Federal Republic of Somalia
Ministry of Finance
Debt Management Department

ANNUAL DEBT MANAGEMENT REPORT

FY2025
January-December 2025

FOREWARD

I am pleased to announce another important milestone in our ongoing commitment to sound fiscal governance through the publication of Somalia's second Annual Debt Management Report (ADMR). This report reflects our strong dedication to promoting transparency and accountability in public financial management. Moving forward, we are committed to publishing the report regularly, within four months after the end of each fiscal year, to ensure timely disclosure and strengthen confidence in our debt management practices.

The primary objective of this report is to present a comprehensive overview of Somalia's external debt portfolio, including its composition, debt servicing obligations, and the associated risk analysis.

This report is intended to serve as a key reference for informing fiscal policy decisions and supporting the Government's broader objective of maintaining debt sustainability while further strengthening macroeconomic stability.

In future editions, the Debt Management Department (DMD) of the Ministry of Finance intends to broaden the scope of debt analysis and reporting to cover domestic borrowing, government guarantees, and on-lending arrangements. These components will be incorporated once the necessary institutional, fiscal, and monetary frameworks are fully established.

It is important to note that the data presented in this report relates exclusively to the Federal Government's external debt obligations. At present, Somalia has neither issued domestic securities nor undertaken domestic borrowing, and no government guarantees have been provided.

The Government of Somalia remains firmly committed to strengthening effective and transparent debt management systems and processes. We deeply appreciate the valuable support provided by our international partners and look forward to continued constructive collaboration with them and all stakeholders as we progress along this important and transformative journey.

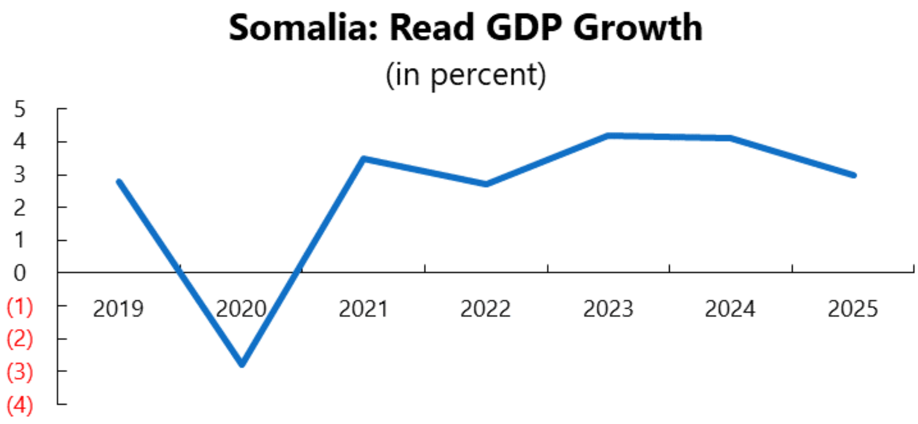
H.E. Bihi Iman Egeh
The Minister

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
DMD	Debt Management Department
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



Source: Debt Management Unit

Somalia's macroeconomic landscape continues to face significant structural challenges, despite the foundational support provided by sustained reform efforts, debt relief, and strong donor engagement. In 2024, real GDP growth reached 4.1 percent, driven primarily by strong household consumption, steady remittance inflows, and a notable 21.1 percent increase in construction investment. Looking ahead, the IMF projected growth moderating to 3.0 percent in 2025 before gradually rising to 3.3 percent in 2026. These projections reflect ongoing economic vulnerabilities, particularly the impact of recurrent droughts and climate-related shocks on an economy heavily dependent on agriculture and livestock. The Ministry of Finance (MoF), in its own projections on the economic, fiscal and socioeconomic impacts of the significant aid cuts in 2025, estimated economic growth may fall to 2.4 or 2.8 percent. The MoF assessment is primarily premised on the fact that aid, both development and humanitarian aid, transmits primarily through total consumption (government and private consumption), as well as the importance of aid relative to the size of Somalia's economy (i.e. ~21 percent of GDP in 2024). The size of the downgrade in Somalia's 2025 GDP projection is also predicated on the size of overseas development assistance (ODA) cuts; the MoF set a lower bound of US$ 450 million and an upper bound of US$ 600 million for its projections. This range is borne out by preliminary findings on the scope and scale of aid cuts made in 2025.

