

Quartley Public Debt Bulletin (Quarter I, 2022)

Debt Management Unit
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1. Quarter I, 2022. Progress in Debt Management issues:

In this quarter of Jan-March 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 the Non-Paris Creditors and other multilaterals, and has held virtual negotiations meetings with the following creditors:

- Arab Monetary Fund and Arab Fund for Economic and Social Development – negotiations focused on the proposed debt relief agreement and restarting technical assistance with Somalia. The counter-proposal is being analyzed by the creditors and DMU is arranging meetings during the upcoming Joint Arab financial Institutions in Jeddah (April, 2022).
- IsDB – DMU continued the negotiation process with this creditor to reach a consensus on the debt relief delivery method.
- After extensive technical discussions, the government has signed a memorandum of understanding with the Kuwait Fund and the final signature is expected in April, 2022.
- Meetings with the Saudi Fund and Abu Dhabi Fund are being planned during the Joint Arab financial institutions in April, 2022. Government is seeking comparable treatment along the lines agreed with the Kuwait Fund. Negotiations continue with these creditors and an agreement with these two Institutions is expected during QII, 2022.
- In order to cover the remaining balance of outstanding arrears to IFAD (about US\$ 6 million), both the government of Somalia and IFAD Management have agreed to send a joint letter to potential donors soliciting them to cover this balance. Among the donors contacted included: Sweden, Norway, Denmark, European Commission, Italy and Swiss Confederation. So far, Sweden has shown its willingness to participant in this endeavor.
- Furthermore, Somalia's debt relief proposals are also being reviewed by the Governments of Bulgaria and Romania. Recent political developments in these two countries have delayed the resolution of the debt relief request.

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. The system is now live at a DFI facility. DMU is working on upgrading its IT environment in order to house the system.

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, Q1, 2022

Stock of debt at end of Quarter I, 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 Q1, 2022 stood at USD 4,479 billion, of which multilaterals represented 24 percent of the total with USD 1,076 billion. The largest creditors are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 3,400 billion with Paris Club creditors representing close to 78 percent of the bilateral debt. The commercial loan amounted to USD 2.5 million. The main creditors are the USA, Russia¹, 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 47 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 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 has 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 Q1, 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 Q1, 2022.

Creditor Category / Creditor Name	2021 - Q4				2022 - Q1				
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Stock	Of which of arrears
GRAND TOTAL	3.307,64	1.023,88	159,06	4.490,58	3.290,73	1.034,08	155,07	4.479,88	2.132,57
Commercial	1,51	0,93	-	2,44	1,51	0,99	-	2,50	2,50
Government of Serbia	1,51	0,93	-	2,44	1,51	0,99	-	2,50	2,50
Multilateral	724,25	350,40	6,03	1.080,68	714,98	355,89	6,03	1.076,90	576,43
African Development Fund	23,80	-	-	23,80	22,20	-	-	22,20	-
Arab Fund for Economic and Social Dev.	75,79	113,94	0,05	189,78	75,55	114,72	0,05	190,32	190,32
Arab Monetary Fund	76,92	227,68	-	304,60	76,17	232,32	-	308,49	308,49
Int. Fund for Agricultural Development	24,72	7,53	0,03	32,28	24,48	7,54	0,03	32,05	28,63
International Development Association	121,83	-	-	121,83	118,97	-	-	118,97	-
International Monetary Fund	359,36	-	-	359,36	355,87	-	-	355,87	-
Islamic Development Bank	11,97	1,14	-	13,11	11,85	1,13	-	12,98	12,98
OPEC Fund for Int. Dev.	29,87	0,11	5,94	35,92	29,87	0,19	5,94	36,00	36,00
Non-Paris Club	287,57	338,69	98,52	724,78	287,51	341,78	98,52	727,81	725,18
Abu Dhabi Fund for Development	94,10	153,43	0,02	247,55	94,22	155,51	0,02	249,75	249,75
Government of Algeria	0,90	0,66	-	1,56	0,90	0,66	-	1,56	1,56
Government of Bulgaria	5,53	5,30	-	10,83	5,53	5,34	-	10,87	10,87
Government Of Iraq	31,22	62,42	98,51	192,15	31,22	62,42	98,51	192,15	192,15
Government of Libya	11,75	23,16	-	34,91	11,75	23,16	-	34,91	34,91
Government of Romania	2,27	0,25	-	2,52	2,27	0,25	-	2,52	2,52
Kuwait Fund for Econ. Dev	82,99	38,95	-	121,94	82,73	39,11	-	121,84	121,84
Saudi Fund for Development	58,80	54,51	-	113,31	58,88	55,32	-	114,20	111,57
Paris Club	2.294,31	333,85	54,51	2.682,67	2.286,73	335,43	50,52	2.672,68	828,47
European Economic Community (EEC)	0,35	-	-	0,35	0,35	-	-	0,35	-
Government of Denmark	2,97	-	-	2,97	2,94	-	-	2,94	-
Government of France	154,21	-	-	154,21	151,85	-	-	151,85	-
Government of Italy	624,11	-	-	624,11	623,10	-	-	623,10	-
Government of Japan	57,02	14,72	54,51	126,25	52,84	13,72	50,52	117,08	117,08
Government of Netherlands	2,23	-	-	2,23	2,19	-	-	2,19	-
Government of Norway	0,66	-	-	0,66	0,68	-	-	0,68	-
Government of Russia	389,68	319,13	-	708,81	389,68	321,71	-	711,39	711,39
Government of Spain	40,90	-	-	40,90	40,90	-	-	40,90	-
Government of UK	30,38	-	-	30,38	30,38	-	-	30,38	-
United States of America	991,81	-	-	991,81	991,81	-	-	991,81	-

