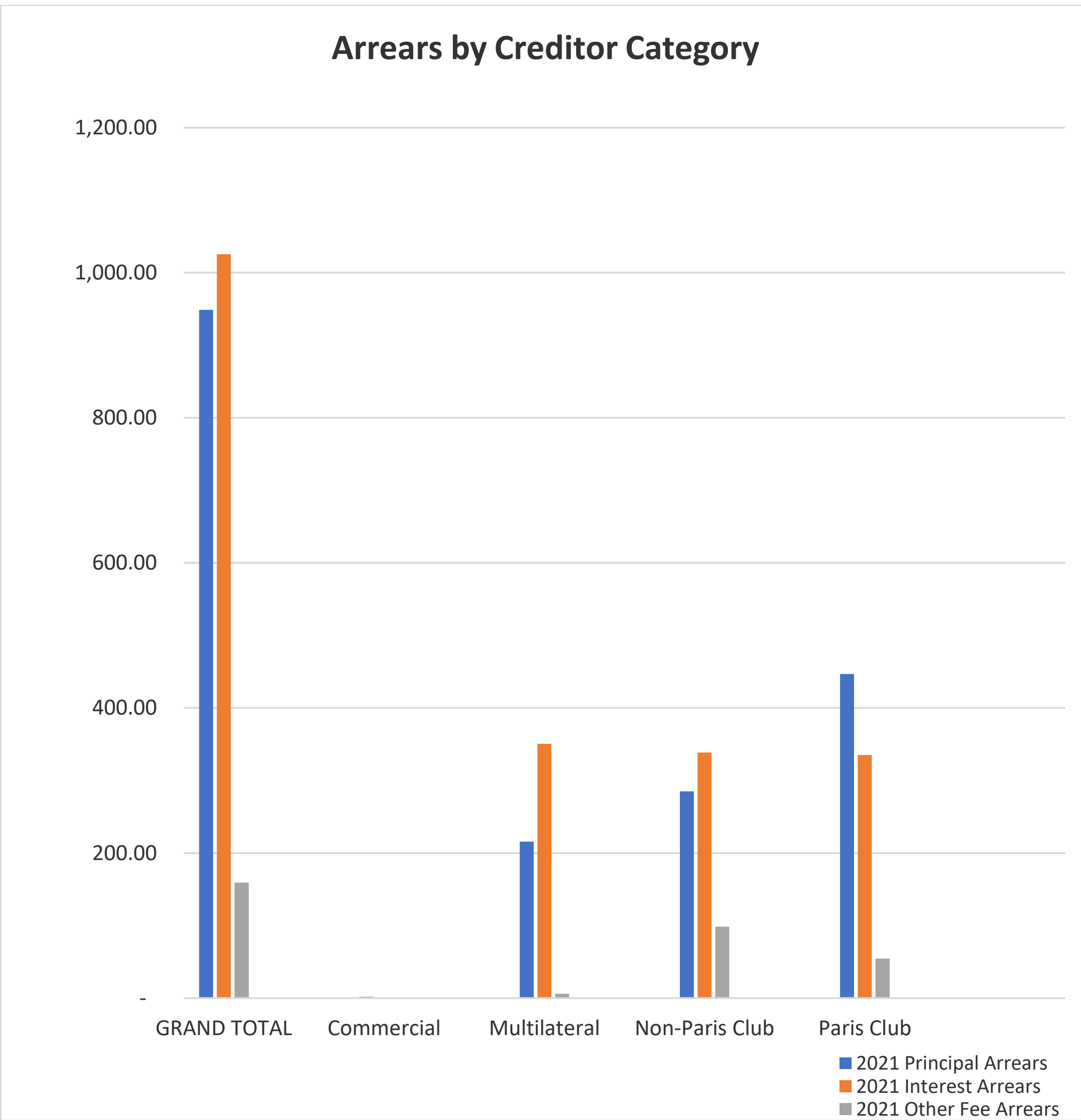
Period: Calendar Year (01/01/2021 - 31/12/2021)Currency Units: Millions of US Dollars

| Creditor Category | 2021 | | |
|---|---|---|---|
| | Principal Arrears | Interest Arrears | Other Fee Arrears |
| GRAND TOTAL | 948.84 | 1,025.27 | 159.06 |
| Commercial | 1.51 | 0.93 | 0.00 |
| Multilateral | 215.69 | 350.40 | 6.03 |
| Non-Paris Club | 284.94 | 338.69 | 98.52 |
| Paris Club | 446.69 | 335.25 | 54.51 |

***Source:*** *DMU, Ministry of Finance.*

**Figure 1.** Somalia, Arrears by creditor category




***Source:*** *DMU, Ministry of Finance.*

*Debt Flows during QIV, 2021.*

As part of Somalia's IMF-supported program, during QIV of 2021, Government continued in prioritizing the debt service payments to the AfDB and IDA (as shown in table 3 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 HIPC Initiative Decision Point Document and would minimize the fiscal impact.

