DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE
FEDERAL GOVERNMENT OF SOMALIA

Quartley Public Debt Bulletin
(Quarter IV, 2022)

Debt Management Unit
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Contents

1. Quarter IV, 2022. Progress in Debt Management issues:

In this quarter, from October to December, 2022, the Government of Somalia remained committed in implementing its debt relief strategy and engaging with its creditors to secure the appropriate debt relief within the frameworks of the Paris Club agreement and the HIPC Initiative. The status of negotiations is as follows:

- Side meetings were held with the AMF and AFESD during Arab Financial Institutions Summit, held in Jeddah, Saudi Arabia in April. Since then, various exchanges of proposals have been analyzed. Negotiations continue in order to fit the rescheduling agreement within Somalia's repayment capacity after Completion Point. Secure the necessary terms and conditions.
- IsDB – Further engagement with this creditor is being scheduled to work out legal issues regarding new claims.
- Government has signed the agreement with the Kuwait Fund in line with the Paris Club framework.
- The Saudi Fund has officially indicated its intention to provide Somalia the necessary debt relief in line with the Paris Club framework.
- Abu Dhabi Fund is still reviewing the latest Government proposals and will revert as soon as its Boards of Directors reach a decision.
- With regards to OPEC, they have indicated DMU that a debt relief proposal, in accordance with the HIPC's process has been prepared and presented to their Board to be approved and sent to Government for review and approval.
- IFAD: German contributions have been secured amounted to EUR 6 million. All arrears to this creditor have been cleared.

Furthermore, Somalia's debt relief proposals are also being reviewed by the Governments of Bulgaria and Romania. Romania has indicated its willingness to provide debt relief in line with the Paris Club framework. Bulgaria is considering Government Requests and will revert back to DMU with its position.

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 DMU procured Microsoft's AZZURE cloud facility.

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, 2022

Stock of debt at end of Quarter IV, 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 commercial creditor in Serbia. Bilateral creditors are Somalia's biggest creditor type.

The total stock of debt at the end of December 31, 2022 stood at USD 4,439.79 billion, of which multilaterals represented 23 percent of the total with USD 1,039.52 billion. The largest creditors, in this category, are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3,397.74 billion with Paris Club creditors representing close to 77 percent of the bilateral debt. 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 Kuwait and Saudi Funds. The commercial loan with a Serbian company amounted to USD 2.53 million.

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 which was originally contracted with a SOE in the former Yugoslavia. The Central Bank of Serbia, however, 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 2021 and 2022. Table 2 shows the stock of arrears at the end of 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 2021 and 2022.

