Federal Republic of Somalia
Ministry of Finance
Debt Management Unit

ANNUAL
DEBT MANAGEMENT
REPORT

FY2024
January-December 2024

FOREWARD

I am pleased to announce a significant milestone in our commitment to sound fiscal governance in the form of the publication of Somalia's historic first Annual Debt Management Report (ADMR). This inaugural report underscores our absolute commitment and dedication to enhancing transparency and accountability in public financial management. Going forward, we will publish this report on a regular basis, within four months of the close of each fiscal year.

The primary objective of this report is to provide a comprehensive overview of Somalia's external debt landscape, including debt structure, servicing obligations, and associated risk assessments.

It is designed to serve as a key reference for informing fiscal policy decisions and supporting the government's broader goal of maintaining debt sustainability and continuously strengthening macroeconomic stability.

In future editions, the Debt Management Unit at the Ministry of Finance (DMU) will expand the scope of debt analysis and reporting to include domestic borrowing, government guarantees and on-lending arrangements. These elements will be incorporated once the necessary institutional, fiscal, and monetary frameworks are firmly in place in the near future.

It is important to note that the data presented in this report pertains exclusively to the Federal Government's external Debt. At present, Somalia has not issued domestic securities, undertaken domestic borrowing, or provided any government guarantees.

The Government of Somalia remains committed to building effective and transparent debt management processes and systems. We are grateful for the valuable support of all our international partners and look forward to continued beneficial collaboration with them and all stakeholders as we advance on this hopeful and transformative path.

H.E. Bihi Iman Egeh
The Minister

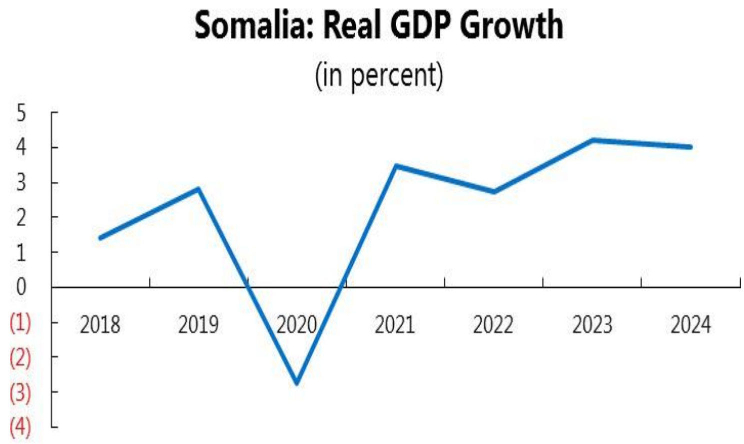
TABLE OF CONTENTS

ACRONYMS

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
Meridian	Commonwealth Debt Recording and Management System
MOF	Ministry of Finance
PC	Paris Club
PPG	Public & Publicly Guaranteed Debt
SFD	Saudi Fund for Development
SOPM	Standard Operations Procedures Manual
UK	United Kingdom
USA	United States of America
USD	United States Dollar
WB	The World Bank

MACROECONOMIC DEVELOPMENT

Somalia's macroeconomic outlook is improving steadily, supported by sustained reform efforts, debt relief, and donor engagement.
Real GDP growth is estimated to reach 4.0 percent in 2024, and is projected to increase to 4.5 percent by 2029, reflecting enhanced confidence following HIPC Completion Point in December 2023, rising domestic demand, And a sustained recovery in the agricultural sector after the droughts of 2021-2022.



Source: Debt Management Unit

The annual inflation rate for 2024 has decreased to 5.54%, down from 6.17% in 2023. In December 2024, the overall inflation rate rose to 5.57%, up from 5.20% in November. This increase was largely driven by rising costs for essential goods and services, such as housing, water, electricity, and gas, which saw a year-on-year rise of 0.70%. Furthermore, transportation expenses surged significantly by 21.22%. These price increases were influenced by global energy price trends and the rising costs of imported goods, which were impacted by supply chain disruptions and currency value fluctuations. Moreover, food and non-alcoholic beverages, which constitute the largest portion of the Consumer Price Index (CPI) basket, experienced price fluctuations, decreasing by 1.49% year-on-year due to varying global commodity prices and local supply challenges. The worldwide rise in fuel and transportation costs further contributed to domestic price increases, intensifying inflationary pressures in critical sectors that depend on imports.