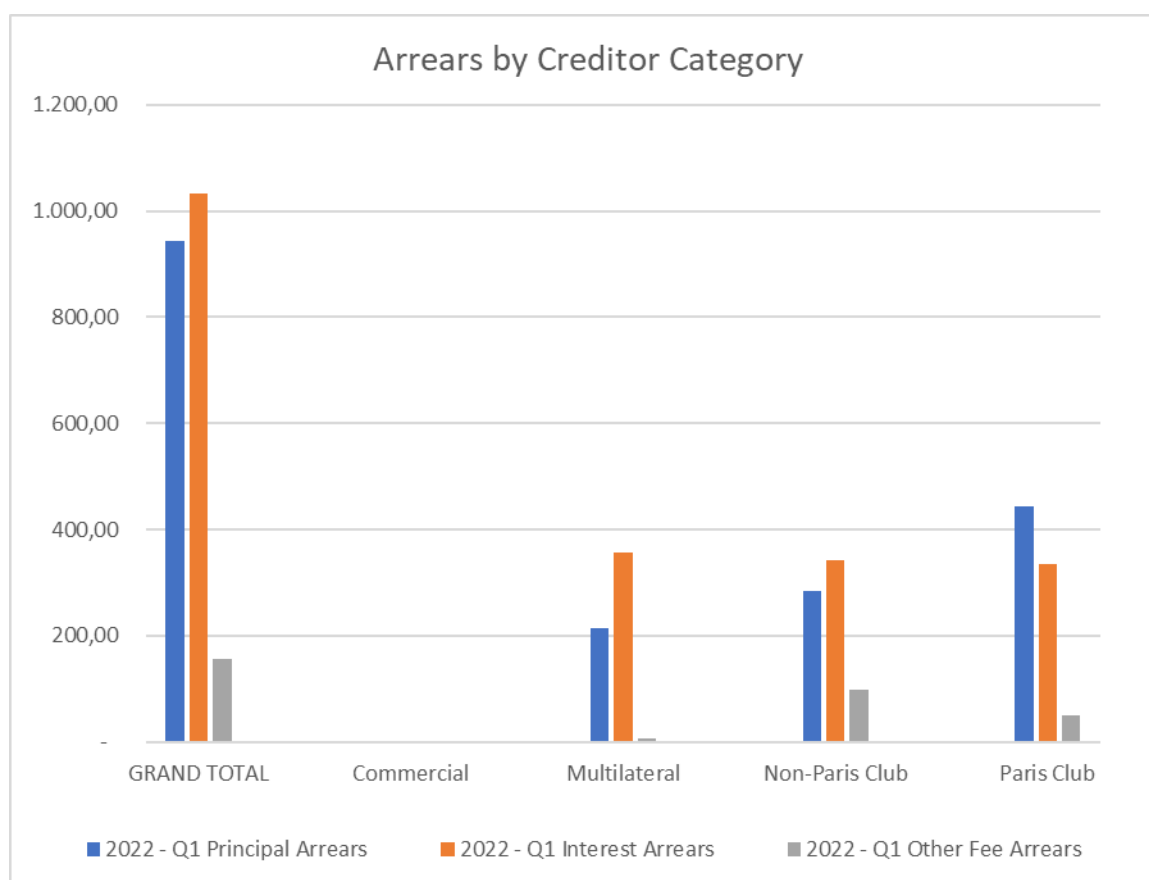
Source: DMU, Ministry of Finance

Table 2. Somalia, Stock of arrears at the end of Q1, 2022

Creditor Category	2022 - Q1		
	Principal Arrears	Interest Arrears	Other Fee Arrears
GRAND TOTAL	943,42	1.034,08	155,07
Commercial	1,51	0,99	-
Multilateral	214,51	355,89	6,03
Non-Paris Club	284,88	341,78	98,52
Paris Club	442,52	335,43	50,52

Source: DMU, Ministry of Finance.

Figure 1. Somalia, Arrears by creditor category



Source: DMU, Ministry of Finance.

Debt Flows during Q1, 2022.

As part of Somalia's IMF-supported program, during Q1 of 2022, Government continued in prioritizing 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 QI, 2022, by creditor. (In millions USD).

Debt service paid in Q I, 2022, (In millions USD)				
Total Debt Service Paid By Creditor (January-March, 2022)				In USD million
	Principal	Interest	Credits	Total
Total Debt Service (October-December, 2021)	3,05	0,22	(0,01)	3,26
IFIs & Multilateral	3,05	0,22	(0,01)	3,26
IMF	-	-	-	-
AfDB	1,17	0,09	-	1,26
IDA	1,88	0,13	(0,01)	2,00

Source: DMU, MoF

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

Creditor Name	Total Debt Service Due											
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
African Development Fund	-	-	-	1,22	-	-	-	-	-	1,21	-	-
Int. Fund for Agricultural Development	-	-	0,15	0,15	-	-	-	-	0,12	0,13	-	-
International Development Association	0,40	0,59	1,34	1,04	0,31	0,63	0,93	2,42	1,34	1,04	0,31	0,63
Saudi Fund for Development	0,03	-	-	-	-	-	0,12	-	-	-	-	-

Filters: 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 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 debt², including arrears, only 0.2 percent had been contracted with variable interest rates.

