DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE
FEDERAL GOVERNMENT OF SOMALIA

**Quartley Public Debt Bulletin**
**(Quarter III, 2022)**

**Debt Management Unit**
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**Contents**



## 1. Quarter III, 2022. Progress in Debt Management issues:

In this quarter of July-September, 2022, the Government of Somalia remained committed in engaging with its creditors to secure the appropriate debt relief within the framework of the Paris Club agreement and the HIPC Initiative. Therefore, DMU continued implementing the Government's negotiation strategy in reaching out to Non-Paris and other multilaterals creditors. The status of these negotiations is as follows:

- Saudi Fund for Development: SFD informed us that our debt relief request, in line with the proposal sent to the Kuwait Fund for Arab Economic Development, was being reviewed by their Board of Directors.
- Abu Dhabi Fund for Development: ADFD informed us that our debt relief request, in line with the proposal sent to the Kuwait Fund for Arab Economic Development, was being reviewed by their Board of Directors.
- Iraq: The Iraqis has indicated its desire to accommodate our proposal to reduce 67% of the total debt in arrears owed by the Government of the Federal Republic of Somalia and to reschedule 33% of the remaining debt under the Naples Terms. A meeting, at the technical level, to discuss ways to proceed is being arranged. IsDB – During the quarter, negotiations continued with this creditor. Government has engaged with this creditor and it
- OPEC Fund. A debt relief agreement is being reviewed by the Board of Directors and will provide the way forward for the negotiations.
- Negotiations with potential donors to clear remaining arrears with this creditor continued during the quarter. Engagement is now focusing on an identified creditor.
- Russia. Negotiations are still ongoing with this creditor.
- Furthermore, Somalia's debt relief proposals are also being reviewed by the Governments of Bulgaria and Romania.

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 and is now live at a DMU facility with the procured Microsoft's AZURE cloud.

## 2. Somalia's stock and flow data, QIII, 2022

All the debt data, presented in this bulletin 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.

*Stock of debt at end of Quarter III, 2022*

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 QIII, 2022 stood at USD 4,375.85 billion, of which multilaterals represented 23 percent of the total with USD 1,008.98 billion. The largest creditors, in this category, are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3,366.85 billion with Paris Club creditors representing close to 78 percent of the bilateral debt. The commercial loan with a Servian company amounted to USD 2.52 million. The main creditors, within this category, 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 to secure the appropriate debt relief contemplated under the HIPC Initiative. There is one claim considered commercial debt. Table 1 includes a detailed description of the stock of debt at the end of QII and QIII, 2022.

[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 QII, 2022 and QIII, 2022.

Period: Calendar Quarter (01/04/2022 - 30/09/2022)Currency Units: Millions of US Dollars