An updated National Consumer Price Index (CPI), which will encompass all federal member states, including Banadir state, is scheduled for release at the end of April 2025.

MEDIUM - TERM FISCAL FRAMEWORK

On the fiscal front, domestic revenue mobilization is gradually improving, driven by tax policy reforms and administrative strengthening. The expected enactment of the Income Tax Law in 2025 is projected to expand the tax base and reinforce medium-term revenue performance. Grants from development partners will continue in the near-term to contribute to budget support and investment financing, complementing domestic revenue mobilization efforts and supporting priority development objectives under the Government's reform agenda. However, given that Somalia is assessed to be at moderate risk of debt distress, while IDA20 and IDA2021 financing terms generally don't include grants, Somalia has been granted an extension to its eligibility for grants until June 2028. This extension allows Somalia to benefit from grant funding for a longer period than initially intended.

Somalia's overall fiscal deficit for FY2025 is projected at 0.2% of GDP compared to a surplus of 0.1% of GDP in FY2024. Over the medium term, we will keep overall fiscal deficits below 3.5 percent of GDP financed with concessional loans, of which at a minimum 1.5 percent of GDP will come from multilateral creditors that provide highly concessional financing terms as well as capacity development support. The projected deficit is expected to be financed form through borrowing arrangements with the IMF and the mobilization of additional bilateral grants.

On the external side, the current account deficit is projected to widen slightly before stabilizing over the medium term, as grants are expected to decline, while remittance inflows are anticipated to remain stable and exports to improve. Remittances will continue to represent an important source of external inflows (over 20 percent of GDP), helping to support household consumption and foreign exchange availability.

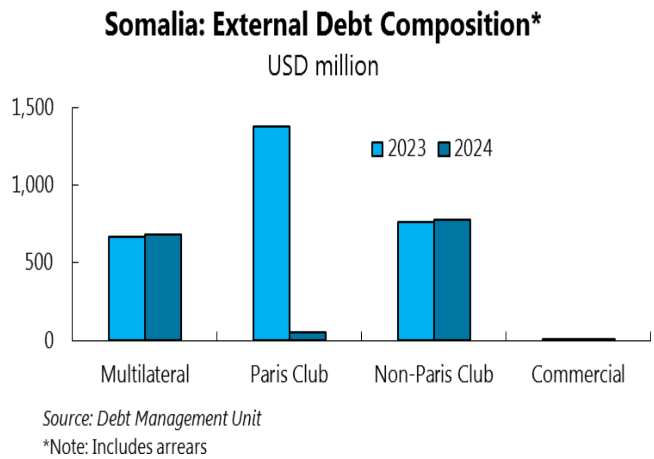
HIPC DEBT RELIEF

1. Somalia's external public debt-to-GDP ratio declined sharply from 64 percent in 2018 to 6.4 percent by the end of 2023, following the completion of the Heavily Indebted Poor Countries (HIPC) debt reduction initiative. The substantial reduction in debt burden has provided Somalia with greater fiscal space to invest in critical infrastructure and social sectors. Looking ahead, effective debt management will remain crucial as the country aims to sustain its economic growth, ensure long-term term sustainability, and address challenges such as youth unemployment, climate shocks, and insecurity.
2. In 2024, the Ministry has accomplished significant achievements, specifically in debt relief negotiations as well as the execution of the 'Paris Club Agreed Minutes' dated March 13, 2024 and as well as the common reduction factor outlined in the Decision and Completion Point Document. Key milestones reached during this period include;
   - The Ministry has signed debt cancellation agreements with all Paris Club respective creditor countries with the exception of Spain, where discussions are still undergoing. At the same time, the Government was steadfast in its pursuit of debt relief agreements with non-Paris Club and multilateral creditors, in line with the Paris Club agreement.[1] Active engagement and discussions with creditors during 2024 yielded fruitful progress.
   - On June 25, 2024, during the OPEC Fund Development Forum held in Vienna, Austria, the Ministry signed a debt relief agreement with the OPEC Fund, amounting to $36 million, facilitated by a bridge loan from the Kingdom of Saudi Arabia. Similarly, on July 16, 2024, a debt relief agreement was successfully concluded with the Islamic Development Bank, settling a $ 28 million debt stock.