The OECD released preliminary findings estimating ODA cuts to the developing world to be in the range of 23.1 percent. Similarly, preliminary estimates from the MoF place the lower bound of aid cuts from Somalia's six key donors (U.S., U.K., Germany, France, Japan and Sweden) in 2025 at 21.1 percent. The ODA from these six donors, comprising 85 percent of all bilateral aid (i.e. from DAC donors) in 2024 to Somalia, financed humanitarian assistance, social services and economic resilience programs in the country. This marked decline in ODA to Somalia was primarily driven by U.S. aid retrenchment, it historically being the largest single-country donor to humanitarian aid, food security, health & nutrition, and security/peacekeeping activities in Somalia.

Nonetheless, Somalia continues to benefit from sustained economic, financial, and institutional reforms, alongside debt relief initiatives that have significantly reduced the country's debt burden. These efforts have contributed to improved macroeconomic stability and strengthened credibility with international financial institutions.

Remittances and exports—particularly livestock—remain key drivers of economic activity. However, inflation dynamics present emerging risks. Inflation is projected to reach around 3.7 percent by end-2025, supported by relatively soft global commodity prices, although food price pressures are expected to persist. Though the height of cost-driven pass-through from the restriction to marine traffic in Bab al-Mandeb strait was limited to 2024, the hangover of Middle East hostilities continued to impact maritime trade, leading to a continued import surcharge from war-risk premia charged on Somalia-bound goods.

On the external front, the current account deficit is projected to widen slightly in the near term before stabilizing over the medium term, reflecting an anticipated decline in grants, while remittance inflows are expected to remain stable and exports gradually improve. Remittances will continue to constitute a significant source of external inflows, exceeding 20 percent of GDP, thereby supporting household consumption and contributing to foreign exchange availability. However, it remains to be seen whether this will form a sufficient buffer to negate the impact of ODA cuts and persistent drought conditions leading to weak rainfall in the Deyr season. This is particularly salient when since ODA cuts likely signal a structural shift in aid support that formed a foundational pillar to Somalia’s development model

MEDIUM - TERM FISCAL FRAMEWORK

On the fiscal front, domestic revenue mobilization is gradually improving, supported by ongoing tax policy reforms and strengthened revenue administration. Domestic revenue mobilization did increase from 2024 by 11 percent, this growth primarily driven by sales tax collection and non-tax collection. The enactment of the Income Tax Law in 2025 is expected to broaden the tax base and improve revenue performance over the medium term. In the near term, grants from development partners will continue to play a critical role in supporting the national budget and financing priority investments, thereby complementing domestic revenue efforts and advancing the Government's reform and development agenda.

Although Somalia is currently assessed to be at a moderate risk of debt distress, and financing under the International Development Association IDA20 and IDA21 frameworks generally may not include grant financing, Somalia has secured an extension of its eligibility for grants through June 2028. This extension will allow the country to continue accessing grant resources beyond the originally anticipated period, thereby supporting fiscal sustainability and helping to meet key development priorities.

Somalia's overall fiscal deficit for FY2026 is projected at 0.2 percent of GDP. Over the medium term, the Government aims to maintain the overall fiscal deficit below 3.5 percent of GDP, with any financing needs to be met through highly concessional borrowing. Under the 3-year Extended Credit Facility (ECF) arrangement with the International Monetary Fund (IMF), at least 1.5 percent of GDP is expected to be financed through instruments offering highly concessional terms, alongside technical assistance and capacity development support. The projected deficit in 2026 is expected to be financed through IMF augmentation and the mobilization of additional bilateral grants.

HIPC DEBT RELIEF

1. Somalia's external public debt-to-GDP ratio declined significantly from 64 percent in 2018 to around 6.4 percent by the end of 2023, following the successful completion of the Heavily Indebted Poor Countries Initiative HIPC debt relief process. This substantial reduction in the debt burden has created additional fiscal space for the Government to increase investment in critical infrastructure and priority social sectors. Looking ahead, prudent debt management will remain essential to sustaining economic growth, preserving long-term debt sustainability, and addressing key structural challenges, including youth unemployment, climate-related shocks, and security risks.