| Creditor Category / Creditor Name | 2022 - Q2 | | | | 2022 - Q3 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Face Value | Interest Arrears | Other Fee Arrears | Total Stock | Face Value | Interest Arrears | Other Fee Arrears | Total Stock | Of Which of arrears |
| GRAND TOTAL | 3,284.71 | 988.45 | 149.80 | 4,422.96 | 3,241.92 | 986.66 | 147.27 | 4,375.85 | 1,977.97 |
| **Commercial** | 1.51 | 0.99 | - | 2.50 | 1.51 | 1.01 | - | 2.52 | 2.52 |
| Government of Serbia | 1.51 | 0.99 | - | 2.50 | 1.51 | 1.01 | - | 2.52 | 2.52 |
| **Multilateral** | 686.49 | 345.76 | 6.03 | 1,038.28 | 662.34 | 340.62 | 6.02 | 1,008.98 | 551.57 |
| African Development Fund | 21.17 | - | - | 21.17 | 19.39 | - | - | 19.39 | - |
| Arab Fund for Economic and Social Dev. | 74.86 | 114.05 | 0.05 | 188.96 | 73.87 | 113.65 | 0.05 | 187.57 | 187.57 |
| Arab Monetary Fund | 73.16 | 223.14 | - | 296.30 | 70.52 | 218.56 | - | 289.08 | 289.08 |
| Int. Fund for Agricultural Development | 23.51 | 7.28 | 0.03 | 30.82 | 22.67 | 7.09 | 0.03 | 29.79 | 26.83 |
| International Development Association | 110.72 | - | - | 110.72 | 105.57 | - | - | 105.57 | - |
| International Monetary Fund | 341.81 | - | - | 341.81 | 329.48 | - | - | 329.48 | - |
| Islamic Development Bank | 11.38 | 1.08 | - | 12.46 | 10.97 | 1.04 | - | 12.01 | 12.01 |
| OPEC Fund for Int. Dev. | 29.87 | 0.21 | 5.94 | 36.02 | 29.87 | 0.27 | 5.94 | 36.08 | 36.08 |
| **Non-Paris Club** | 329.83 | 303.47 | 98.52 | 731.82 | 328.18 | 306.09 | 98.52 | 732.79 | 606.85 |
| Abu Dhabi Fund for Developement | 94.22 | 155.51 | 0.02 | 249.75 | 94.22 | 157.40 | 0.02 | 251.64 | 251.64 |
| Government of Algeria | 0.90 | 0.66 | - | 1.56 | 0.90 | 0.66 | - | 1.56 | 1.56 |
| Government of Bulgaria | 5.53 | 5.40 | - | 10.93 | 5.53 | 5.40 | - | 10.93 | 10.93 |
| Government Of Iraq | 31.22 | 62.47 | 98.51 | 192.20 | 31.22 | 62.47 | 98.51 | 192.20 | 192.20 |
| Government of Libya | 11.75 | 23.80 | - | 35.55 | 11.75 | 23.80 | - | 35.55 | 35.55 |
| Government of Romania | 2.27 | 0.25 | - | 2.52 | 2.27 | 0.25 | - | 2.52 | 2.52 |
| Kuwait Fund for Econ. Dev | 125.05 | - | - | 125.05 | 123.40 | - | - | 123.40 | - |
| Saudi Fund for Development | 58.88 | 55.36 | - | 114.24 | 58.88 | 56.10 | - | 114.98 | 112.45 |
| **Paris Club** | 2,266.88 | 338.23 | 45.26 | 2,650.37 | 2,251.39 | 339.95 | 42.72 | 2,634.06 | 817.03 |
| European Economic Community (EEC) | 0.32 | - | - | 0.32 | 0.30 | - | - | 0.30 | - |
| Government of Denmark | 2.86 | - | - | 2.86 | 2.77 | - | - | 2.77 | - |
| Government of France | 142.09 | - | - | 142.09 | 133.35 | - | - | 133.35 | - |
| Government of Italy | 618.94 | - | - | 618.94 | 615.21 | - | - | 615.21 | - |
| Government of Japan | 47.34 | 13.60 | 45.26 | 106.20 | 44.69 | 12.83 | 42.72 | 100.24 | 100.24 |
| Government of Netherlands | 2.05 | - | - | 2.05 | 1.93 | - | - | 1.93 | - |
| Government of Norway | 0.60 | - | - | 0.60 | 0.55 | - | - | 0.55 | - |
| Government of Russia | 389.68 | 324.63 | - | 714.31 | 389.68 | 327.11 | - | 716.79 | 716.79 |
| Government of Spain | 40.90 | - | - | 40.90 | 40.90 | - | - | 40.90 | - |
| Government of UK | 30.30 | - | - | 30.30 | 30.22 | - | - | 30.22 | - |
| United States of America | 991.81 | - | - | 991.81 | 991.81 | - | - | 991.81 | - |

Filters: Portfolio: All InstrumentsComments:

