

Quartley Public Debt Bulletin (Quarter I, 2023)

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

In this quarter, from January to March, 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. The status of negotiations is as follows:

- Somalia reached an agreement with the Saudi Fund to reschedule its outstanding arrears to this creditor. Somalia will receive the necessary debt relief in line with the Paris Club treatment. The rescheduling agreement is expected to be signed in the next quarter.
- 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, face to face meeting between Somali authorities and OPEC is planned to be held in Vienna on June 20, 2023 to discuss the debt relief modalities to settle the outstanding arrears.**
- Russia: agreement has been reached with this creditor on the terms and conditions for the rescheduling of a debt that was to be treated outside the Paris Club framework. The agreement will open up the door for finalizing the Paris Club agreement in the following quarter. Both agreements are expected to be finalized next quarter.

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.

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, QI, 2023

Stock of debt at end of Quarter I, 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 I 2023 stood at USD 3,837.34, down by 31 million from the amount shown at the end of 2022. Of the existing debt portfolio, multilaterals represented 28 percent of the total with USD 1,077.58 billion. The largest creditors, in this category, are the IMF, AMF, AFESD and IDA, in that order. Debt to bilateral creditors reached USD 2,757.20 billion with Paris Club creditors representing close to 72 percent of the bilateral debt. The commercial loan with a Serbian company amounted to USD 2.56 million. The main creditors, within this category, 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 Kuwait and Saudi 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 44 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 Quarter IV of 2022 and Quarter I of 2023. Table 2 shows the stock of arrears at the Quarter I of 2023.

Table 1. Somalia Stock of debt at the QIV of 2022 and Q I 2023.

¹ Negotiations with Russia are being conducted in order to agree on certain claims currently in dispute.

Creditor Category / Creditor Name	2022 - Q4				2023 - Q1			
	Face Value	Interest Arrears	Other Fee Arrears	Total Stock	Face Value	Interest Arrears	Other Fee Arrears	Total Stock
GRAND TOTAL	2,695.35	1,016.84	156.79	3,868.98	2,653.59	1,027.29	156.46	3,837.34
Commercial	1.51	1.02	-	2.53	1.51	1.05	-	2.56
Government of Serbia	1.51	1.02	-	2.53	1.51	1.05	-	2.56
Multilateral	709.69	352.20	6.35	1,068.24	697.95	373.28	6.35	1,077.58
African Development Fund	21.08	-	-	21.08	19.23	-	-	19.23
Arab Fund for Economic and Social Dev.	75.02	116.52	0.05	191.59	74.90	121.01	0.05	195.96
Arab Monetary Fund	73.33	227.17	-	300.50	60.04	243.34	-	303.38
Int. Fund for Agricultural Development	23.57	7.42	0.03	31.02	23.82	7.57	0.03	31.42
International Development Association	104.86	-	-	104.86	104.01	-	-	104.01
International Monetary Fund	370.55	-	-	370.55	374.55	-	-	374.55
Islamic Development Bank	11.41	1.09	-	12.50	11.53	1.10	-	12.63
OPEC Fund for Int. Dev.	29.87	-	6.27	36.14	29.87	0.26	6.27	36.40
Non-Paris Club	330.09	312.70	98.53	741.32	329.89	323.19	98.53	751.61
Abu Dhabi Fund for Development	94.22	159.28	0.02	253.52	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	5.43	-	10.96
Government Of Iraq	31.22	62.51	98.51	192.24	31.22	62.51	98.51	192.24
Government of Libya	11.75	27.69	-	39.44	11.75	27.69	-	39.44
Government of Romania	2.27	0.25	-	2.52	2.27	0.25	-	2.52
Kuwait Fund for Econ. Dev	125.32	-	-	125.32	125.12	-	-	125.12
Saudi Fund for Development	58.88	56.88	-	115.76	58.88	59.83	-	118.71
Paris Club	1,654.06	350.92	51.91	2,056.89	1,624.24	329.77	51.58	2,005.59
European Economic Community (EEC)	0.33	-	-	0.33	0.34	-	-	0.34
Government of Denmark	2.89	-	-	2.89	2.92	-	-	2.92
Government of France	146.68	-	-	146.68	150.18	-	-	150.18
Government of Italy	-	-	-	-	-	-	-	-
Government of Japan	48.76	15.28	51.91	115.95	48.46	15.18	51.58	115.22
Government of Netherlands	2.10	-	-	2.10	2.15	-	-	2.15
Government of Norway	0.61	-	-	0.61	0.57	-	-	0.57
Government of Russia	389.68	335.64	-	725.32	356.59	314.59	-	671.18
Government of Spain	40.90	-	-	40.90	40.90	-	-	40.90
Government of UK	30.30	-	-	30.30	30.32	-	-	30.32
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, 2023