2. In 2025, the Ministry made significant progress in advancing debt relief negotiations and in implementing the provisions of the Paris Club Agreed Minutes of March 13, 2024, through the application of comparability of treatment and the common reduction factor as set out in the Decision and Completion Point Document.

Key milestones achieved during this period include the following:

- On February 11, 2025, the Ministry of Finance finalized and signed a debt rescheduling agreement with the Abu Dhabi Fund for Development. The agreement provides for a 40-year repayment period, including a 16-year grace period, and suspends interest payments until the end of 2028, thereby significantly easing Somalia's near- and medium-term debt service obligations.
- On April 9, 2025, the Ministry concluded a 20-year debt rescheduling agreement with the Arab Monetary Fund. The agreement includes a zero-interest rate and symbolic token payments tailored to Somalia's fiscal capacity, further strengthening debt sustainability.
- An agreement-in-principle was reached at the end of 2025 with the Spanish authorities on the required 1% debt cancellation (USD 408,986.24). The remaining balance (USD 40.5 million) is to be settled through a debt swap agreement, by way of a debt-for-development swap mechanism. The agreement provides for an upfront 60% cancellation (USD 24.4 million), an unprecedented provision in comparable arrangements with Spain, while the remaining 40% (USD 16.2 million) shall be cancelled subject to payment terms aligned with Somalia's fiscal constraints.
- The Ministry also reached a preliminary agreement with the Government of Romania on a treatment consistent with HIPC requirements, including an 85 percent nominal debt cancellation. The first payment is scheduled for 2026, and both parties are currently working toward the finalization of the agreement.
- The Ministry received a letter dated February 8, 2026, from the Government of Algeria confirming full forgiveness of its outstanding debt. Implementation of this decision is in progress, with both parties having designated focal officials to oversee execution.

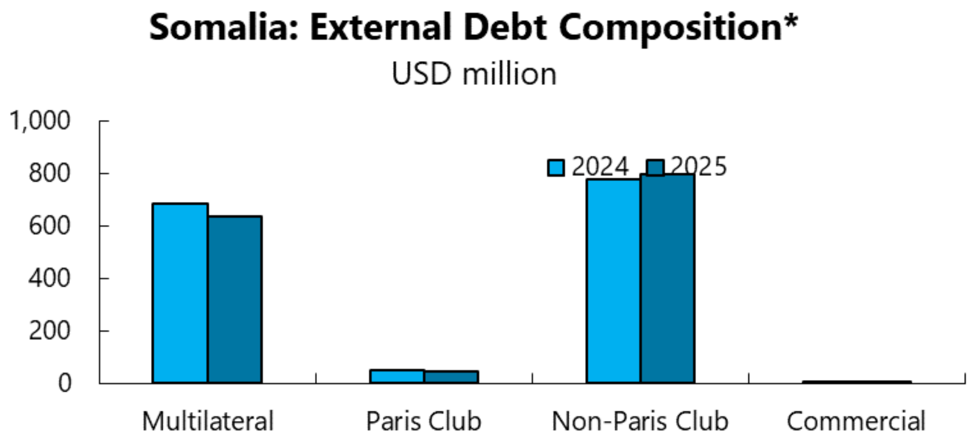
- Engagement with Remaining non-Paris Club and Multilateral Creditors: The Ministry continued to engage in good-faith and best efforts negotiations to resolve outstanding arrears with remaining non-Paris Club and multilateral creditors. In this regard, the Debt Management Department (DMD) held technical-level discussions with Iraq, Libya, and the Arab Fund for Economic and Social Development (AFESD) to advance agreements consistent with the Enhanced HIPC framework and the Paris Club Agreed Minutes of March 13, 2024. Follow-up communications were also sent to Bulgaria and Serbia to facilitate continued discussions.
- Following Cabinet approval of the Public Financial Management (PFM) Regulations on Debt Policy Parameters and Procedures for Borrowing and Issuance of Guarantees in July 2024, the Ministry made substantial progress in operationalizing the regulatory framework:

a) In line with Article 2 of the PFM Regulations, the Ministry developed a five-year Medium-Term Debt Management Strategy (MTDS) covering the period 2025–2029. The strategy aims to meet the Government's financing needs at the lowest possible cost over the medium to long term while maintaining risk exposure within prudent thresholds. The Cabinet approved the MTDS in November 2025, selecting a strategy that relies on highly concessional financing over the next four years (Strategy 1).

b) Pursuant to Article 3 of the PFM Regulations, the Ministry prepared a concise National Annual Borrowing Plan for 2026. The plan is designed to guide government borrowing in a predictable, cost-effective, and risk-controlled manner, consistent with fiscal sustainability objectives. The plan was submitted alongside the National Budget for 2026, approved by the Council of Ministers, and subsequently endorsed by both Houses of Parliament in December 2025. The Ministry is currently finalizing implementation guidelines for the Annual Borrowing Plan, which will be submitted to the Cabinet for approval upon completion.