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

**Table 2.** Somalia, Stock of arrears at the end of QIII, 2022

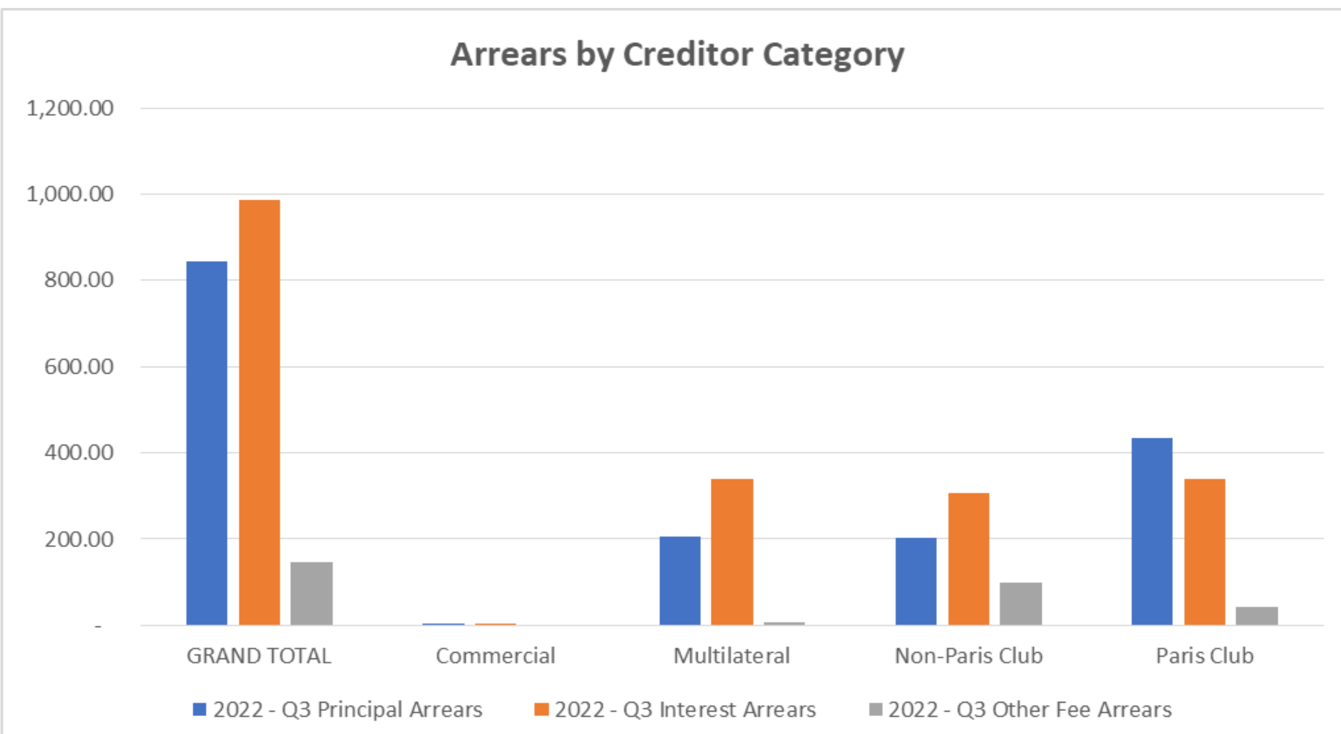
Period: Calendar Quarter (01/07/2022 - 30/09/2022)Currency Units: Millions of US Dollars

| Creditor Category | 2022 - Q3 | | |
|---|---|---|---|
| | Principal Arrears | Interest Arrears | Other Fee Arrears |
| GRAND TOTAL | 843.07 | 987.67 | 147.26 |
| Commercial | 1.51 | 1.03 | - |
| Multilateral | 204.95 | 340.62 | 6.02 |
| Non-Paris Club | 202.25 | 306.07 | 98.52 |
| Paris Club | 434.36 | 339.95 | 42.72 |

Filters: Portfolio: All InstrumentsComments:

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

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




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

*Debt Flows during QIII, 2022.*

As part of Somalia's IMF-supported program, during QIII of 2022, Government continued to prioritize 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 QIII, 2022, by creditor. (In millions USD).