**Table 3.** Somalia, debt service payment in Q4, 2021, by creditor. (In millions USD).

| Total Debt Service Paid By Creditor (October-December, 2021) | In USD million | | | |
|---|---|---|---|---|
| | Principal | Interest | Credits | Total |
| **Total Debt Service (October-December, 2021)** | **4,62** | **0,36** | **(0,02)** | **4,96** |
| **IFIs & Multilateral** | 4,62 | 0,36 | (0,02) | 4,96 |
| IMF | - | - | - | - |
| AfDB | - | - | - | - |
| IDA | 4,62 | 0,36 | (0,02) | 4,96 |

***Source:*** *DMU, MoF*

**Table 4.** Somalia, debt service payment in 2021, by creditor. (In millions USD).

| Creditor Name | Principal Paid | Interest Paid | Total debt service paid |
|---|---|---|---|
| AfDB | 2,33 | 0,27 | 2,60 |
| IDA | 13,07 | 1,04 | 14,11 |
| Total debt service paid | | | **16,71** |

**Table 5**: Somalia, scheduled monthly debt service for the next 12-months, by creditor.

Period: Calendar Month (01/01/2022 - 31/12/2022)Currency Units: Millions of US Dollars

| Creditor Name | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| African Development Fund | 0,58 | - | - | - | - | - | 1,23 | - | - | - | - | - |
| Int. Fund for Agricultural Development | 0,10 | - | - | - | - | 0,09 | 0,10 | - | - | - | - | 0,09 |
| International Development Association | 0,30 | 0,23 | 0,53 | 0,04 | 1,88 | 1,30 | 0,85 | 0,23 | 0,53 | 0,70 | 1,87 | 1,30 |
| Saudi Fund for Development | | | | 0,03 | - | - | - | - | - | 0,11 | - | - |