TOWARDS A COHERENT DEBT NEGOTIATION STRATEGY

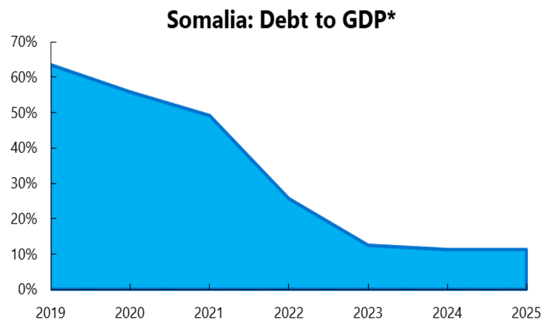
3. In accordance with Article III of the Paris Club Agreed Minutes of March 13, 2024, the Federal Government of Somalia continues to engage constructively and in good faith and best efforts with remaining non-Paris Club and Multilateral Creditors. To support this process, the Government has developed a formal debt negotiation strategy aimed at:
   - ➢ Ensuring the implementation of the principle of comparability of treatment through the attainment of equivalent debt relief from remaining bilateral non-Paris Club, multilateral, and commercial creditors;
   - ➢ Aligning debt treatment terms with the relief already granted by Paris Club members under the Enhanced HIPC framework; and;
   - ➢ Strengthening Somalia's fiscal sustainability through equitable burden-sharing across all creditor categories.
4. Since the previous reporting period, outstanding arrears have continued to decline following the successful settlement of obligations with the Arab Monetary Fund and the Abu Dhabi Fund for Development. Negotiations with the Governments of Spain and Romania are at an advanced stage of completion. The Government remains actively engaged with the remaining official bilateral creditors, as well as the sole remaining multilateral creditor, with the objective of reaching mutually agreeable settlement arrangements for the outstanding arrears.

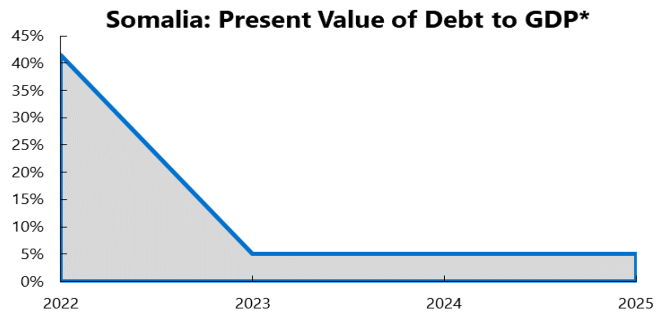


Source: Debt Management Depasrment
*Note: Includes arrears

DEBT STOCK

5. The existing debt portfolio is composed entirely of external (foreign currency) obligations. The main creditors are multilateral and bilateral institutions, with bilateral creditors representing the largest share of the portfolio. In addition, there is a single commercial loan contracted with a Serbian company.
6. As of end-2025, Somalia's total outstanding public debt stock stood at USD 1.48 billion. Multilateral creditors accounted for 43 percent of this total, equivalent to approximately USD 634.5 million. The main creditors within this category are the Arab Fund for Economic and Social Development (AFESD), the Arab Monetary Fund (AMF), and the International Monetary Fund (IMF), listed in order of their relative exposure.
7. Non-Paris Club bilateral creditors represented approximately 54 percent of the total debt stock as of end-2025. The main creditors within this category include the Abu Dhabi Fund for Development, Iraq, the Kuwait Fund for Arab Economic Development (KFAED), and the Saudi Fund for Development (SFD). The outstanding commercial debt, consisting of a loan with a Serbian company, amounted to USD 2.73 million.
8. Somalia's debt-to-GDP ratio has continued to decline, driven by a combination of strong GDP growth and ongoing debt treatment measures. The accompanying chart illustrates the evolution of the debt-to-GDP ratio as well as the present value (PV) of debt ratios over time.
9. .