| Total Debt Service Paid By Creditor (July-Septermber, 2022) | | | | In USD million |
|---|---|---|---|---|
| | **Principal** | **Interest** | **Credits** | **Total** |
| **Total Debt Service (October-December, 2021)** | **2.98** | **0.15** | **(0.01)** | **3.12** |
| **IFIs & Multilateral** | **2.98** | **0.15** | **(0.01)** | **3.12** |
| IMF | - | - | - | - |
| AfDB | 1.16 | 0.03 | - | 1.20 |
| IDA | **1.81** | **0.12** | **(0.01)** | **1.92** |

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

**Table 4**: Somalia, scheduled monthly debt service for the next 12-months, by creditor.

Period: Calendar Month (01/10/2022 - 30/09/2023)Currency Units: Millions of US Dollars

| Creditor Category / Creditor Name | TOTAL DEBT SERVICE DUE | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **22-Oct** | **22-Nov** | **22-Dec** | **23-Jan** | **23-Feb** | **23-Mar** | **23-Apr** | **23-May** | **23-Jun** | **23-Jul** | **23-Aug** | **23-Sep** |
| GRAND TOTAL | 0.99 | 2.27 | 1.47 | 2.27 | 0.29 | 0.61 | 1.00 | 2.33 | 1.25 | 2.25 | 0.29 | 0.61 |
| **Multilateral** | 0.88 | 2.27 | 1.47 | 2.27 | 0.29 | 0.61 | 0.89 | 2.33 | 1.25 | 2.25 | 0.29 | 0.61 |
| African Development Fund | - | - | - | 1.13 | - | - | - | - | - | 1.13 | - | - |
| Int. Fund for Agricultural Development | - | - | 0.13 | 0.13 | - | - | - | - | 0.11 | 0.12 | - | - |
| International Development Association | 0.88 | 2.27 | 1.34 | 1.01 | 0.29 | 0.61 | 0.89 | 2.33 | 1.14 | 1.00 | 0.29 | 0.61 |
| **Non-Paris Club** | 0.11 | - | - | - | - | - | 0.11 | - | - | - | - | - |
| Saudi Fund for Development | 0.11 | - | - | - | - | - | 0.11 | - | - | - | - | - |

Filters: Participant Name = African Development Fund AND Participant Name = Int. Fund for Agricultural Development AND Participant Name = International Development Association AND Participant Name = Saudi Fund for Development Portfolio: All InstrumentsComments:

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

## 3. Risks of the Debt Portfolio

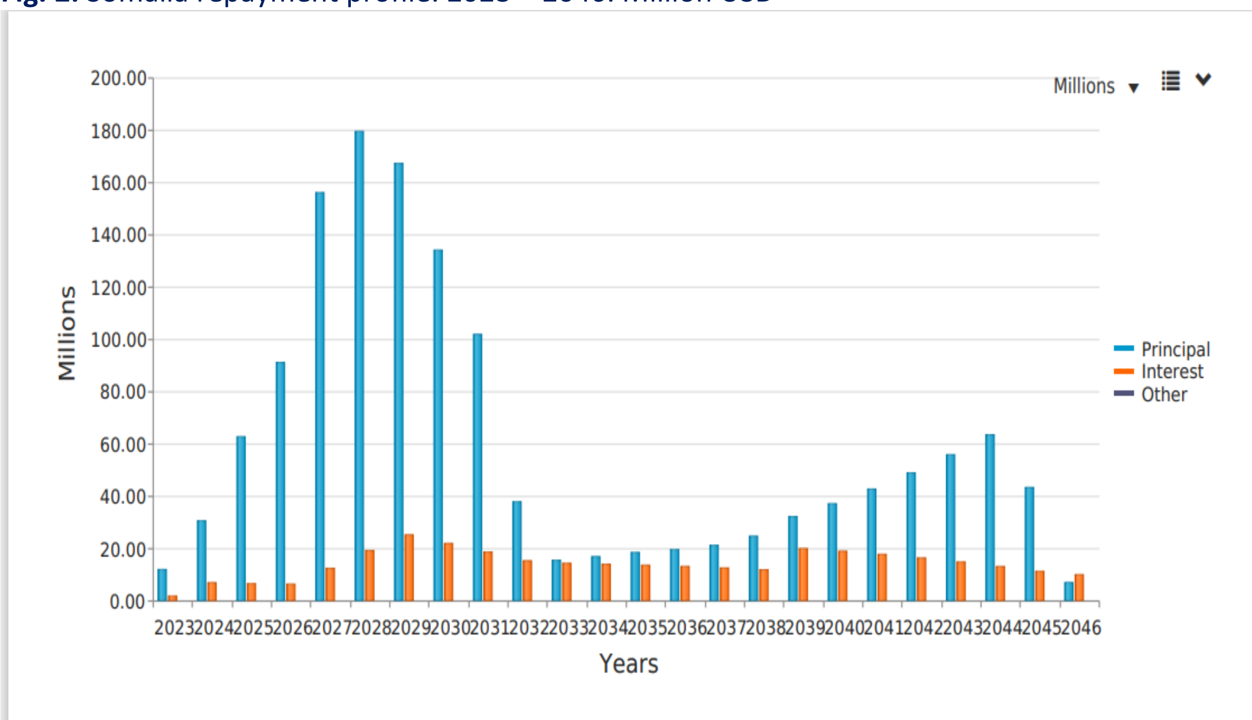
### a. Interest rate risk indicators

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 originally 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 0.36 percent had been contracted with variable interest rates.

### b. Refinancing risk

The total amortization payments scheduled within one year is limited to four creditors: IDA, AfDB and the Saudi Fund and IFAD. The total amount of scheduled debt service payments in next twelve months is USD 15.63 million which represent 0.36 percent of the total outstanding debt (including 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 scheduled repayment of IMF and USA loans.