Creditor Category / Creditor Name	2021				2022			
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Stock
GRAND TOTAL	**3,307.65**	**1,023.86**	**159.06**	**4,490.57**	**3,286.33**	**1,002.29**	**151.17**	**4,439.79**
Commercial	**1.51**	**0.93**	**-**	**2.44**	**1.51**	**1.02**	**-**	**2.53**
Government of Serbia	1.51	0.93	-	2.44	1.51	1.02	-	2.53
Multilateral	**724.26**	**350.40**	**6.02**	**1,080.68**	**681.74**	**351.76**	**6.02**	**1,039.52**
African Development Fund	23.80	-	-	23.80	21.08	-	-	21.08
Arab Fund for Economic and Social Dev.	75.79	113.94	0.05	189.78	75.02	115.79	0.05	190.86
Arab Monetary Fund	76.92	227.68	-	304.60	73.33	227.17	-	300.50
Int. Fund for Agricultural Development	24.72	7.53	0.03	32.28	23.57	7.42	0.03	31.02
International Development Association	121.83	-	-	121.83	104.86	-	-	104.86
International Monetary Fund	359.36	-	-	359.36	342.60	-	-	342.60
Islamic Development Bank	11.97	1.14	-	13.11	11.41	1.09	-	12.50
OPEC Fund for Int. Dev.	29.87	0.11	5.94	35.92	29.87	0.29	5.94	36.10
Non-Paris Club	**287.56**	**338.68**	**98.53**	**724.77**	**330.09**	**306.87**	**98.53**	**735.49**
Abu Dhabi Fund for Developement	94.10	153.43	0.02	247.55	94.22	157.40	0.02	251.64
Government of Algeria	0.90	0.66	-	1.56	0.90	0.66	-	1.56
Government of Bulgaria	5.53	5.30	-	10.83	5.53	5.46	-	10.99
Government Of Iraq	31.22	62.42	98.51	192.15	31.22	62.51	98.51	192.24
Government of Libya	11.75	23.16	-	34.91	11.75	24.45	-	36.20
Government of Romania	2.27	0.25	-	2.52	2.27	0.25	-	2.52
Kuwait Fund for Econ. Dev	82.99	38.95	-	121.94	125.32	-	-	125.32
Saudi Fund for Development	58.80	54.51	-	113.31	58.88	56.14	-	115.02
Paris Club	**2,294.32**	**333.85**	**54.51**	**2,682.68**	**2,272.99**	**342.64**	**46.62**	**2,662.25**
European Economic Community (EEC)	0.35	-	-	0.35	0.33	-	-	0.33
Government of Denmark	2.97	-	-	2.97	2.89	-	-	2.89
Government of France	154.21	-	-	154.21	145.30	-	-	145.30
Government of Italy	624.11	-	-	624.11	620.31	-	-	620.31
Government of Japan	57.02	14.72	54.51	126.25	48.76	15.38	46.62	110.76
Government of Netherlands	2.23	-	-	2.23	2.10	-	-	2.10
Government of Norway	0.66	-	-	0.66	0.61	-	-	0.61
Government of Russia	389.68	319.13	-	708.81	389.68	327.26	-	716.94
Government of Spain	40.90	-	-	40.90	40.90	-	-	40.90
Government of UK	30.38	-	-	30.38	30.30	-	-	30.30
United States of America	991.81	-	-	991.81	991.81	-	-	991.81

Filters: Participant Name = Government of SerbiaPortfolio: All InstrumentsComments:

Source: *DMU, Ministry of Finance*

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

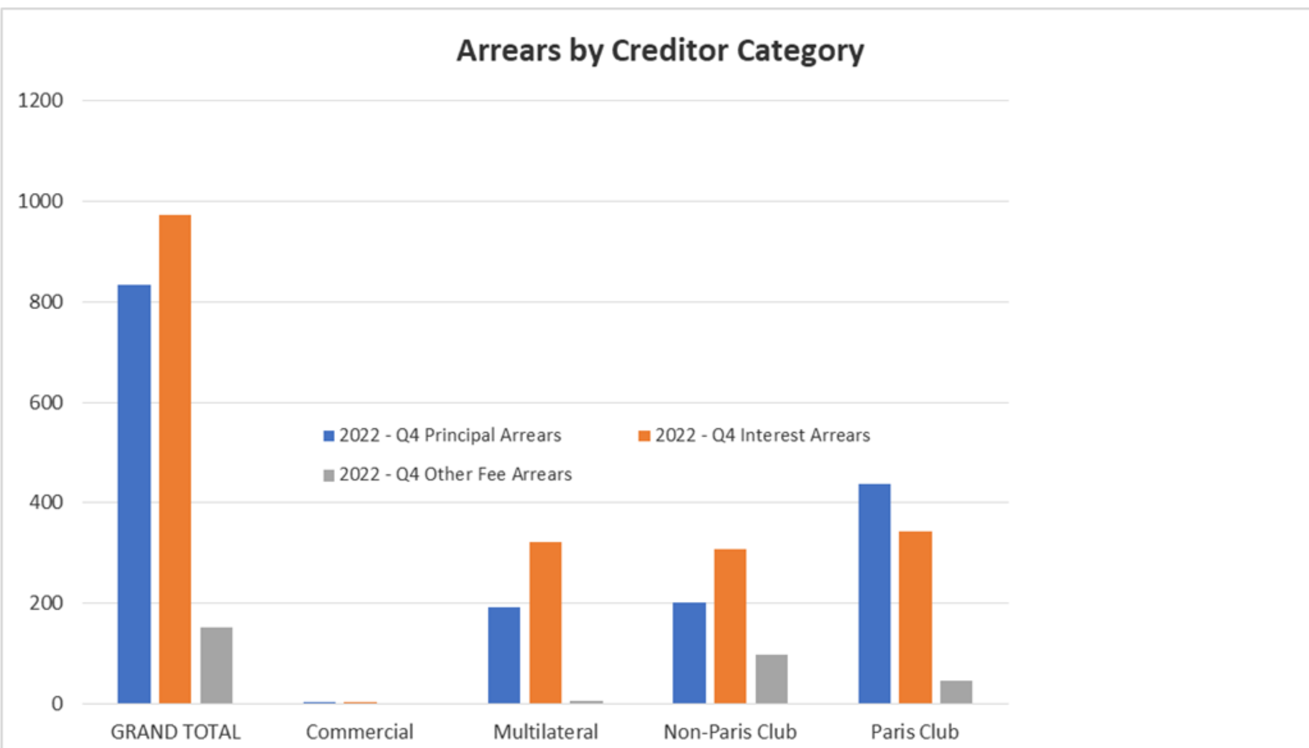
Period: Calendar Quarter (01/10/2022 - 31/12/2022)Currency Units: Millions of US Dollars