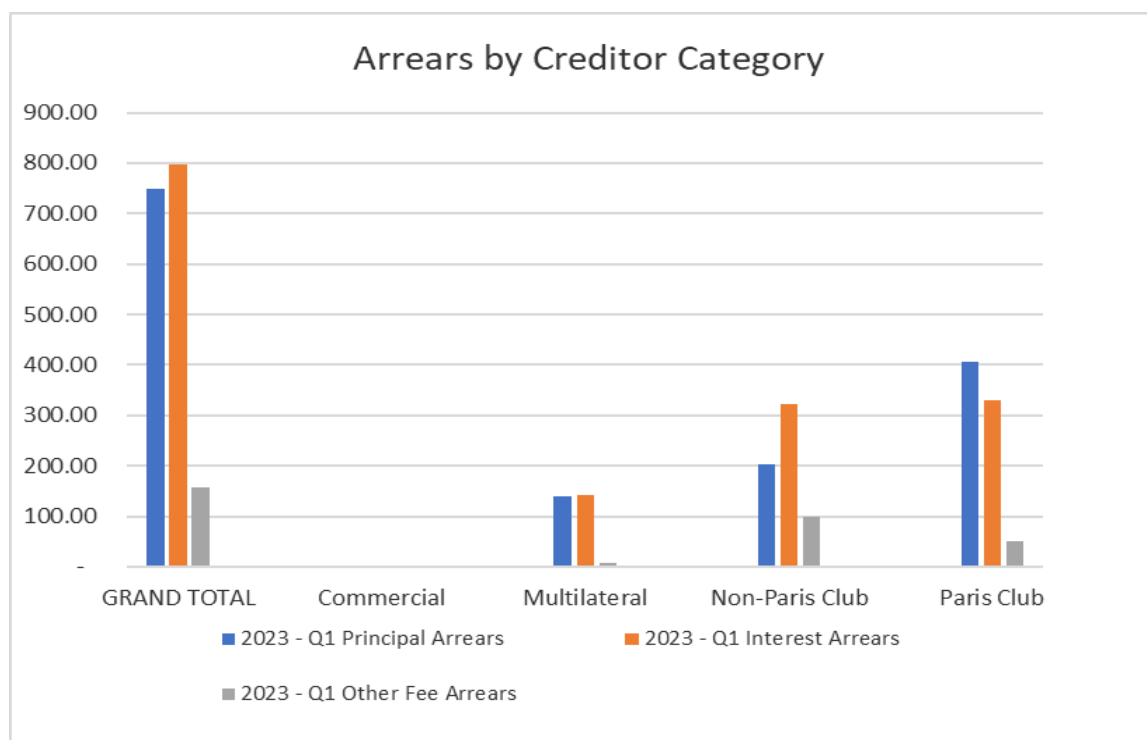
Period: Calendar Quarter (01/01/2023 - 31/03/2023) Currency Units: Millions of US Dollars

Creditor Category	2023 - Q1		
	Principal Arrears	Interest Arrears	Other Fee Arrears
GRAND TOTAL	748.76	797.08	156.45
Commercial	1.51	1.05	-
Multilateral	139.85	143.06	6.35
Non-Paris Club	202.35	323.20	98.52
Paris Club	405.05	329.77	51.58

Filters: Portfolio: All Instruments Comments:

Source: DMU, Ministry of Finance.

Figure 1. Somalia, Arrears by creditor category



Source: DMU, Ministry of Finance.

Debt Flows during QI, 2023.

As part of Somalia's IMF-supported program, during QI 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 2023² 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, 2023, by creditor. (In millions USD).

Debt service paid in Q 1, 2023, (In millions USD)				
Total Debt Service Paid By Creditor (January-March, 2023)				
	Principal	Interest	Credits	Total
Total Debt Service (October-December, 2022)	2.94	0.20	(0.02)	3.12
IFIs & Multilateral	2.94	0.20	(0.02)	3.12
IMF	-	-	-	-
AfDB	1.16	0.09	-	1.25
IDA	1.78	0.11	(0.02)	1.87

Source: DMU, MoF

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

Period: Calendar Month (01/04/2023 - 31/03/2024)/Currency Units: Millions of US Dollars