**Fig. 2:** Somalia repayment profile. 2023 – 2046. Million USD



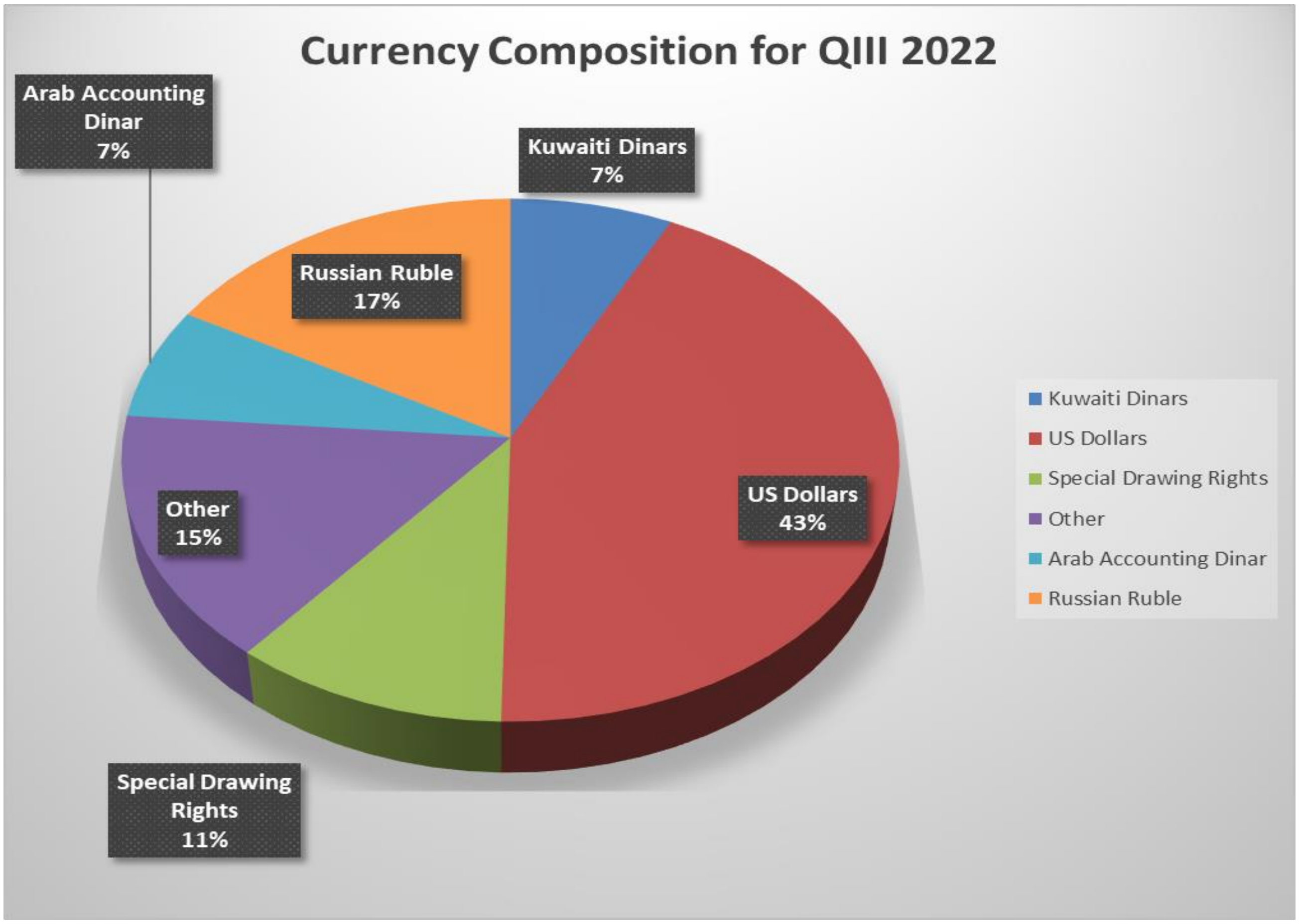

***Source:*** *DMU, Ministry of Finance*

[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 43 percent of debt is denominated in USD followed by SDR at 11 percent which include a portion of loans from IDA, IMF, AfDB and IFAD, the Russian Rubble at 17 percent. Arab Accounting dinar denominated debt stood at 7 percent, Kuwait Dinar at 7 percent, the other currencies represent 15 percent.

**Figure 3:** Somalia, total debt stock at the end of Q1I, 2022 by currency.




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

**d.** Summary of Somalia's cost and risk indicators at end of 2021[3]

Table 5 below provides an overview of existing cost and risk indicators for Somalia's debt portfolio as of end of 2021. The indicators show a relatively long ATM (and ATR as all the current 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).

[3] Excludes existing debt to Italy and Japan

**Table 5:** Summary of cost and risk indicators at the end of 2021

| 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 6 below shows the projected ratios.