3. In accordance with Article III of the Paris Club Agreed Minutes of March 13, 2024, the Federal Government of Somalia continues to actively engage, in good faith, with the remaining Non-Paris Club and multilateral creditors. To advance this objective, the government has developed a formal debt negotiations strategy focused on:

- To ensure implementation of the principle of comparability of treatment, securing equivalent debt reduction from remaining bilateral non-Paris Club, multilateral, and commercial creditors.
- Aligning terms with the relief already extended by Paris Club participants under the Enhanced HIPC framework.
- Strengthening Somalia's fiscal sustainability through equitable burden-sharing across all creditor categories.

4. Outstanding arrears continue to decline. Arrears to the Organization of the Petroleum Exporting Countries Fund for International Development (OPID), Islamic Development Bank (IsDB), Kuwaiti Fund for Arab Economic Development (KFAED), and Saudi Fund for Development (SFD) have been rescheduled, while negotiations with the Arab Monetary Fund (AMF) [2]and Arab Fund for Economic and Social Development (AFESD), and other official bilateral creditors are ongoing.

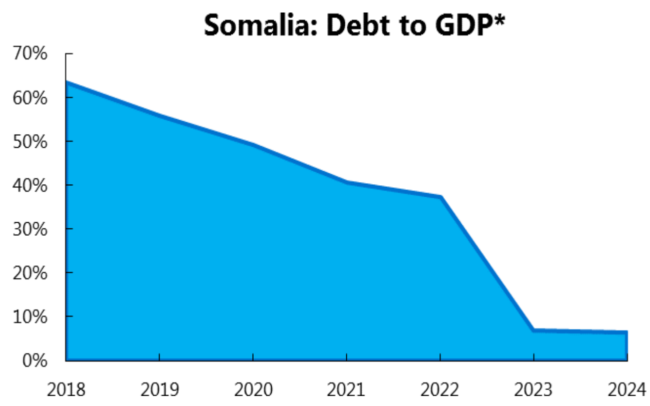


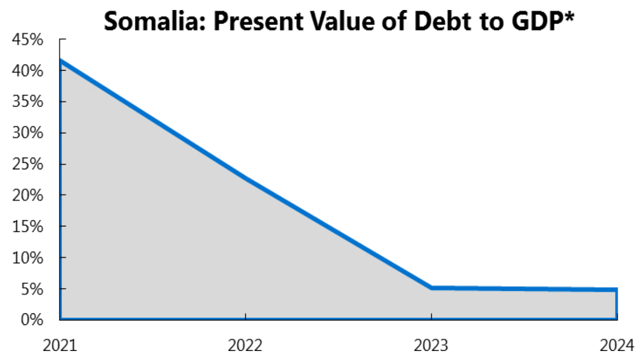
5. The authorities are diligently reaching out to remaining creditors, underscoring their resolute commitment to achieving sustainable debt relief and fostering economic stability.

[2] Negotiations with the AMF have been concluded and a debt relief agreement was signed on April 9, 2025.

DEBT STOCK

6. The existing debt portfolio is entirely made up of external (foreign currency) loans. While the major creditors are multilateral and bilateral, with bilateral creditors being the largest, there is one commercial loan from Serbia.
7. The total stock of debt at the end of 2024 stood at USD 1.5 billion where multilateral creditors represented 45.5 percent of the total at USD 685.10 million. The largest creditors, in this category, are the Arab Monetary Fund (AMF), Arab Fund for Economic and Social Development (AFESD) and International Monetary Fund (IMF), in that order. As at end-2024, non-Paris Club creditors represented close to 39 percent of debt. The main creditors, within this category, are the Abu Dhabi Fund, Iraq, and the Kuwait for Arab Economic Development (KFAED) and Saudi Fund Development (SFD). The one commercial loan with a Serbian company amounted to USD 2.67 million.
8. Debt to GDP has been declining due to combination of GDP growth and debt treatment. The chart presented below illustrates the debt to GDP and PV of debt rations.