Creditor Category / Creditor Name	2023 - APR	2023 - MAY	2023 - JUN	2023 - JUL	2023 - AUG	2023 - SEP	2023 - OCT	2023 - NOV	2023 - DEC	2024 - JAN	2024 - FEB	2024 - MAR
	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due	Total Debt Service Due
GRAND TOTAL	0.90	2.89	1.26	2.36	1.43	0.62	1.02	2.90	1.13	2.55	1.73	0.61
Multilateral	0.90	2.87	1.13	2.18	0.83	0.62	0.90	2.88	1.13	2.18	0.82	0.61
African Development Fund	-	-	-	1.17	-	-	-	-	-	1.17	-	-
International Development Association	0.90	2.36	1.13	1.01	0.30	0.62	0.90	2.35	1.13	1.01	0.30	0.61
International Monetary Fund	-	0.51	-	-	0.53	-	-	0.53	-	-	0.52	-
Non-Paris Club	-	-	0.13	-	-	-	0.12	-	-	-	-	-
Saudi Fund for Development	-	-	0.13	-	-	-	0.12	-	-	-	-	-
Paris Club	-	0.02	-	0.18	0.60	-	-	0.02	-	0.37	0.91	-
European Economic Community (EEC)	-	0.02	-	-	-	-	-	0.02	-	-	-	-
Government of Denmark	-	-	-	0.01	-	-	-	-	-	0.02	-	-
Government of France	-	-	-	-	0.60	-	-	-	-	-	0.91	-
Government of Norway	-	-	-	-	-	-	-	-	-	0.01	-	-
Government of UK	-	-	-	0.17	-	-	-	-	-	0.34	-	-

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

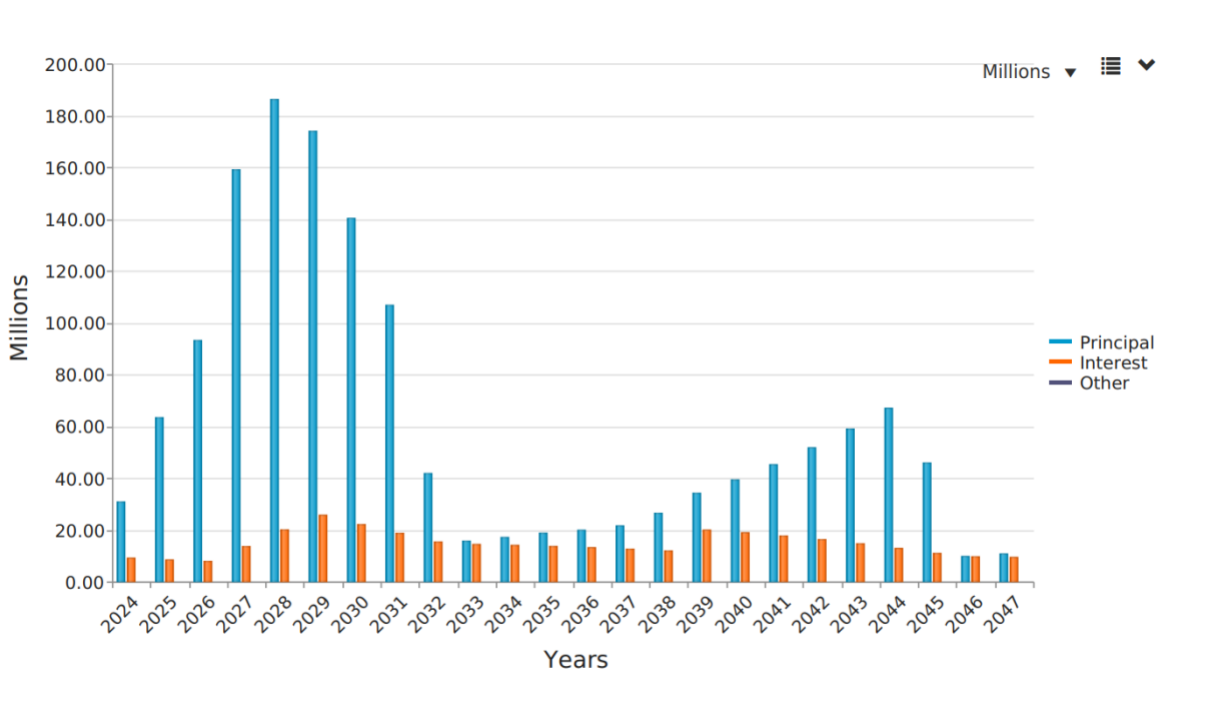
a. Interest rate risk indicators

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 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

