



Quartley Public Debt Bulletin (Quarter III, 2023)

Debt Management Unit
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1. Quarter III, 2023. Progress in Debt Management issues:

In this quarter, from July to September, 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. **Agreement with the Russian Federation:** A remarkable milestone was reached as the authorities successfully concluded negotiations with the Russian Federation. This accomplishment has paved the way for a comprehensive debt relief agreement with Russia under the Paris Club Agreed Minute of March 31, 2020, as well as some short-term debt that had remained outside the Paris Club agreement. Both agreements were officially signed on July 26, 2023, during the Russian-African summit in Saint Petersburg.
2. **Ongoing Efforts with the Iraqi Government:** Tireless efforts are underway to finalize an agreement with the Iraqi Government, aimed at securing PC comparable terms. A formal proposal was thoughtfully presented to the Iraqi Government on August 19, 2023, outlining a rescheduling plan based on the Naples Terms. This arrangement includes a 23-year maturity period, inclusive of a 6-year grace period.
3. **Collaboration with OPEC:** The authorities have remained resolute in their collaborative endeavors with the OPEC Fund, primarily focusing on securing financing for an OPEC Debt Relief Trust Fund and potentially facilitating a bridge loan. The core objective is to address outstanding arrears owed to the OPEC Fund. Specifically, these efforts were directed towards three significant OPEC Fund member countries: Saudi Arabia, Kuwait, and the UAE. Formal letters, meticulously prepared, were dispatched to these Governments on August 15, 2023, marking a significant stride in advancing this vital initiative.

4. **Debt Relief Negotiations with Other Remaining Creditors:** The authorities continue their steadfast pursuit of mutually beneficial resolutions and sustainable debt relief strategies. The Government is poised to finalize bilateral agreements with specific creditors, including Abu Dhabi Funds, Iraq, AMF, and AFESD, in the coming months. These negotiations aim to secure realistic agreements with these creditors, underlining the commitment to financial stability and sustainability.

2. Somalia's stock and flow data, QIII, 2023

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.

Stock of debt at end of Quarter III, 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 III 2023 stood at USD 3,146.55, down by 646.94 million from the amount shown at the end of Quarter II, 2023 due to the debt relief agreement signed with Russia. Of the existing debt portfolio, multilaterals represented 33 percent of the total with USD 1,029.22 million. The largest creditors, in this category, are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 2,114.73 billion with Paris Club creditors representing close to 65 percent of the bilateral debt. The main creditors, within this category, are the USA, France, and Japan, 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 2.60 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 34 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 II 2023 and Quarter III 2023. Table 2 shows the stock of arrears at the end Quarter III of 2023.

Table 1. Somalia Stock of debt at the end of Q II 2023 and Q III 2023.