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

ARREARS

10. Somalia's debt portfolio continues to be characterized by a significant stock of arrears. Outstanding arrears are mainly with non-Paris Club creditors and a sole multilateral creditor, collectively accounting for approximately 34 percent of the country's total outstanding debt. The Government remains committed to engaging with all remaining creditors to resolve these arrears through the provision of comparable debt relief treatment and the application of the Common Reduction Factor, as set out in the HIPC Decision Point Document.
11. As noted above, the Government remains committed to reaching agreements with remaining creditors that have yet to provide debt relief under the HIPC Initiative. Annex 1 provides a detailed breakdown of the external debt stock as at the end of 2025, while Table 1 presents the stock of arrears as of the same period.

Table 1: Somalia, Stock of Arrears at end of 2025 (in million U.S. dollars)				
Creditor Type	**Principal**	**Interest**	**Other fees**	**Grand Total**
Multilateral	75.18	131.07	0.05	206.30
Non-Paris Club	51.68	122.90	115.22	289.80
Commercial	1.51	1.22	0.00	2.73
Total	**128.37**	**255.19**	**115.27**	**498.83**

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

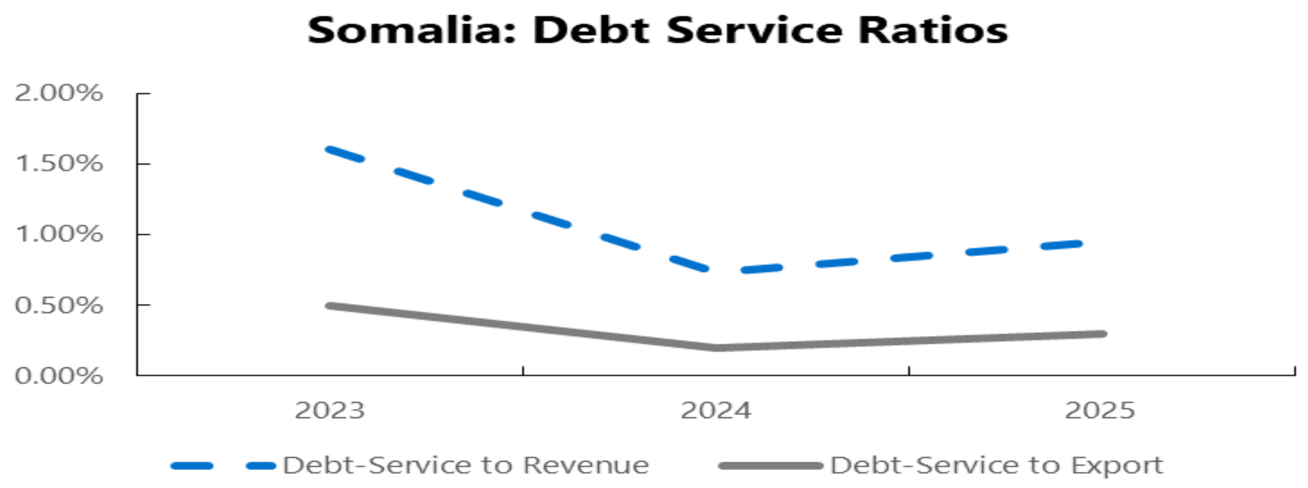
12. The Government has continued to meet its debt service obligations to creditors that have already provided debt relief. With regard to creditors that have not yet extended comparable treatment, the Ministry remains committed to reaching similar agreements in line with established debt relief frameworks.

Table 2: Somalia – Debt Service Payments in 2025 (Millions of U.S. Dollars)

Creditor	Principal	Interest	Other fees	Total debt service
Russia (blocked and short-term debt)	1.39	0.37	0.00	1.76
Kuwait Fund for Arab Economic Dev.	0.00	2.66	0.00	2.66
Saudi Fund for Development	0.00	3.11	0.00	3.11
OPEC Fund for International Dev.	0.00	0.21	0.00	0.21
Islamic Development Bank	0.14	0.00	0.00	0.14
Arab Monetary Fund	0.25	0.00	0.00	0.25
International Fund for Agricultural Dev.	0.00	0.00	0.00	0.00
IMF (SDR charges)	0.00	0.00	0.00	0.00
Total	**1.78**	**6.35**	**0.00**	**8.13**

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

11. The chart below shows that Somalia's debt service ratios are projected to increase moderately from 2024 to 2025. The debt-service-to-revenue ratio rises slightly to around 0.95 percent in 2025, indicating a modest increase in debt servicing pressure relative to government revenue. However, the ratio remains well below the 2023 level.