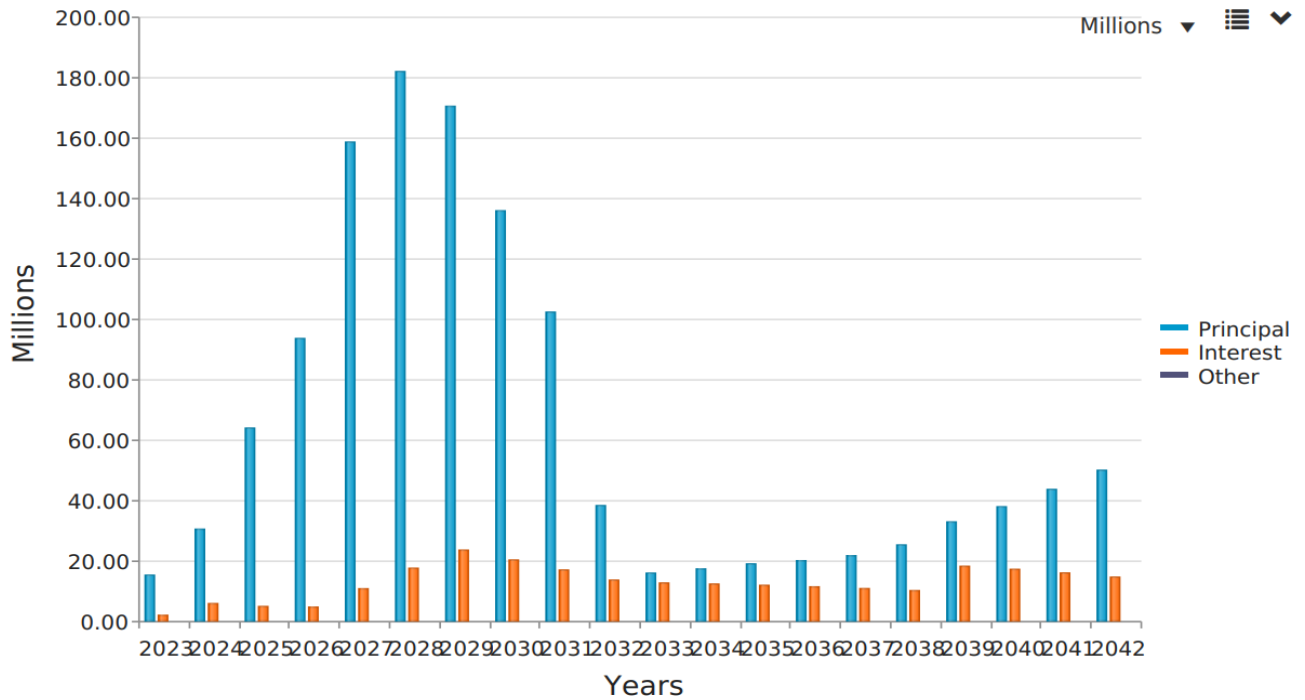
b. Refinancing risk

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 principal payments in next twelve months is USD 13.66 million which represent 0.33 percent of the total outstanding debt (including arrears) or 0.60 percent of the outstanding debt (excluding arrears). The amortization profile of existing debt is presented in Fig. 2 below. The profile shows a

² Face value includes current stock and principal arrears

concentration of payments between 2026 and 2031 due to the repayment of IMF and USA loans.