Creditor Category / Creditor Name	2023 - Q2				2023 - Q3			
	Face Value	Interest Arrears	Other Fee Arrears	Total Debt Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Debt Stock
GRAND TOTAL	2,674.20	966.92	152.37	3,793.49	2,347.97	647.67	150.91	3,146.55
<i>Commercial</i>	<i>1.51</i>	<i>1.05</i>	<i>-</i>	<i>2.56</i>	<i>1.51</i>	<i>1.09</i>	<i>-</i>	<i>2.60</i>
Government of Serbia	1.51	1.05	-	2.56	1.51	1.09	-	2.60
<i>Multilateral</i>	<i>670.18</i>	<i>369.27</i>	<i>6.32</i>	<i>1,045.77</i>	<i>656.84</i>	<i>366.06</i>	<i>6.32</i>	<i>1,029.22</i>
African Development Fund	18.92	-	-	18.92	17.59	-	-	17.59
Arab Fund for Economic and Social Dev.	74.78	122.89	0.05	197.72	74.52	123.58	0.05	198.15
Arab Monetary Fund	61.59	244.92	-	306.51	58.69	240.98	-	299.67
Int. Fund for Agricultural Development	2.76	-	-	2.76	2.60	-	-	2.60
International Development Association	99.22	-	-	99.22	96.17	-	-	96.17
International Monetary Fund	371.60	-	-	371.60	366.13	-	-	366.13
Islamic Development Bank	11.44	1.09	-	12.53	11.27	1.07	-	12.34
OPEC Fund for Int. Dev.	29.87	0.37	6.27	36.51	29.87	0.43	6.27	36.57
<i>Non-Paris Club</i>	<i>382.22</i>	<i>263.93</i>	<i>98.53</i>	<i>744.68</i>	<i>382.14</i>	<i>265.82</i>	<i>98.52</i>	<i>746.48</i>
Abu Dhabi Fund for Development	94.22	166.82	0.02	261.06	94.22	168.71	0.02	262.95
Government of Algeria	0.90	0.66	-	1.56	0.90	0.66	-	1.56
Government of Bulgaria	5.53	5.77	-	11.30	5.53	5.77	-	11.30
Government Of Iraq	31.22	62.56	98.51	192.29	31.22	62.56	98.51	192.29
Government of Libya	11.75	27.87	-	39.62	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	117.47	-	-	117.47	117.06	-	-	117.06
Saudi Fund for Development	118.86	-	-	118.86	119.19	-	-	119.19
<i>Paris Club</i>	<i>1,620.29</i>	<i>332.67</i>	<i>47.52</i>	<i>2,000.48</i>	<i>1,307.48</i>	<i>14.70</i>	<i>46.07</i>	<i>1,368.25</i>
European Economic Community (EEC)	0.34	-	-	0.34	0.33	-	-	0.33
Government of Denmark	2.92	-	-	2.92	2.88	-	-	2.88
Government of France	150.05	-	-	150.05	146.30	-	-	146.30
Government of Japan	44.64	15.16	47.52	107.32	43.28	14.70	46.07	104.05
Government of Netherlands	2.15	-	-	2.15	2.09	-	-	2.09
Government of Norway	0.55	-	-	0.55	0.56	-	-	0.56
Government of Russia	356.59	317.51	-	674.10	49.02	-	-	49.02
Government of Spain	40.90	-	-	40.90	40.90	-	-	40.90
Government of UK	30.34	-	-	30.34	30.31	-	-	30.31
United States of America	991.81	-	-	991.81	991.81	-	-	991.81