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

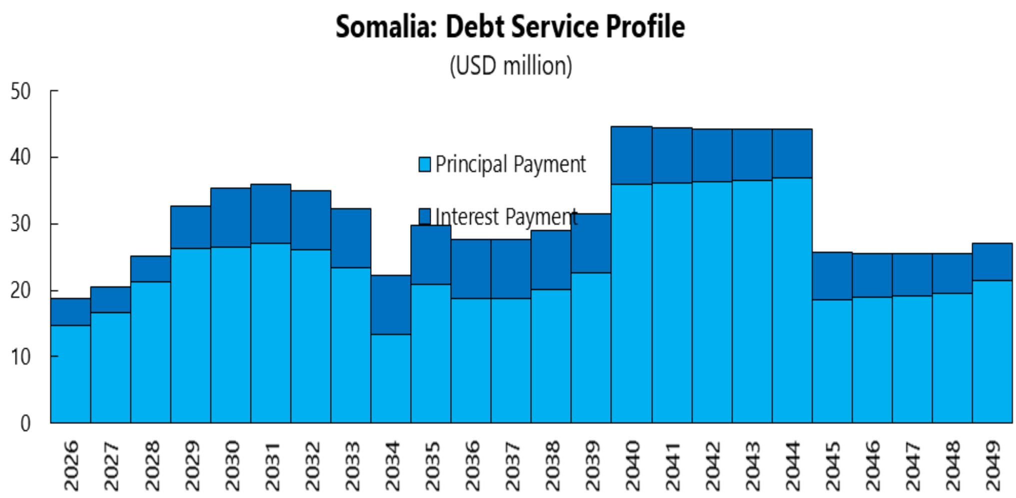
a) Interest rate risk

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 19.0 years and debt re-fixing in 1 year at 1.6 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 1.6 percent of total debt. The debt service profile of existing debt as at end-2025 is presented in Figure 3 below. The profile shows a concentration of payments between 2029 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 mentioned in the previous section, all of Somalia's debts are denominated in foreign currency. The breakdown of debt by currency shows that 25 percent is in Arab Emirates Dirham (AED), followed by 19 percent in Kuwaiti dinars, 19 percent in Arab Accounting Dinar (AAD), 12 percent in Special Drawing Rights (SDRs), 11 percent in USD, and 14 percent other currencies.

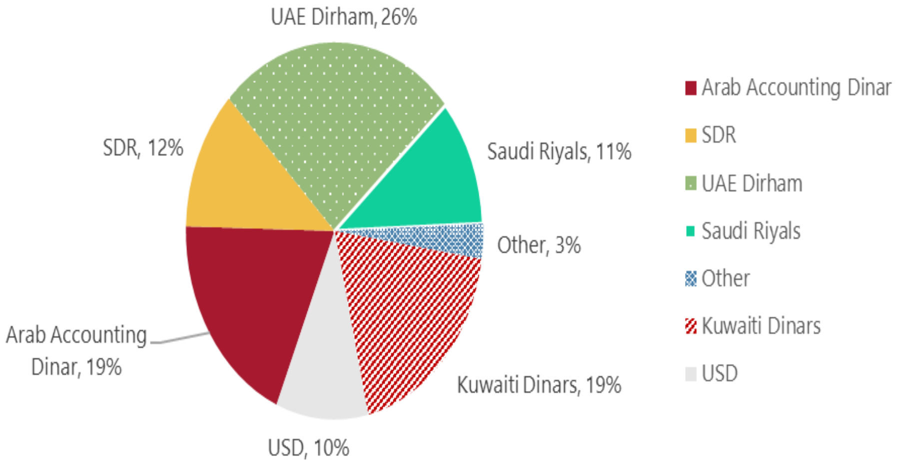


Table 3: Summary of Somalia's cost and risk indicators at end of 2025*

Risk Indicators		Total debt
Refinancing risk	ATM (years)	19.0
	Debt maturing in 1yr (% of total)	1.6%
Interest rate risk	ATR (years)	19.0
	Debt refixing in 1yr (% of total)	1.6%
	Fixed rate debt (% of total)	100.0%
FX risk	FX debt (% of total debt)	100.0%

Source: Debt Management Department, MOF, FGS.
*Note: Includes arrears.
* ATM: Average Time to Maturity.
* ATR: Average Time to Refaxing.