Creditor Category	2022 - Q4		
	Principal Arrears	Interest Arrears	Other Fee Arrears
GRAND TOTAL	833.89	973.46	151.13
Commercial	1.51	1.02	0
Multilateral	191.58	322.93	5.99
Non-Paris Club	202.35	306.87	98.52
Paris Club	438.44	342.64	46.62

Filters: Portfolio: All InstrumentsComments:

Source: *DMU, Ministry of Finance.*

Figure 1. Somalia, Arrears by creditor category



Source: *DMU, Ministry of Finance.*

Debt Flows during QIV, 2022.

As part of Somalia's IMF-supported program, during QIV of 2022, Government continued to comply with 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[2] 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 QIV, 2022, by creditor. (In millions USD).

Debt service paid in Q 4, 2022, (In millions USD)

Total Debt Service Paid By Creditor (Oct-Dec, 2022)				In USD million
	Principal	**Interest**	**Credits**	**Total**
Total Debt Service (October-December, 2022)	**5.38**	**0.32**	**(0.10)**	**5.61**
IFIs & Multilateral	**5.38**	**0.32**	**(0.10)**	**5.61**
IMF	-	-	-	-
AfDB	1.16	0.03	-	1.20
IDA	**4.22**	**0.29**	**(0.10)**	**4.41**

Source: *DMU, MoF*

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

Period: Calendar Month (01/01/2023 - 31/12/2023)Currency Units: Millions of US Dollars

Creditor Category / Creditor Name	Total Debt Service Due											
	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
GRAND TOTAL	2.35	0.29	0.61	1.02	2.33	1.25	2.33	0.29	0.61	1.00	2.33	1.24
Multilateral	2.35	0.29	0.61	0.89	2.33	1.25	2.33	0.29	0.61	0.89	2.33	1.24
African Development Fund	1.21	-	-	-	-	-	1.21	-	-	-	-	-
Int. Fund for Agricultural Development	0.13	-	-	-	-	0.12	0.12	-	-	-	-	0.11
International Development Association	1.01	0.29	0.61	0.89	2.33	1.13	1.00	0.29	0.61	0.89	2.33	1.13
Non-Paris Club	-	-	-	0.13	-	-	-	-	-	0.11	-	-
Saudi Fund for Development	-	-	-	0.13	-	-	-	-	-	0.11	-	-

Source: *DMU, MoF*

[2] Due to the expected delay in the Completion Point date, Somalia is currently engaging with the Paris Club Secretariat to extend the grace period accordingly.