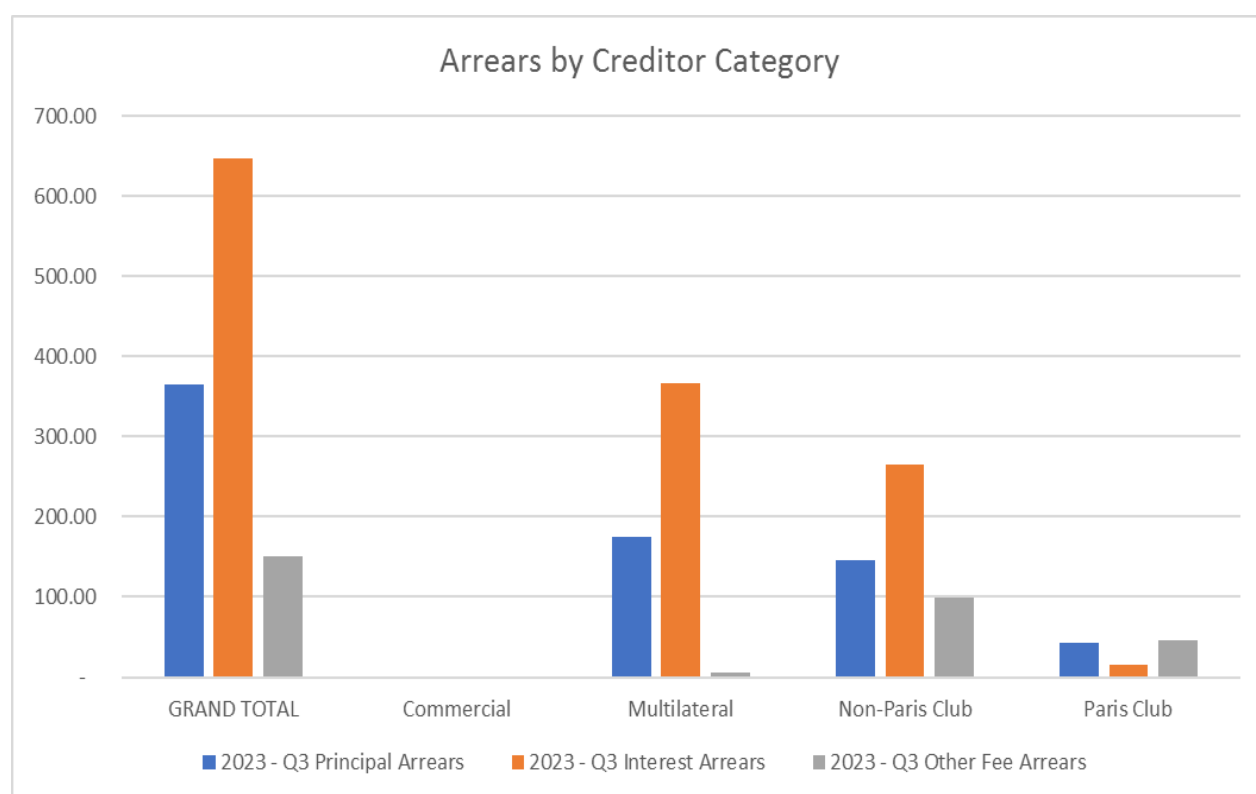
Source: DMU, Ministry of Finance

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

Creditor Category	2023 - Q3		
	Principal Arrears	Interest Arrears	Other Fee Arrears
GRAND TOTAL	365.04	647.67	150.91
Commercial	1.51	1.09	-
Multilateral	174.35	366.06	6.32
Non-Paris Club	145.90	265.82	98.52
Paris Club	43.28	14.70	46.07

Source: DMU, Ministry of Finance.

Figure 1. Somalia, Arrears by creditor category



Source: DMU, Ministry of Finance.

Debt Flows during QIII, 2023.

As part of Somalia's IMF-supported program, during QIII of 2023, Government continued to comply with debt service payments to the AfDB, IDA and Russian blocked funds (as shown in table 3 below) which were financed by HIPC grants and government budget. With regards to the Paris Club, all debt service due as a result of the Paris Club agreement has been deferred until 2023¹ 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, 2023, by creditor. (In millions USD).

Debt service paid in Q 3, 2023, (In millions USD)				
Total Debt Service Paid By Creditor (Jul-Sep, 2023)				In USD million
	Principal	Interest	Credits	Total
Total Debt Service (Jul-Sep, 2023)	2.98	0.23	(0.00)	3.21
IFIs & Multilateral	2.98	0.23	(0.00)	3.21
IMF	-	-	-	-
AfDB	1.16	0.08	-	1.24
IDA	1.81	0.14	(0.00)	1.95
Russia (Blocked Funds)	-	0.01	-	0.01

Source: DMU, MoF

¹ 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.

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

Creditor Category / Creditor Name	Total Debt Service Due											
	2023 - OCT	2023 - NOV	2023 - DEC	2024 - JAN	2024 - FEB	2024 - MAR	2024 - APR	2024 - MAY	2024 - JUN	2024 - JUL	2024 - AUG	2024 - SEP
GRAND TOTAL	0.87	2.81	1.23	2.66	1.69	0.60	12.90	2.81	2.28	3.64	3.54	4.82
Multilateral	0.87	2.81	1.23	2.26	0.80	0.60	0.87	2.79	1.09	2.25	0.80	4.82
African Development Fund	-	-	-	1.14	-	-	-	-	-	1.13	-	-
Int. Fund for Agricultural Development	-	-	0.11	0.13	-	-	-	-	0.11	0.13	-	-
International Development Association	0.87	2.30	1.12	0.99	0.29	0.60	0.87	2.29	0.98	0.99	0.29	0.48
International Monetary Fund	-	0.51	-	-	0.51	-	-	0.50	-	-	0.51	4.34
Non-Paris Club	-	-	-	-	-	-	-	-	1.19	-	-	-
Kuwait Fund for Econ. Dev	-	-	-	-	-	-	-	-	1.19	-	-	-
Paris Club	-	-	-	0.40	0.89	-	12.03	0.02	-	1.39	2.74	-
European Economic Community (EEC)	-	-	-	-	-	-	-	0.02	-	-	-	-
Government of Denmark	-	-	-	-	-	-	0.03	-	-	0.05	-	-
Government of France	-	-	-	-	0.89	-	2.26	-	-	-	2.74	-
Government of Netherlands	-	-	-	-	-	-	0.01	-	-	0.01	-	-
Government of Norway	-	-	-	-	-	-	0.01	-	-	0.02	-	-
Government of Russia	-	-	-	0.40	-	-	0.82	-	-	0.46	-	-
Government of Spain	-	-	-	-	-	-	8.38	-	-	-	-	-
Government of UK	-	-	-	-	-	-	0.52	-	-	0.85	-	-