INSTITUTIONAL DEVELOPMENTS

16. The Ministry of Finance has made notable institutional progress in strengthening public debt management functions to support prudent borrowing and enhance debt sustainability.

17. One of the key developments has been the strengthening of the Debt Management Department (DMD) through improved organizational arrangements and clearer assignment of responsibilities in debt recording, analysis, reporting, and creditor coordination. These improvements have enhanced the Ministry's capacity to manage the public debt portfolio in a more transparent, efficient, and accountable manner.

18. In addition, the Ministry has advanced the legal and policy framework for debt management. Following the issuance of the Public Financial Management (PFM) Regulations on Debt Policy Parameters and Procedures for Borrowing and Issuance of Guarantees in July 2024, substantial progress has been made in operationalizing this framework. This includes the development of a five-year Medium-Term Debt Management Strategy (MTDS) for the period 2025–2029, as well as the preparation of the 2026 National Annual Borrowing Plan (ABP).

19. The Ministry is also finalizing the implementation guidelines for the Annual Borrowing Plan, which will be submitted to the Cabinet for approval upon completion. These strategic instruments are intended to guide borrowing decisions and ensure that new financing remains aligned with debt sustainability objectives and the Government's concessional borrowing requirements.

20. Furthermore, the Ministry has strengthened the transparency and regularity of debt reporting through the production of quarterly debt bulletins and regular updates on public debt statistics. These efforts have improved accountability and support informed decision-making in public borrowing operations.

Annex 1:

Table 1: Somalia – Stock of Debt as at End-2025 (Millions of U.S. Dollars)

Creditor Category / Creditor Name	Outstanding Debt as at December 31, 2025 (Millions of U.S. Dollars)			
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock
Commercial				
Government of Serbia	1.51	1.22	-	2.73
SUBTOTAL	**1.51**	**1.22**	**-**	**2.73**
Multilateral				
Arab Fund for Economic and Social Dev.	75.18	131.07	0.05	206.30
Arab Monetary Fund	201.97	-	-	201.97
Int. Fund for Agricultural Development	1.69	-	-	1.69
International Monetary Fund	160.23	-	-	160.23
Islamic Development Bank	27.87	-	-	27.87
OPEC Fund for Int. Dev.	36.39	-	-	36.39
SUBTOTAL	**503.33**	**131.07**	**0.05**	**634.45**
Non-Paris Club				
Abu Dhabi Fund for Developement	267.81	-	-	267.81
Government of Algeria	0.90	0.66	-	1.56
Government of Bulgaria	5.53	6.08	-	11.61
Government Of Iraq	31.22	80.68	115.22	227.12
Government of Libya	11.75	35.22	-	46.97
Government of Romania	2.27	0.25	-	2.52
Kuwait Fund for Econ. Dev	123.88	-	-	123.88
Saudi Fund for Development	117.31	-	-	117.31
SUBTOTAL	**560.67**	**122.89**	**115.22**	**798.78**
Paris Club				
Government of Russia	5.42	-	-	5.42
Government of Spain	40.90	-	-	40.90
SUBTOTAL	**46.32**	**-**	**-**	**46.32**
GRAND TOTAL	**1,111.83**	**255.18**	**115.27**	**1,482.28**

Source: Debt Management Department, MOF, FGS.

Disclosure Note: *The reported stock of debt includes obligations to Spain, of which 60 percent is expected to be cancelled upon the signing of a bilateral agreement, anticipated to be finalized in 2026. It also includes a loan under the Poverty Reduction and Growth Trust (PRGT) from the International Monetary Fund, which was made available to the Government for budget support purposes. However, no disbursements have been made under this facility; as such, it accrues only minimal interest income, which partially offsets the interest payable to the IMF.*