DEBT MANAGEMENT UNIT
MINISTRY OF FINANCE
FEDERAL GOVERNMENT OF SOMALIA

Quartley Public Debt Bulletin
(Quarter II, 2023)

Debt Management Unit
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Contents

1. Quarter II, 2023. Progress in Debt Management issues:

In this quarter, from April to June, 2023, 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.

Status of Negotiations:

1. Technical-Level Meeting: On May 25th, 2023, the technical teams from Somalia and the Abu Dhabi Fund for Development convened to discuss the modalities required to achieve a pragmatic and equitable resolution concerning Somalia's debt relief appeal. During this meeting, the Abu Dhabi technical team made a noteworthy request for a brief proposal summarizing the main elements established through agreements with key Arab Bilateral Funds, particularly highlighting accords with the Saudi Fund for Development (SFD) and the Kuwait Fund for Arab Economic Development (KFAED). Subsequently, a brief proposal dated June 3rd, 2023, was dispatched to the Abu Dhabi Fund for their thoughtful consideration.

2. Collaboration with OPEC: Initiated efforts with the OPEC Fund are currently underway with the aim of securing invaluable support in the form of financial backing for the OPEC Debt Relief Trust Fund, as well as exploring the potential for a bridge loan. These strategic endeavors are focused on the speedy resolution of outstanding arrears.

3. Russia Agreement: A noteworthy development has been achieved in our negotiations with Russia, a creditor with some its debt resolution lies outside the conventional framework of the Paris Club. An agreement detailing terms and conditions for rescheduling this debt has been successfully reached. This pivotal accord sets the stage for the subsequent finalization of the Paris Club agreement within the forthcoming quarter. The anticipated signing of both agreements is scheduled to occur on the sidelines of the Russian-African summit, hosted in the city of Saint Petersburg, Russia.

4. Ongoing Iraq Negotiations: In the case of Iraq, dedicated efforts by the Debt Management Unit (DMU) continue to be channeled towards achieving an amicable agreement with the Iraqi

Government. These negotiations specifically pertain to the rescheduling of the remaining 33% arrears. Although ongoing, progress has been diligent, and both parties are actively engaged in fruitful discussions.

5. Debt Relief Consideration by Bulgaria and Romania: Significantly, Somalia's debt relief proposals are currently undergoing comprehensive evaluations by the governments of Bulgaria and Romania. Encouragingly, Romania has expressed its firm commitment to extend debt relief in alignment with the established Paris Club framework. Additionally, Bulgaria is in the process of reviewing Government Requests and is expected to communicate its stance to the DMU in due course.

As negotiations unfold, we remain steadfast in our pursuit of mutually beneficial resolutions and sustainable debt relief strategies. The collaborative efforts and remarkable progress achieved thus far serve as a testament to our commitment to securing Somalia's financial stability and fostering international cooperation.

On top of that, the debt management unit staff participated in the joint IMF-World Bank Debt Reconciliation Mission for the Completion Point under the Enhanced HIPC, from May 8-19, 2023 which took place in the World Bank Headquarter in Washington d.c., USA. The DMU team contributed excellent work during the mission. The mission aimed to complete the debt reconciliation exercise of the public and publicly guaranteed (PPG) external debt of Somalia at end-2018, and end-2022. The reconciled debt database will be used to prepare the HIPC Completion Point document for Somalia, which will confirm Somalia's eligibility for irrevocable debt relief under the Enhanced HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) and will assess Somalia's risk of debt distress using the Debt Sustainability Framework for Low-Income Countries, following the full delivery of debt relief under the HIPC and the MDRI Initiatives, and beyond HIPC debt relief.

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, QII, 2023

Stock of debt at end of Quarter II, 2023

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 Q II 2023 stood at USD 3,800.93, down by 29.22 million from the amount shown at the end of Quarter I, 2023, due to the arrears clearance of IFAD. Of the existing debt portfolio, multilaterals represented 28 percent of the total with USD 1,045.77 billion. The largest creditors, in this category, are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 2,752.60 billion with Paris Club creditors representing close to 72 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 2.56 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 28 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 in the hands of a commercial company. Table 1 includes a detailed description of the stock of debt at the end of Quarter I 2023 and Quarter II 2023. Table 2 shows the stock of arrears at the end Quarter II of 2023.