3. Risks of the Debt Portfolio

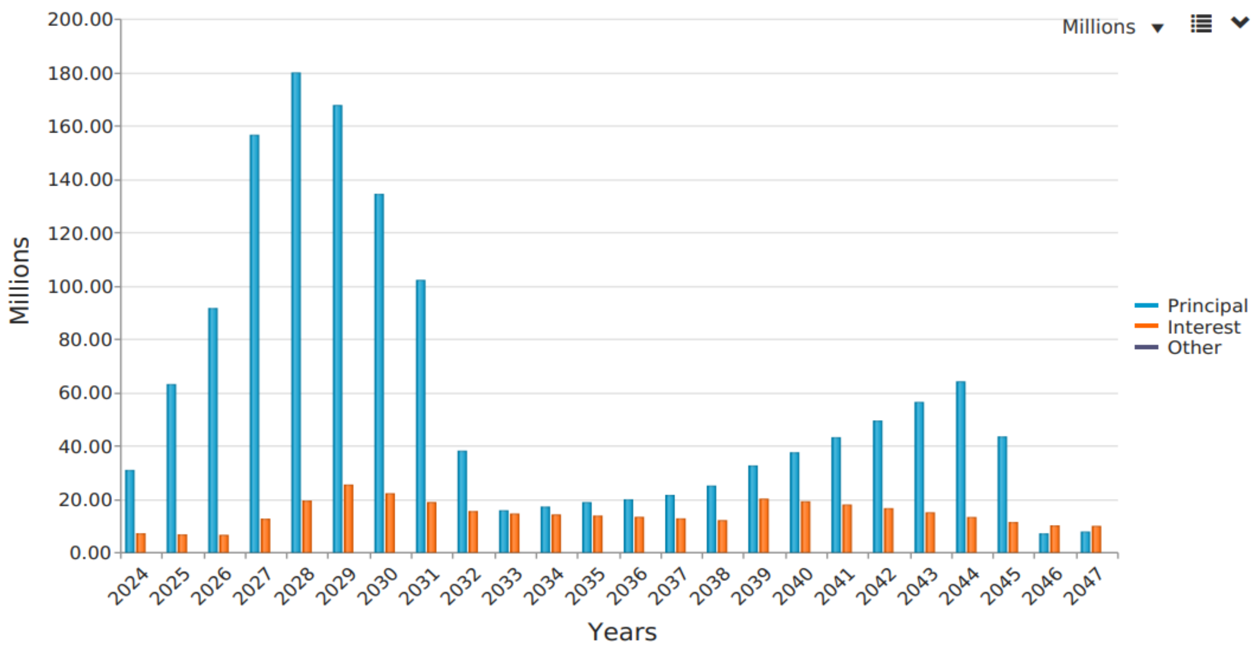
a. Interest rate risk indicators

Most 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 were 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[3], including arrears, only 0.35 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 15.65 million which represent 0.35 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 repayment of IMF and USA loans.