Source: Debt Management Unit, MOF, FGS. (Includes arrears))

ARREARS

9. 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 multilateral creditors which represented approximately 69 percent of the total outstanding debt of the country. The Government is committed to engaging its non-Paris Club and remaining multilateral creditors in order to secure comparable debt relief treatment and the Common Reduction Factor outlined in the HIPC Decision Point Document.
10. As noted above, the Government is committed to reach agreement with remaining creditors that have yet to deliver on the HIPC Initiative. Annex 1 includes a detailed description of the stock of debt at the end of 2024. Table 1 shows the stock of arrears at the end of 2024.

Table 1: Somalia, Stock of Arrears at end of 2024

Creditor Type	Principal	Interest	Other fees
Multilateral	132.76	373.72	0.05
Non-Paris Club	145.90	279.20	111.67
Commercial	1.51	1.16	0.00
Total	**280.17**	**654.08**	**111.72**

Source: Debt Management Unit, Ministry of Finance, FGS.

DEBT FLOWS

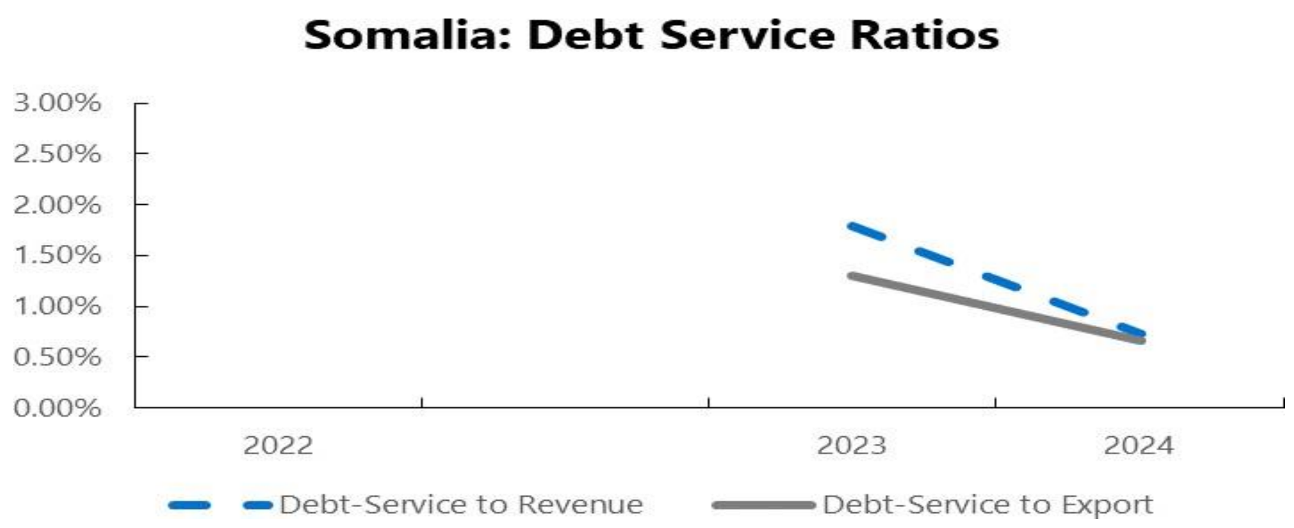
10. Government continued to meet debt service payments to its creditors that have provided debt relief. With regards to creditors that have yet to provide such treatment, Somalia is committed to reach similar agreement.

Table 2. Somalia, Debt Service Payment (2024)

Creditor	Principal	Interest	Other fees	Total debt service
IMF	0.00	1.58	0.00	1.58
KFAED	0.00	1.83	0.00	1.83
SFD	0.00	1.55	0.00	1.55
Russia	1.39	0.22	0.00	1.61
IsDB	0.07	0.00	0.00	0.07
Total	**1.46**	**5.18**	**0.04**	**6.64**

Source: Debt Management Unit, Ministry of Finance, FGS.

11. The below chart shows a steady decline in Somalia's debt service ratios from 2023 to 2024, indicating improved debt sustainability relative to both revenue and exports. The Government recorded a small surplus of 0.1 percent of GDP in FY2024, which is expected to help finance a portion of the deficit in FY2025.



Source: Debt Management Unit, Ministry of Finance, FGS.