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***Source:*** *DMU, MoF*

## 3. Risks of the Debt Portfolio

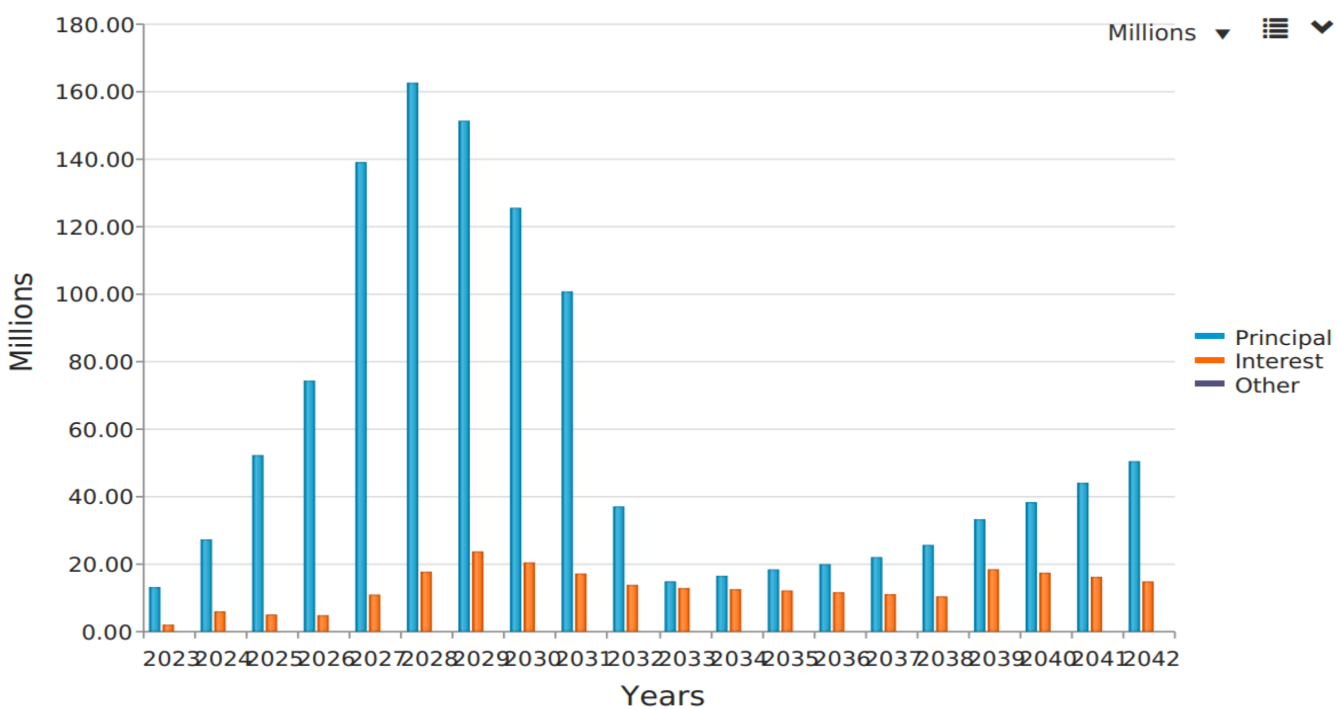
### a. Interest rate risk indicators

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. 2 below. The profile shows a concentration of payments between 2026 and 2031 due to the repayment of IMF and USA loans.

**Fig. 2:** Somalia repayment profile. 2022 – 2042. Million USD



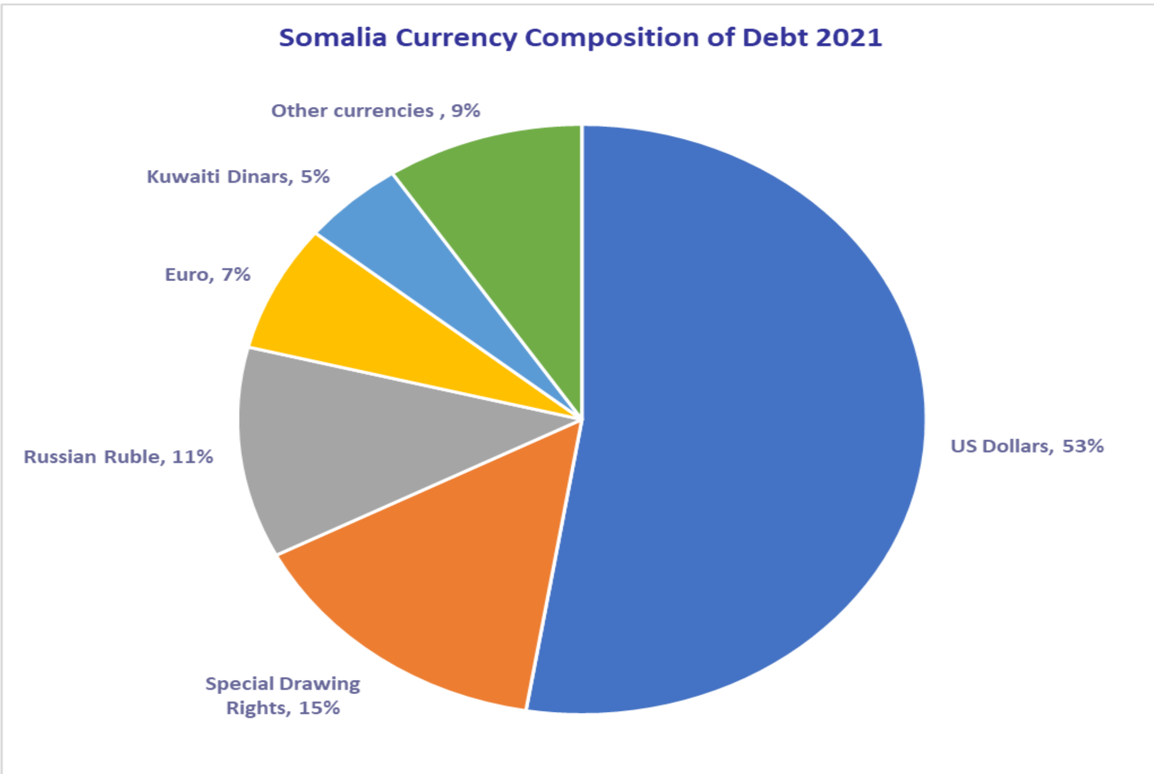

***Source:*** *DMU, Ministry of Finance*

[2] Face value includes current stock and principal 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 53 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 3:** Somalia, total debt stock at the end of 2021 by currency.