Source: DMU, MoF

3. Risks of the Debt Portfolio

a. Interest rate risk indicators

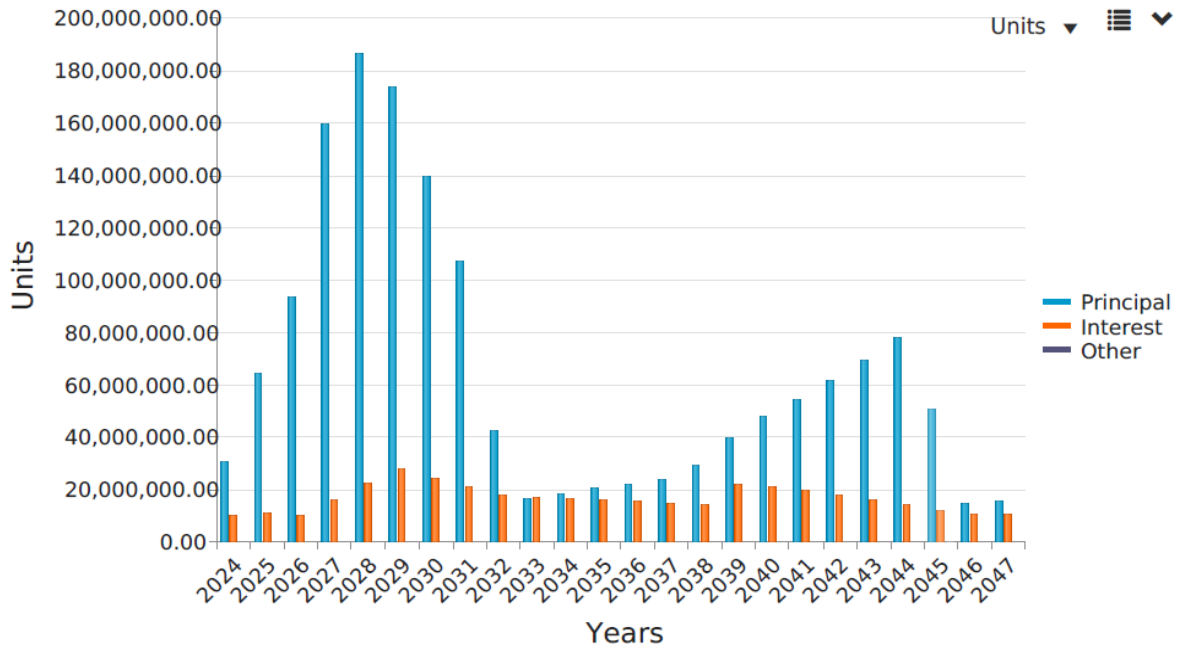
Most of Somalia's outstanding current debt portfolio has been contracted with fixed interest rate. However, when taking into account the existing stock of arrears, there are loans that were originally contracted with variable interest rates. Debt with variable interest rate is limited to loans from Iraq and Libya amounting to USD 11.75 million. Therefore, out of the total Face Value of debt, including arrears, only 0.38 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, the Saudi Fund and IFAD². 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.

² debt service to IFAD is being paid from funds from donors.