[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 Q I 2023 and Q II 2023.

Creditor Category / Creditor Name	2023 - Q1				2023 - Q2			
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Stock
GRAND TOTAL	2,653.59	1,020.10	156.46	3,830.15	2,681.64	966.92	152.37	3,800.93
Commercial	1.51	1.05	-	2.56	1.51	1.05	-	2.56
Government of Serbia	1.51	1.05	-	2.56	1.51	1.05	-	2.56
Multilateral	697.95	373.28	6.35	1,077.58	670.18	369.27	6.32	1,045.77
African Development Fund	19.23	-	-	19.23	18.92	-	-	18.92
Arab Fund for Economic and Social Dev.	74.90	121.01	0.05	195.96	74.78	122.89	0.05	197.72
Arab Monetary Fund	60.04	243.34	-	303.38	61.59	244.92	-	306.51
Int. Fund for Agricultural Development	23.82	7.57	0.03	31.42	2.76	-	-	2.76
International Development Association	104.01	-	-	104.01	99.22	-	-	99.22
International Monetary Fund	374.55	-	-	374.55	371.60	-	-	371.60
Islamic Development Bank	11.53	1.10	-	12.63	11.44	1.09	-	12.53
OPEC Fund for Int. Dev.	29.87	0.26	6.27	36.40	29.87	0.37	6.27	36.51
Non-Paris Club	329.89	320.89	98.53	749.31	389.66	263.93	98.53	752.12
Abu Dhabi Fund for Developement	94.22	166.82	0.02	261.06	94.22	166.82	0.02	261.06
Government of Algeria	0.90	0.66	-	1.56	0.90	0.66	-	1.56
Government of Bulgaria	5.53	5.43	-	10.96	5.53	5.77	-	11.30
Government Of Iraq	31.22	62.51	98.51	192.24	31.22	62.56	98.51	192.29
Government of Libya	11.75	25.39	-	37.14	11.75	27.87	-	39.62
Government of Romania	2.27	0.25	-	2.52	2.27	0.25	-	2.52
Kuwait Fund for Econ. Dev	125.12	-	-	125.12	124.91	-	-	124.91
Saudi Fund for Development	58.88	59.83	-	118.71	118.86	-	-	118.86
Paris Club	1,624.24	324.88	51.58	2,000.70	1,620.29	332.67	47.52	2,000.48
European Economic Community (EEC)	0.34	-	-	0.34	0.34	-	-	0.34
Government of Denmark	2.92	-	-	2.92	2.92	-	-	2.92
Government of France	150.18	-	-	150.18	150.05	-	-	150.05
Government of Japan	48.46	14.38	51.58	114.42	44.64	15.16	47.52	107.32
Government of Netherlands	2.15	-	-	2.15	2.15	-	-	2.15
Government of Norway	0.57	-	-	0.57	0.55	-	-	0.55
Government of Russia	356.59	310.50	-	667.09	356.59	317.51	-	674.10
Government of Spain	40.90	-	-	40.90	40.90	-	-	40.90
Government of UK	30.32	-	-	30.32	30.34	-	-	30.34
United States of America	991.81	-	-	991.81	991.81	-	-	991.81
Filters: Portfolio: All InstrumentsComments:								