**Table 6[4].** Somalia, Debt service ratios 2023-2027, (In USD millions)[5]

| ***(All amounts in $US, otherwise noted)*** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *2023* | | *2024* | | *2025* | | *2026* | | *2027* | |
| ***IFIs & Multilateral*** | ***P*** | ***I*** | ***P*** | ***I*** | ***P*** | ***I*** | ***P*** | ***I*** | ***P*** | ***I*** |
| *IMF* | *-* | *2.13* | *3.30* | *2.12* | *27.68* | *1.99* | *49.47* | *2.53* | 51.57 | 1.67 |
| *AfDB* | *1.14* | *0.07* | *2.27* | *0.13* | *2.21* | *0.12* | *2.21* | *0.10* | *2.18* | 0.08 |
| *IDA* | *10.23* | *0.67* | *11.69* | *0.70* | *11.50* | *0.61* | *11.03* | *0.53* | *10.33* | 0.45 |
| *IFAD* | *0.46* | *0.03* | *0.46* | *0.03* | *0.46* | *0.02* | *0.46* | *0.02* | *0.46* | 0.01 |
| ***Paris Club Creditors*** | | | | | | | | | | |
| *Denmark* | *-* | *0.01* | *0.03* | *0.04* | *0.03* | *0.04* | *0.03* | *0.04* | *0.03* | *0.04* |
| *France* | *-* | *0.62* | *2.37* | *3.76* | *2.37* | *2.96* | *2.37* | *2.93* | *2.37* | *2.89* |
| *Netherlans* | *-* | *-* | *0.01* | *0.01* | *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* | 0.01 | 0.02 |
| *Spain* | *-* | *-* | *8.18* | *0.21* | *8.18* | *0.16* | *8.18* | *0.12* | 8.18 | 0.08 |
| *United Kingdom* | *-* | *0.17* | *0.46* | *0.74* | *0.46* | *0.72* | *0.46* | *0.71* | 0.46 | 0.70 |
| *United States of America* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | 64.75 | 6.27 |
| *European Economic Community (EEC)* | *0.04* | *0.00* | *0.04* | *0.00* | *0.04* | *0.00* | *0.04* | *0.00* | 0.04 | *0.00* |
| ***Non-Paris Club Creditors*** | | | | | | | | | | |
| *Saudi Fund for Development* | *0.20* | *0.02* | *0.20* | *0.02* | *0.20* | *0.02* | *0.20* | *0.02* | 0.20 | 0.02 |
| *Kuwait Fund for Arab Economic Development* | *-* | *-* | *0.84* | *1.26* | *0.84* | *1.79* | *0.84* | *1.79* | 0.84 | 1.79 |
| *Principal & Interest* | *12.07* | *3.73* | *29.86* | *9.04* | *53.99* | *8.47* | *75.31* | *8.82* | 141.43 | 14.03 |
| *Total debt service* | | *15.80* | | *38.90* | | *62.46* | | *84.13* | | *155.46* |
| *Projected debt Stock* | | *4,375.85* | | *4,346.83* | | *4,293.68* | | *4,219.21* | | *4,143.37* |
| *Debt Service as percentage of Revenues* | | *2.7%* | | *7.0%* | | *9.7%* | | *11.4%* | | *19.1%* |
| *Debt Service % of Export of Goods & Service* | | *1.1%* | | *2.5%* | | *3.8%* | | *0.0%* | | *7.9%* |
| *Debt Stock as percentage of GDP* | | *49.5%* | | *45.2%* | | *40.9%* | | *36.8%* | | *33.2%* |
| *Memo items:* | | | | | | | | | | |
| *Revenues 1/* | | *583.00* | | *558.00* | | *646.00* | | *739.00* | | 815.00 |
| *Exports of goods & services 2/* | | *1,440.76* | | *1,548.98* | | *1,658.68* | | *1,810.84* | | 1,972.63 |
| *GDP 3/* | | *8,839.00* | | *9,621.00* | | *10,498.00* | | *11,461.00* | | *12,485.00* |

***Source:***

*1/ (Including grants) Somalia Extended Credit Facility - 2nd and 3rd Reviews, Macroeconomic Framework Tables, March 5, 2022.*

*2/ Somalia Extended Credit Facility - 2nd and 3rd Reviews, Macroeconomic Framework Tables, March 5, 2022.*

*3/ Somalia Extended Credit Facility - 2nd and 3rd Reviews, Macroeconomic Framework Tables, March 5, 2022.*

***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, 2022 Policy Framework Paper. Revenue figures are inclusive of grants.

## 4. Upcoming Activities for QIV, 2022

In the fourth quarter of 2022, the approved Government strategy to engage with Non-Paris Club and other multilaterals creditors will continue to be implemented to secure all the HIPC debt relief envisioned under the HIPC Initiative. To do that, DMU plans to organize side meetings with the various Arab creditors on the side-lines of the League of Arab States summit to be held in Algeria to agree on the delivery method for the remaining HIPC debt relief. Furthermore, it will also continue to coordinate with IFAD to mobilize donor funding to clear the remaining IFAD's arrears.

**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 |