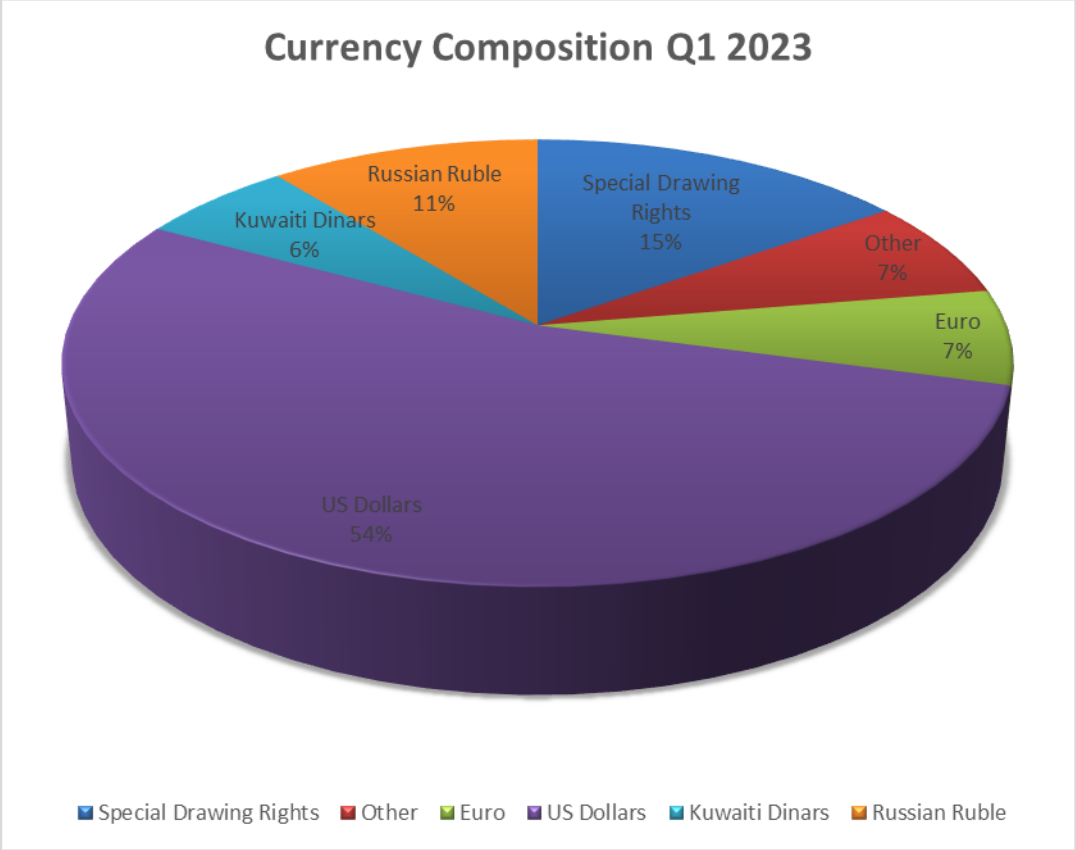


Source: DMU, Ministry of Finance

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 54 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 11 percent. Arab Accounting dinar denominated debt stood at 7 percent, Kuwait Dinar at 6 percent, the other currencies represent 15 percent.

Figure 3: Somalia, total debt stock at the end of Q1, 2023 by currency.



Source: DMU, MoF

d. Summary of Somalia’s cost and risk indicators at end of 2022³

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 Italy and 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 6⁴. Somalia, Debt service ratios 2024-2028, (In USD millions)

<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	3.30	4.41	27.68	4.17	50.17	3.88	51.57	3.58	54.37	3.29
AfDB	2.33	0.14	0.23	0.13	0.23	0.11	2.20	0.09	2.05	0.08
IDA	9.19	0.64	9.19	0.57	9.19	0.51	9.19	0.44	8.48	0.37
IFAD	0.45	0.02	0.45	0.02	0.45	0.02	0.45	0.01	0.45	0.01
Paris Club Creditors										
Denmark	0.03	0.04	0.03	0.04	0.03	0.04	0.03	0.04	0.03	0.04
France	2.32	3.72	2.37	2.93	2.32	2.90	2.32	2.86	2.77	2.83
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
United Kingdom	0.46	0.74	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	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	1.81	0.85	1.81	0.85	1.81
Principal & Interest	26.52	9.98	49.70	10.08	72.14	10.15	140.26	15.93	166.61	22.43
Total debt service	36.50		59.77		82.29		156.19		189.05	
Projected debt Stock	4,412.52		4,363.67		4,292.38		4,217.72		4,140.58	
Debt Service as percentage of Revenues	5.8%		9.0%		13.5%		26.3%		29.2%	
Debt Service % of Export of Goods & Service	2.0%		3.0%		3.7%		0.0%		7.2%	
Debt Stock as percentage of GDP	46.8%		42.5%		38.6%		35.0%		31.9%	
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 Projected debt stock excludes potential future debt relief

4. Upcoming Activities for QII, 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, DMU plans to organize virtual meetings with the various creditors to agree on the delivery method for the remaining HIPC debt relief. DMU will follow up with Iraq, the Abu Dhabi Fund, and Russia. The DMU expects to finalise debt relief agreements with Saudi Fund for Development and the Russian Federation. Also, 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