Fig. 2: Somalia repayment profile. 2023 – 2042. Million USD

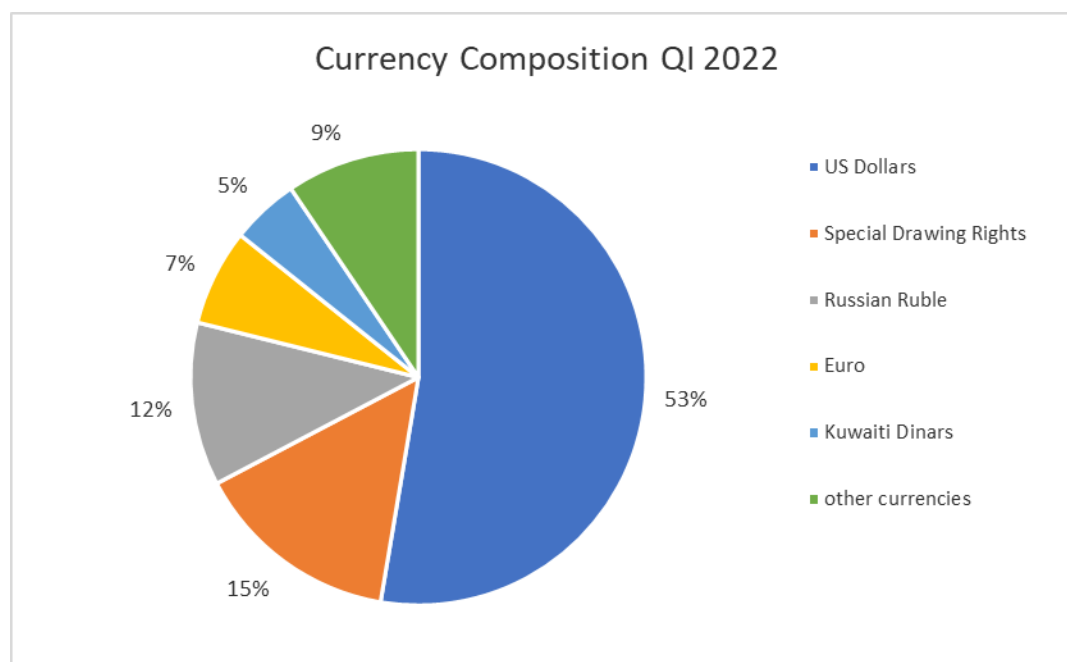


Source: DMU, Ministry of Finance

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 53 percent of debt is denominated in USD followed by SDR at 15 percent which include a portion of loans from IDA, IMF, AfDB and IFAD, the Russian Rubble at 12 percent. Euro denominated debt stood at 7 percent, Kuwait Dinar at 5 percent, the Arab Emirates Dirham and the Arab Accounting Dinar and represent 3 and 2 percent each. The remaining is distributed in other currencies.