***Source:*** *DMU, MoF*

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

Table 6 below provides an overview of existing cost and risk indicators for Somalia's debt portfolio as of end 2021. The indicators show a relatively long ATM (and ATR as all the current

[3] Excludes existing debt to Italy and Japan

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

debt is in fixed interest rates) of over 12 years with a small percentage falling due in the next year (2.4 percent of total debt).

**Table 6:** Summary of cost and risk indicators

| Risk Indicators | | External debt |
|---|---|---|
| Refinancing risk | ATM (years) | 12,90 |
| | Debt maturing in 1yr (percent of total) | 2,40 |
| Interest rate risk | ATR (years) | 12,90 |
| | Debt refixing in 1yr (percent of total) | 2,40 |
| | Fixed rate debt incl T-bills (percent of total) | 100,00 |
| FX risk | FX debt (percent of total debt) | 100,00 |

***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 7 below show the projected ratios.

**Table 7[4].** Somalia, Debt service ratios 2022-2026, (In USD millions)[5]

| | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***IFIs & Multilateral*** | ***P*** | ***I*** | ***P*** | ***I*** | ***P*** | ***I*** | ***P*** | ***I*** | ***P*** | ***I*** |
| *IMF* | - | 0,66 | - | 0,67 | 4,60 | 0,66 | 38,66 | 0,58 | 70,55 | 0,49 |
| *AfDB* | 1,69 | 0,12 | 2,31 | 0,15 | 2,31 | 0,14 | 2,24 | 0,12 | 0,24 | 0,10 |
| *IDA* | 9,74 | 0,65 | 9,87 | 0,62 | 9,47 | 0,54 | 9,28 | 0,47 | 8,82 | 0,40 |
| *IFAD* | 0,34 | 0,03 | 0,34 | 0,02 | 0,34 | 0,02 | 0,34 | 0,02 | 0,34 | 0,01 |
| ***Paris Club Creditors*** | | | | | | | | | | |
| *Denmark* | - | - | - | 0,01 | 0,03 | 0,04 | 0,03 | 0,04 | 0,03 | 0,04 |
| *France* | - | - | - | 0,63 | 2,41 | 3,82 | 2,41 | 3,01 | 2,41 | 2,97 |
| *Netherlans* | - | - | - | - | 0,01 | 0,01 | 0,01 | 0,01 | 0,01 | 0,01 |
| *Norway* | - | - | - | 0,00 | 0,01 | 0,02 | 0,01 | 0,02 | 0,01 | 0,02 |
| *Spain* | - | - | - | - | 8,18 | 0,21 | 8,18 | 0,16 | 8,18 | 0,12 |
| *United Kingdom* | - | - | - | 0,17 | 0,46 | 0,74 | 0,46 | 0,72 | 0,46 | 0,71 |
| *European Economic Community (EEC)* | - | - | 0,04 | 0,00 | 0,04 | 0,00 | 0,04 | 0,00 | 0,04 | 0,00 |
| ***Non-Paris Club Creditors*** | | | | | | | | | | |
| *SFD* | 0,20 | 0,03 | 0,20 | 0,02 | 0,20 | 0,02 | 0,20 | 0,02 | 0,20 | 0,02 |
| *Principal & Interest* | 11,98 | 1,48 | 12,76 | 2,30 | 28,07 | 6,22 | 61,86 | 5,19 | 91,29 | 4,91 |
| *Total debt service* | 13,46 | | 15,06 | | 34,29 | | 67,05 | | 96,19 | |
| *Projected debt Stock* | 4.397,98 | | 4.385,22 | | 4.357,15 | | 4.295,29 | | 4.204,01 | |
| *Debt Service as percentage of Revenues* | 2,3% | | 2,2% | | 4,5% | | 8,0% | | 10,4% | |
| *Debt Service % of Export of Goods & Service* | 1,1% | | 1,1% | | 2,2% | | 0,0% | | 5,3% | |
| *Debt Stock as percentage of GDP* | 74,7% | | 66,3% | | 59,0% | | 53,3% | | 48,0% | |
| *Memo items:* | | | | | | | | | | |
| *Revenues* | 575,10 | | 681,90 | | 756,90 | | 837,40 | | 928,98 | |
| *Exports of goods & services* | 1.271,81 | | 1.394,92 | | 1.536,08 | | 1.692,81 | | 1.805,38 | |
| *GDP* | 5.888,00 | | 6.611,00 | | 7.385,00 | | 8.061,00 | | 8.764,00 | |

***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 QI, 2022

In the first quarter of 2022, both the Somali and the Russian Governments, have agreed to have a virtual meeting on 19/1/2022 to finalize negotiations on 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 March, 2022, 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.