RISK INDICATORS

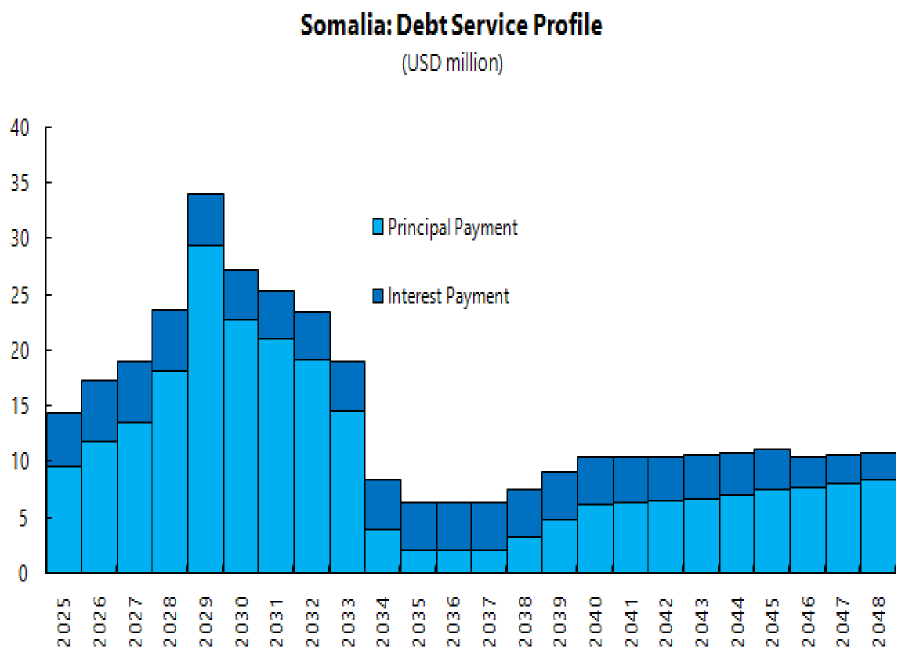
a) Interest rate risk

12. Most of Somalia's outstanding current debt portfolio has been contracted with fixed interest rate. Debt with variable interest rate is limited to loans from non-Paris Club bilateral creditors amounting to USD 11.75 million. Out of the total outstanding debt, including arrears, only 0.35 percent had been contracted with variable interest rates.

13. Average time to re-fixing at 19.5 years and debt re-fixing in 1 year at 2.1 percent of the portfolio affirm that the debt portfolio has minimal interest rate risk.

b) Refinancing risk

14. The total amortization payments scheduled within one year is limited to multilateral and official creditors, at 1.08 percent of total debt. The debt service profile of existing debt as at end-2024 is presented in Figure 3 below. The profile shows a concentration of payments between 2025 and 2033 due to the scheduled repayment of restructured debt agreements with creditors. The repayment profile also includes outstanding debt to Spain, for which negotiations remain ongoing as efforts continue to finalize the bilateral agreement in line with the Paris Club Agreed Minutes of March 2024.With average time to maturity at 19.5 years, Somalia's debt portfolio has low refinancing risk.



c) Exchange Rate risk

15. As aforementioned, all of Somalia's debt is in foreign currency, making the debt portfolio vulnerable to exchange rate risk. The stock of debt, by currency, shows 18 percent of the debt is denominated in USD and 28 percent in Kuwaiti Dinars.