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



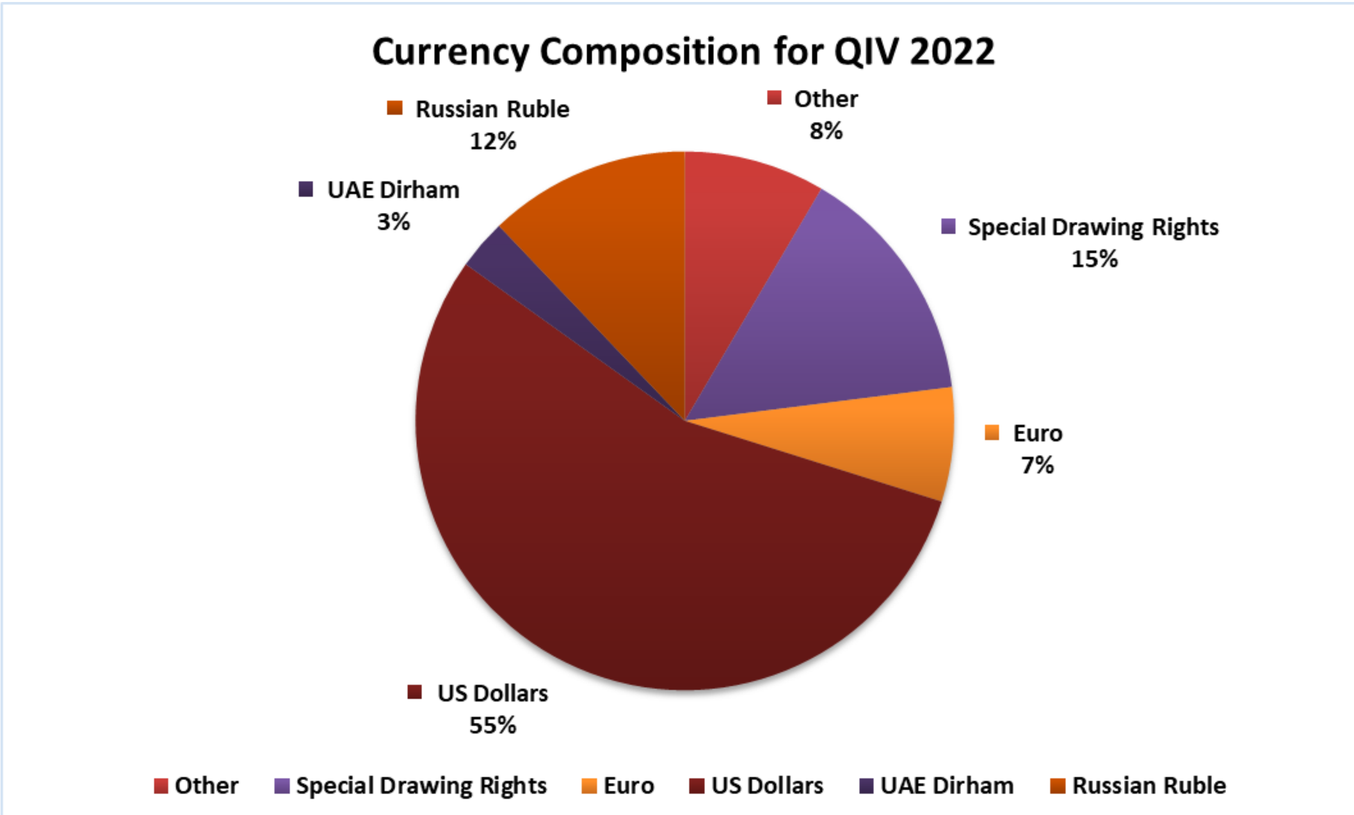
***Source:** DMU, Ministry of Finance*

c. Foreign exchange rate risk

[3] Face value includes current stock and principal arrears

As mentioned in the previous section, all of Somalia's debt is in foreign currency. The stock of debt, by currency, shows a 55 percent of debt is denominated in USD followed by SDR at 15 percent which include a portion of loans from IDA, IMF and IFAD, the Russian Rubble at 12 percent. Euro denominated debt stood at 7 percent, Kuwait Dinar at 6 percent, the Arab Emirates Dirham and other currencies represented 9 percent.

Figure 3: Somalia, total debt stock at the end of Q1V, 2022 by currency.



Source: *DMU, MoF*

d. Summary of Somalia's cost and risk indicators at end of 2022[4]

Table 5 below provides an overview of existing cost and risk indicators for Somalia's debt portfolio as of end of 2022. 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 (3.7 percent of total debt).