Figure 3: Somalia, total debt stock at the end of Q1, 2022 by currency.



Source: DMU, MoF

d. Summary of Somalia's cost and risk indicators³

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).

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

³ Excludes existing debt to Italy and Japan

- Currently, Somalia does not issue any Treasury Bills (T-bills).

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 show the projected ratios.

Table 6⁴. Somalia, Debt service ratios 2023-2027, (In USD millions)⁵

<i>(All amounts in \$US, otherwise noted)</i>										
	2023		2024		2025		2026		2027	
<i>IFIs & Multilateral</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>	<i>P</i>	<i>I</i>
<i>IMF</i>	-	0,81	3,30	0,81	27,68	0,74	50,17	0,65	50,17	0,56
<i>AfDB</i>	2,27	0,15	2,27	0,13	2,21	0,12	2,21	0,10	2,18	0,08
<i>IDA</i>	12,09	0,79	11,69	0,70	11,50	0,61	11,03	0,53	10,33	0,45
<i>IFAD</i>	0,46	0,03	0,46	0,03	0,46	0,02	0,46	0,02	0,46	0,01
Paris Club Creditors										
<i>Denmark</i>	-	0,01	0,03	0,04	0,03	0,04	0,03	0,04	0,03	0,04
<i>France</i>	-	0,62	2,37	3,76	2,37	2,96	2,37	2,93	2,37	2,89
<i>Netherlands</i>	-	-	0,01	0,01	0,01	0,01	0,01	0,01	0,01	0,01
<i>Norway</i>	-	0,00	0,01	0,02	0,01	0,02	0,01	0,02	0,01	0,02
<i>Spain</i>	-	-	8,18	0,21	8,18	0,16	8,18	0,12	8,18	0,08
<i>United Kingdom</i>	-	0,17	0,46	0,74	0,46	0,72	0,46	0,71	0,46	0,70
<i>European Economic Community (EEC)</i>	0,04	0,00	0,04	0,00	0,04	0,00	0,04	0,00	0,04	0,00
Non-Paris Club Creditors										
<i>SFD</i>	0,20	0,02	0,20	0,02	0,20	0,02	0,20	0,02	0,20	0,02
<i>Principal & Interest</i>	15,06	2,61	29,02	6,47	53,15	5,43	75,17	5,15	74,44	4,87
<i>Total debt service</i>	17,66		35,49		58,58		80,32		79,31	
<i>Projected debt Stock</i>	4.479,00		4.449,98		4.396,83		4.321,67		4.247,23	
<i>Debt Service as percentage of Revenues</i>	3,0%		6,4%		9,1%		10,9%		9,7%	
<i>Debt Service % of Export of Goods & Service</i>	1,2%		2,3%		3,5%		0,0%		4,0%	
<i>Debt Stock as percentage of GDP</i>	49,9%		45,5%		41,2%		37,2%		33,5%	
Memo items:										
<i>Revenues 1/</i>	583,00		558,00		646,00		739,00		815	
<i>Exports of goods & services 2/</i>	1.462,76		1.574,26		1.684,28		1.836,59		2.004,86	
<i>GDP 3/</i>	8.974,00		9.778,00		10.660,00		11.624,00		12.689,00	
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. Upcoming Activities for QII, 2022

In the second quarter of 2022, the approved Government strategy to engage with Non-Paris Club and other multilaterals will continue to be implemented to secure all the HIPC debt relief envisioned under the HIPC Initiative. To do that, DMU plans to organize virtual meetings with the various creditors to agree on the delivery method for the remaining HIPC debt relief. In September, 2022, DMU will prepare and submit the semi-annual status of negotiations report to brief the Paris

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.

Club Secretariat of progress in the negotiations with other non-Paris Club creditors. The rescheduling agreements with the Arab Funds are expected to be sign during QII, 2022.

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