Source: *DMU, Ministry of Finance*

Table 2. Somalia, Stock of arrears at the end of QII, 2023

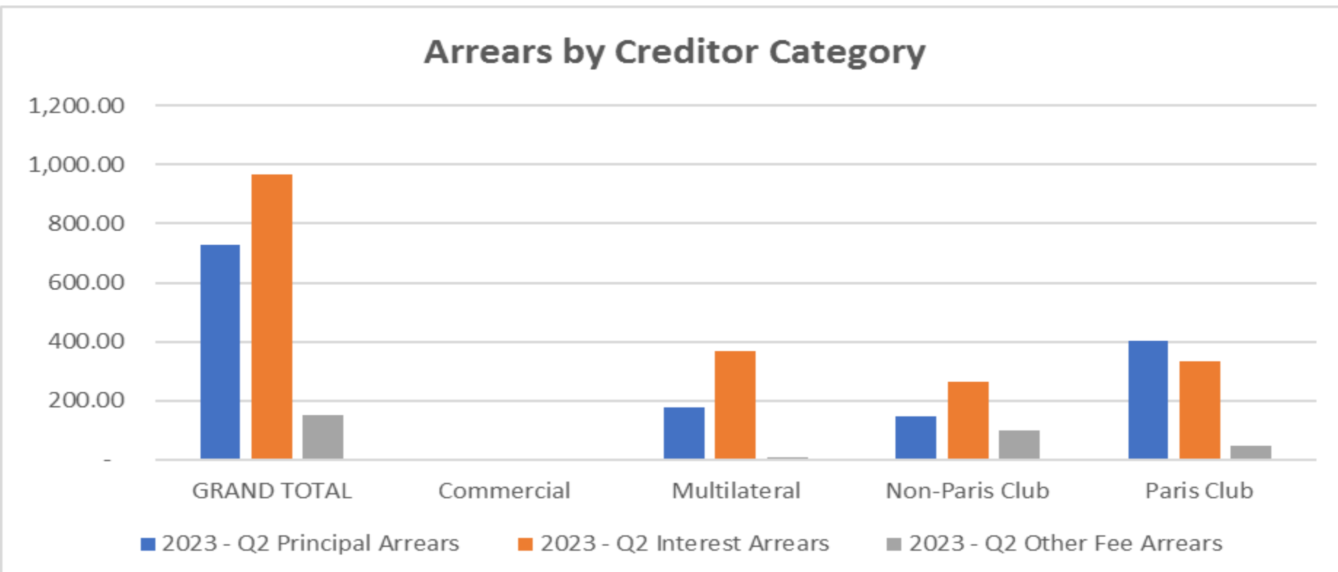
Period: Calendar Quarter (01/04/2023 - 30/06/2023)Currency Units: Millions of US Dollars

Creditor Category	2023 - Q2		
	Principal Arrears	Interest Arrears	Other Fee Arrears
GRAND TOTAL	726.33	966.92	152.36
Commercial	1.51	1.05	-
Multilateral	177.68	369.27	6.32
Non-Paris Club	145.90	263.93	98.52
Paris Club	401.24	332.67	47.52

Filters: Portfolio: All InstrumentsComments:

Source: *DMU, Ministry of Finance.*

Figure 1. Somalia, Arrears by creditor category



Source: *DMU, Ministry of Finance.*

Debt Flows during QII, 2023.

As part of Somalia's IMF-supported program, during QII of 2023, 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 QII, 2023, by creditor. (In millions USD).

Debt service paid in Q 2, 2023, (In millions USD)

Total Debt Service Paid By Creditor (April-June, 2023)				In USD million
	Principal	**Interest**	**Credits**	**Total**
Total Debt Service (April-June, 2023)	**3.99**	**0.28**	**(0.05)**	**4.22**
IFIs & Multilateral	**3.99**	**0.28**	**(0.05)**	**4.22**
IMF	-	-	-	-
AfDB	-	-	-	-
IDA	**3.99**	**0.28**	**(0.05)**	**4.22**