Fig. 2: Somalia repayment profile. 2024 – 2047. Million USD

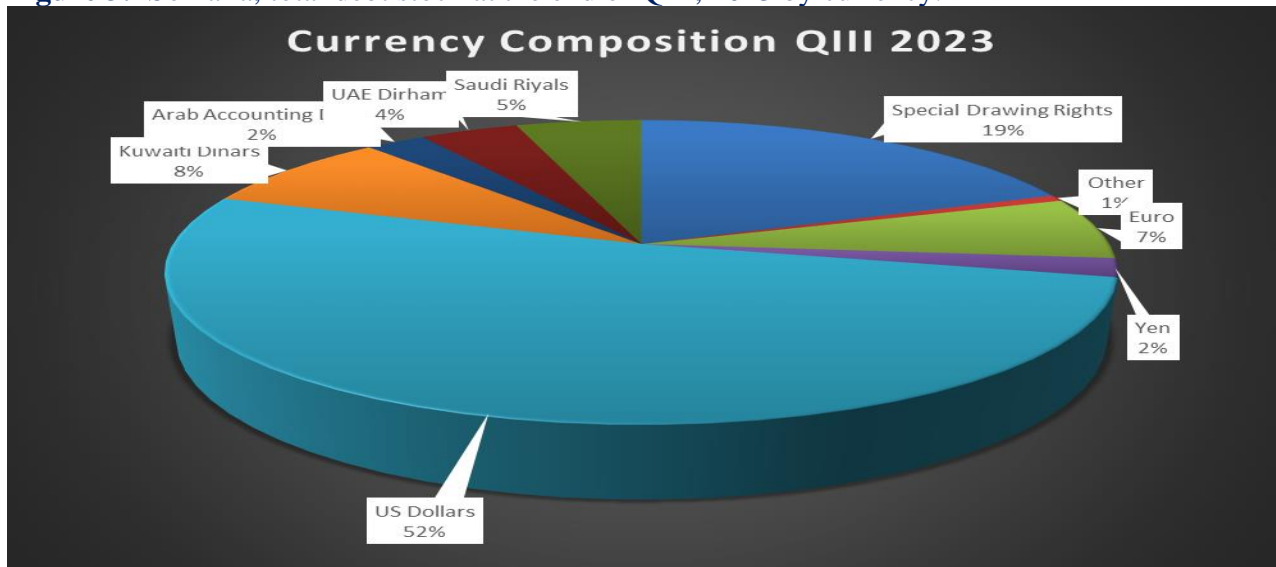


Source: DMU, Ministry of Finance

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 52 percent of debt is denominated in USD followed by SDR at 19 percent which include a portion of loans from IDA, IMF, AfDB and IFAD, the Euro at 7 percent. Kuwait Dinar denominated debt stood at 8 percent; the Saudi Riyal represent 5 percent.

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



Source: DMU, MoF

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

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).

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 6³. Somalia, Debt service ratios 2024-2028, (In USD million)

<i>(All amounts in \$US, otherwise noted)</i>											
	2024		2025		2026		2027		2028		
<i>IFIs & Multilateral</i>	P	I	P	I	P	I	P	I	P	I	
IMF	4.34	2.02	36.40	1.75	65.97	1.41	67.81	1.07	71.49		0.73
AfDB	2.15	0.13	2.08	0.11	2.08	0.09	2.06	0.08	1.87		0.06
IDA	11.26	0.67	11.07	0.59	10.60	0.50	9.90	0.43	9.05		0.35
IFAD	-	-	0.32	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	2.26	3.63	2.26	2.86	2.26	2.82	2.26	2.79	2.70		2.76
Netherlands	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
Russia	0.77	0.91	0.77	0.98	0.77	0.96	0.77	0.95	0.91		0.93
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)	0.03	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	-	-	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	30.35	9.84	64.02	10.61	93.24	10.06	159.11	15.81	186.30		22.23
Total debt service	40.19		74.63		103.30		174.92		208.53		
Projected debt Stock	3,091.55		3,029.15		2,937.53		2,844.79		2,748.87		
Debt Service as percentage of Revenues	6.3%		11.2%		16.9%		29.5%		32.2%		
Debt Service % of Export of Goods & Service	2.3%		3.7%		4.7%		0.0%		7.9%		
Debt Stock as percentage of GDP	32.8%		29.5%		26.4%		23.6%		21.2%		
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.											

³ Projected debt stock excludes potential future debt relief

4. Upcoming Activities for QIV, 2023

The government remains steadfast in its commitment to execute its comprehensive strategy aimed at engaging with Non-Paris Club members and other multilateral entities to secure the envisioned HIPC debt relief within the HIPC Initiative. To achieve this crucial objective, the Debt Management Unit (DMU) has strategically devised plans to facilitate virtual meetings with a diverse group of creditors. These meetings will serve as essential platforms for consensus-building, with the goal of determining the most effective approach to delivering the remaining HIPC debt relief.

To foster further collaboration and negotiations, the authorities plan to hold side meetings with both bilateral and multilateral creditors during the annual IMF/WB meeting scheduled for October 9-15, 2023, in Marrakech, Morocco. This proactive approach underscores the government's determination to secure sustainable debt relief and financial stability.

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