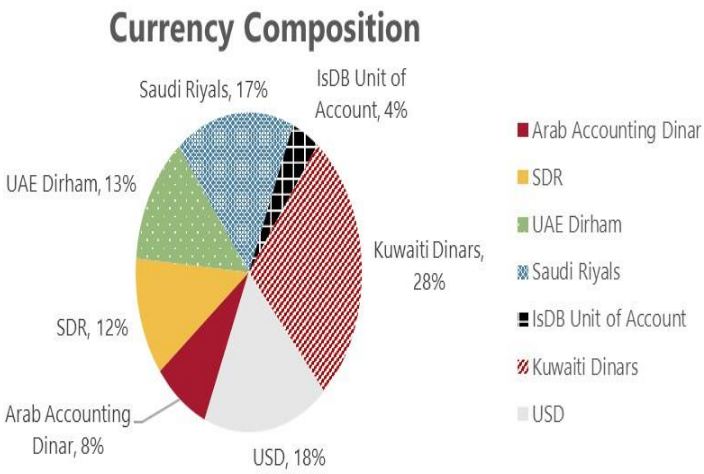


Table 3: Summary of Somalia's cost and risk indicators at end of 2024*

Risk Indicators		Total debt
Refinancing risk	ATM (years)	19.5
	Debt maturing in 1yr (% of total)	2.1%
Interest rate risk	ATR (years)	19.5
	Debt refixing in 1yr (% of total)	2.1%
	Fixed rate debt (% of total)	100.0%
FX risk	FX debt (% of total debt)	100.0%

Source: Debt Management Unit, MOF, FGS.

**Note: Includes arrears.*
** ATM: Average Time to Maturity.*
** ATR: Average Time to Refaxing.*

16. The Ministry of Finance undertook a comprehensive process to enhance public debt management regulations. The amendments involved strengthening key parameters of debt policy and establishing the procedure to enter new borrowing and issuance of sovereign guarantees. In revising the regulation, the DMU considered international sound practices, including the sound debt management guidelines of the IMF and the World Bank. The process benefited from inputs and feedback of key stakeholders. This collaborative approach ensured that the regulations were well-informed and addressed the specific needs and challenges for debt management.

17. Recognizing that effective debt management requires continuous monitoring and reporting, with standard procedures, the DMU developed a detailed Debt Management Standard Operational Procedures Manual (SOPM). The SOPM will assist in tracking debt performance and regular reporting, which is a crucial step in managing debt effectively. It also serves as a detailed guide outlining the policies, procedures, and responsibilities related to debt management, including the different departments that need to be consulted in performing tasks. The manual focused on the core activities currently performed by the DMU, including the processes for loan negotiation, approval, and debt servicing. Detailed steps are provided for each task. Additionally, the manual describes:

- the process and responsibilities for producing key debt management reports and;
- future activities that are foreseen to be undertaken by the DMU over the coming five years.

The letter includes the development and publication of an annual borrowing plan and a Medium-Term Debt Management Strategy (MTDS), as well as the processes for on-lending and the assessment of government loan guarantees prior to issuing.

Annex 1:

Table 1. Somalia Stock of debt at the end of 2024. (millions of US dollars).

Creditor Category / Creditor Name	31/12/2024			
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock
GRAND TOTAL	**749.55**	**654.08**	**111.72**	**1,515.35**
Commercial	**1.51**	**1.16**	**-**	**2.67**
Government of Serbia	1.51	1.16	-	2.67
Multilateral	**311.33**	**373.72**	**0.05**	**685.10**
Arab Fund for Economic and Social Dev.	74.56	127.00	0.05	201.61
Arab Monetary Fund	58.20	246.72	-	304.92
Int. Fund for Agricultural Development	2.05	-	-	2.05
International Monetary Fund	113.46	-	-	113.46
Islamic Development Bank	26.67	-	-	26.67
OPEC Fund for Int. Dev.	36.39	-	-	36.39
Non-Paris Club	**388.45**	**279.20**	**111.67**	**779.32**
Abu Dhabi Fund for Developement	94.22	172.48	0.02	266.72
Government of Algeria	0.90	0.66	-	1.56
Government of Bulgaria	5.53	5.96	-	11.49
Government Of Iraq	31.22	69.70	111.65	212.57
Government of Libya	11.75	30.15	-	41.90
Government of Romania	2.27	0.25	-	2.52
Kuwait Fund for Econ. Dev	123.70	-	-	123.70
Saudi Fund for Development	118.86	-	-	118.86
Paris Club	**48.26**	**-**	**-**	**48.26**
Government of Russia	7.36	-	-	7.36
Government of Spain	40.90	-	-	40.90

Source: Debt Management Unit, MOF, FGS.

Disclosure Note: The stock of debt includes debt owed to Spain stock of debt which is expected to be fully forgiven once we reach a mutual agreement on their proposed debt swaps. As well as a Poverty Reduction and Growth Trust (PRGT) loan from the International Monetary Fund (IMF) that was made available to the government to serve as budget support. However, no withdrawals were made by the government. Therefore, it generates only a small interest income to offset the interest payable to the IMF.