Source: *DMU, MoF*

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

Creditor Category / Creditor Name	2023 - JUL Total Debt Service Due	2023 - AUG Total Debt Service Due	2023 - SEP Total Debt Service Due	2023 - OCT Total Debt Service Due	2023 - NOV Total Debt Service Due	2023 - DEC Total Debt Service Due	2024 - JAN Total Debt Service Due	2024 - FEB Total Debt Service Due	2024 - MAR Total Debt Service Due	2024 - APR Total Debt Service Due	2024 - MAY Total Debt Service Due	2024 - JUN Total Debt Service Due
GRAND TOTAL	2.32	1.41	0.61	0.89	2.85	1.24	2.28	1.72	0.61	12.16	2.85	2.32
Multilateral	2.32	0.81	0.61	0.89	2.85	1.24	2.28	0.81	0.61	0.89	2.83	1.10
African Development Fund	1.16	-	-	-	-	-	1.15	-	-	-	-	-
Int. Fund for Agricultural Development	0.16	-	-	-	-	0.11	0.13	-	-	-	-	0.11
International Development Association	1.00	0.29	0.61	0.89	2.33	1.13	1.00	0.29	0.61	0.89	2.32	0.99
International Monetary Fund	-	0.52	-	-	0.52	-	-	0.52	-	-	0.51	-
Non-Paris Club	-	-	-	-	-	-	-	-	-	-	-	1.22
Kuwait Fund for Econ. Dev	-	-	-	-	-	-	-	-	-	-	-	1.22
Paris Club	-	0.60	-	-	-	-	-	0.91	-	11.27	0.02	-
European Economic Community (EEC)	-	-	-	-	-	-	-	-	-	-	0.02	-
Government of Denmark	-	-	-	-	-	-	-	-	-	0.03	-	-
Government of France	-	0.60	-	-	-	-	-	0.91	-	2.32	-	-
Government of Netherlands	-	-	-	-	-	-	-	-	-	0.01	-	-
Government of Norway	-	-	-	-	-	-	-	-	-	0.01	-	-
Government of Spain	-	-	-	-	-	-	-	-	-	8.38	-	-
Government of UK	-	-	-	-	-	-	-	-	-	0.52	-	-

[2] Paris Club Secretariat to extended the grace period until March 31, 2024.

Source: *DMU, MoF*

3. Risks of the Debt Portfolio

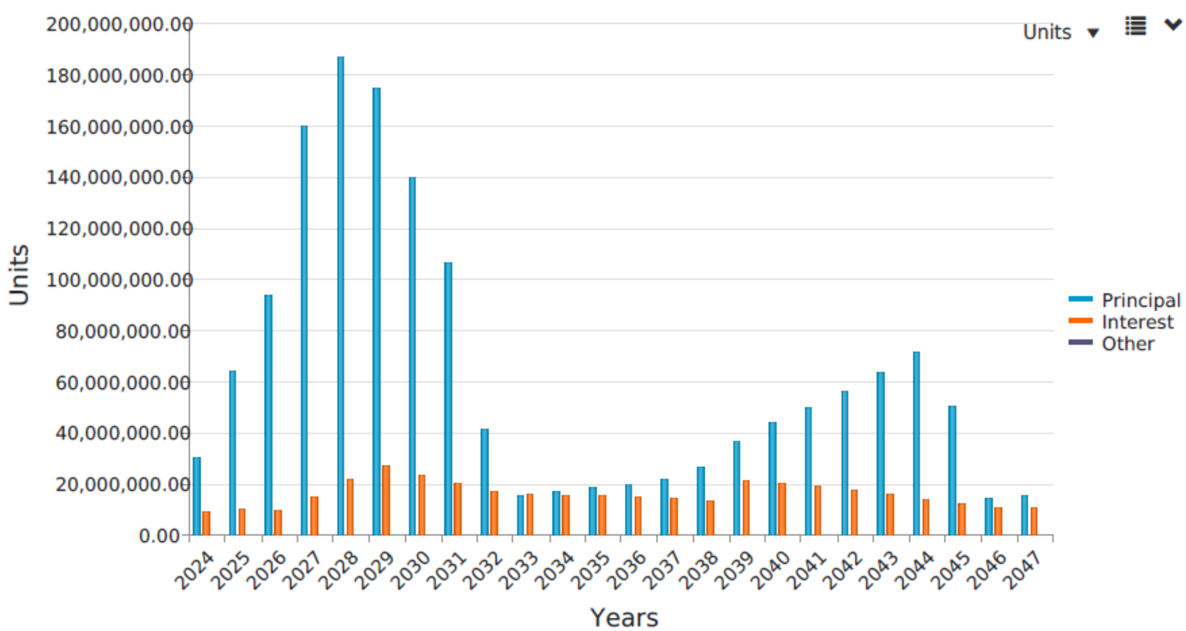
a. Interest rate risk indicators

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 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, 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 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. 2024 – 2047. Million USD