[4] Excludes existing debt to Italy and Japan

Table 5: Summary of cost and risk indicators at the end of 2022

5. COST AND RISK INDICATORS FOR EXISTING DEBT AS AT END 2022				
Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of SOS)		2,250.4	0.0	2,250.4
Amount (in millions of USD)		2,250.4	0.0	2,250.4
Nominal debt as percent of GDP		3.6	0.0	3.6
PV as percent of GDP[1]		0.0	0.0	0.0
Cost of debt[2]	Interest payment as percent of GDP[3]	**0.0**	**0.0**	**0.0**
	Weighted Av. IR (percent)	**0.0**	**0.0**	**0.0**
Refinancing risk[2]	ATM (years)	**12.4**	**0.0**	**12.4**
	Debt maturing in 1yr (percent of total)	**3.7**	**0.0**	**3.7**
	Debt maturing in 1yr (percent of GDP)	**0.2**	**0.0**	**0.2**
Interest rate risk[2]	ATR (years)	**12.4**	**0.0**	**12.4**
	Debt refixing in 1yr (percent of total)	**3.7**	**0.0**	**3.7**
	Fixed rate debt incl T-bills (percent of total)	**100.0**	**0.0**	**100.0**
	T-bills (percent of total)	**0.0**	**0.0**	**0.0**
FX risk	FX debt (percent of total debt)			100.0
	ST FX debt (percent of reserves)			4.4

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

[5] Projected debt stock excludes potential future debt relief
[6] GDP, Revenue including grants and Export data derived from IMF Somalia Country Report No.22/375 dated December 2022.

(All amounts in $US, otherwise noted)	2023		2024		2025		2026		2027	
IFIs & Multilateral	**P**	**I**	**P**	**I**	**P**	**I**	**P**	**I**	**P**	**I**
IMF	-	3.76	3.30	3.76	27.68	3.55	50.17	3.29	51.57	3.03
AfDB	1.13	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	0.44	0.02	0.44	0.02	0.44	0.02	0.44	0.02	0.44	0.02
Paris Club Creditors										
Denmark	-	0.01	0.03	0.04	0.03	0.04	0.03	0.04	0.03	0.04
France	-	0.59	2.27	3.59	2.27	2.84	2.27	2.80	2.27	2.77
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)	0.03	0.00	0.03	0.00	0.03	0.00	0.03	0.00	0.03	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	-	-	0.85	1.28	0.85	1.82	0.85	1.82	0.85	1.82
Principal & Interest	12.03	5.32	29.74	10.51	53.87	9.94	75.89	9.48	141.31	15.31
Total debt service	17.35		40.25		63.81		85.37		156.61	
Projected debt Stock	4,392.29		4,363.40		4,310.38		4,235.34		4,159.63	
Debt Service as percentage of Revenues	2.8%		12.2%		13.5%		15.4%		24.3%	
Debt Service % of Export of Goods & Service	1.1%		2.4%		3.5%		0.0%		7.3%	
Debt Stock as percentage of GDP	48.8%		44.5%		40.3%		36.4%		32.9%	
Memo items:										
Revenues 1/	610.10		329.10		471.40		555.00		643.60	
Exports of goods & services 2/	1,511.00		1,652.00		1,802.00		1,972.00		2,157.00	
Nominal GDP 3/	9,009.00		9,806.00		10,687.00		11,633.00		12,659.00	

Source:
1/ (Including grants), IMF Country report No.22/375 dated December 2022.
2/ IMF Country report No.22/375 dated December 2022.
3/ IMF Country report No.22/375 dated December 2022.

***Source**: DMU, MoF and IMF staff estimates*

4. Upcoming Activities for QI, 2023

In 2023, Government will continue to implement its strategy to engage with Non-Paris Club and other multilaterals to secure all the HIPC debt relief envisioned under the HIPC Initiative. To do that;

I. DMU plans to organize virtual meetings with the various creditors to agree on the delivery method for the remaining HIPC debt relief.
II. DMU will follow up with Iraq, the Saudi Fund for Development and Abu Dhabi Fund, and Russia in order to reach a realistic agreement in line with HIPC framework.
III. 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. DMU will also approach the IsDB in order to advance in its debt relief proposal.

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