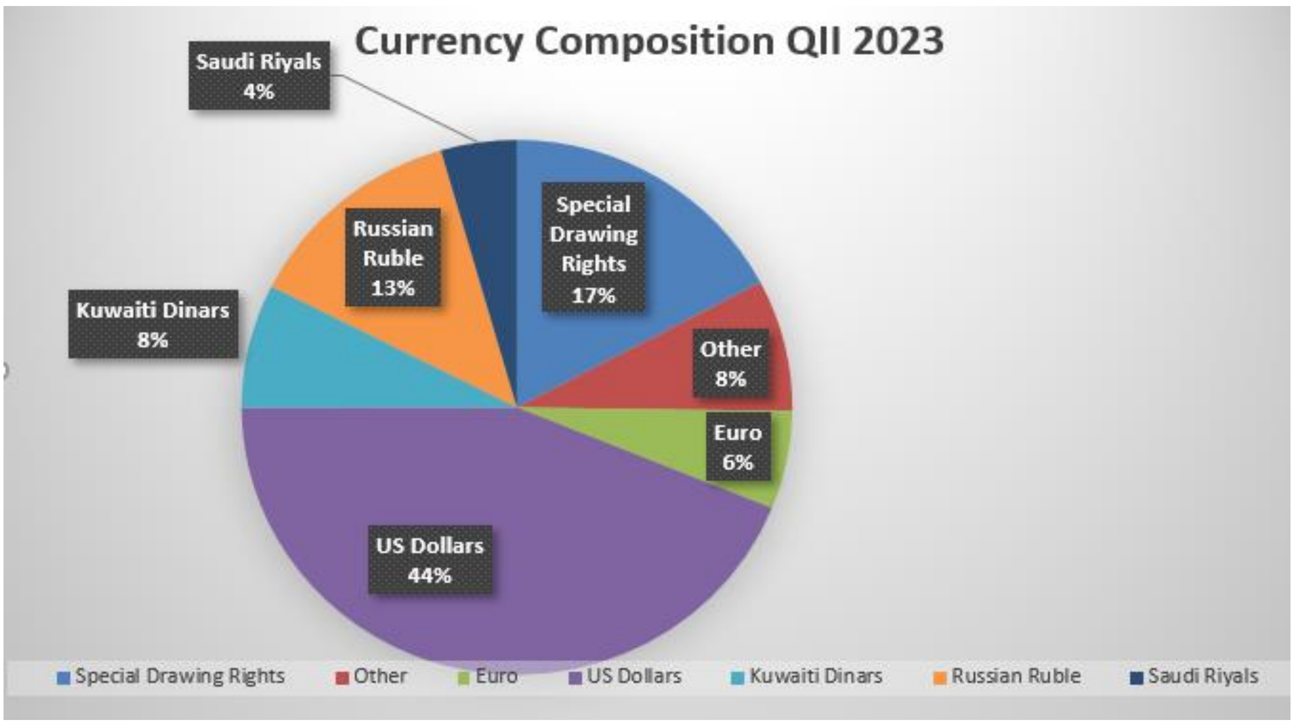


Source: *DMU, Ministry of Finance*

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 44 percent of debt is denominated in USD followed by SDR at 17 percent which include a portion of loans from IDA, IMF, AfDB and IFAD, the Russian Rubble at 13 percent. Kuwait Dinar denominated debt stood at 8 percent, the other currencies represent 8 percent.

Figure 3: Somalia, total debt stock at the end of QII, 2023 by currency.



***Source:** DMU, MoF*

d. Summary of Somalia's cost and risk indicators at end of 2022[3]

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 (2.4 percent of total debt).

[3] Excludes existing debt to Japan

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

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 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 2024-2028, (In USD millions)

(All amounts in $US, otherwise noted)	2024		2025		2026		2027		2028	
IFIs & Multilateral	***P***	***I***	***P***	***I***	***P***	***I***	***P***	***I***	***P***	***I***
IMF	*4.40*	*2.05*	*36.94*	*1.77*	*66.95*	*1.43*	*68.82*	*1.08*	72.56	0.74
AfDB	*2.17*	*0.13*	*2.11*	*0.11*	*2.11*	*0.10*	*2.08*	*0.08*	1.90	0.07
IDA	*11.39*	*0.68*	*11.19*	*0.59*	*10.73*	*0.51*	*10.03*	*0.43*	*9.16*	0.36
IFAD	-	-	*0.33*	*0.01*	*0.44*	*0.02*	*0.44*	*0.01*	*0.44*	0.01
Paris Club Creditors										
Denmark	*0.03*	*0.05*	*0.03*	*0.04*	*0.03*	*0.04*	*0.03*	*0.04*	*0.04*	*0.04*
France	*2.32*	*3.72*	*2.32*	*2.93*	*2.32*	*2.89*	*2.32*	*2.86*	*2.76*	*2.83*
Netherlans	*0.01*	*0.01*	*0.01*	*0.01*	*0.01*	*0.01*	*0.01*	*0.01*	0.01	0.01
Norway	*0.01*	*0.02*	*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*	8.18	0.04
United Kingdom	*0.46*	*0.91*	*0.46*	*0.72*	*0.46*	*0.71*	*0.46*	*0.70*	0.55	0.69
United States of America	-	-	-	-	-	-	*64.75*	*6.27*	88.62	13.23
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	-	-	*1.55*	*1.55*	*1.55*	*1.55*	*1.55*	*1.55*	1.55	1.55
Kuwait Fund for Arab Economic Development	*0.85*	*1.28*	*0.85*	*1.81*	*0.85*	*1.81*	*0.85*	*1.81*	0.85	1.81
Principal & Interest	*29.86*	*9.06*	*64.02*	*9.72*	*93.68*	*9.21*	*159.57*	*14.94*	186.67	21.40
Total debt service	*38.92*		*73.74*		*102.89*		*174.51*		*208.07*	
Projected debt Stock	*3,800.93*		*3,737.76*		*3,644.93*		*3,550.96*		*3,453.76*	
Debt Service as percentage of Revenues	*6.1%*		*11.1%*		*16.8%*		*29.4%*		*32.1%*	
Debt Service % of Export of Goods & Service	*2.2%*		*3.7%*		*4.7%*		*0.0%*		*7.9%*	
Debt Stock as percentage of GDP	*40.3%*		*36.4%*		*32.8%*		*29.5%*		*26.6%*	
Memo items:										
Revenues 1/	*634.00*		*664.40*		*611.30*		*593.90*		647.40	
Exports of goods & services 2/	*1,782.08*		*2,000.70*		*2,203.34*		*2,410.40*		2,624.99	
GDP 3/	*9,429.00*		*10,260.00*		*11,128.00*		*12,052.00*		*12,995.00*	

Source:

1/ (Including grants) - 5th Review under the ECF, Report No: 23/187 dated May 31, 2023, Macroeconomic Framework Tables, May 31, 2023.

2/ 5th Review under the ECF, Report No: 23/187 dated May 31, 2023, Macroeconomic Framework Tables, May 31, 2023.

3/ 5th Review under the ECF, Report No: 23/187 dated May 31, 2023, Macroeconomic Framework Tables, May 31, 2023.

4. Upcoming Activities for QIII, 2023

The government will persist in executing its strategy to engage with Non-Paris Club members and other multilateral entities to secure the complete HIPC debt relief envisioned within the HIPC Initiative. To achieve this objective, the Debt Management Unit (DMU) has devised plans to coordinate virtual meetings with various creditors. These meetings will serve as platforms for consensus-building regarding the ideal method of delivering the remaining HIPC debt relief. Furthermore, the DMU will undertake follow-up actions with Iraq, the Abu Dhabi Fund, and other bilateral creditors. The authorities will successfully conclude and formalize both the blocked funds agreement and the bilateral agreement under the Paris Club framework. Additionally, the DMU is committed to preparing and submitting a semi-annual report on the status of negotiations. This report is intended to provide the Paris Club Secretariat with a comprehensive overview of the progress achieved in negotiations with other non-Paris Club creditors.

[4] Projected debt stock excludes potential future debt relief

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