INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/86

SOMALIA

March 2020

ENHANCED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE-DECISION POINT DOCUMENT

This paper on Somalia was prepared by staff teams of the World Bank and the International Monetary Fund. It is based on the information available at the time it was completed on March 11, 2020.

- An **Enhanced HIPC Initiative**—Decision Point Document prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

PR20/104

Somalia to Receive Debt Relief under the Enhanced HIPC Initiative

FOR IMMEDIATE RELEASE

Washington, DC – March 25, 2020 The International Monetary Fund (IMF) and the World Bank's International Development Association have determined that Somalia has taken the necessary steps to begin receiving debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Somalia is the 37th country to reach this milestone, known as the HIPC Decision Point.

Debt relief will help Somalia make lasting change for its people by allowing its debt to be irrevocably reduced from US$5.2 billion at end-2018 to US$557 million in net present value terms (NPV) once it reaches the HIPC Completion Point in about three years' time. As Somalia continues on its path towards stability and development after 30 years outside the international financial system, the immediate normalization of its relations with the international community will re-open access to critical additional financial resources to strengthen the economy, help improve social conditions, raise millions out of poverty, and generate sustainable employment for Somalis.

"I would like to congratulate the Somali government and people for their intense efforts over the past years leading to this momentous event," said **Kristalina Georgieva, IMF Managing Director**. "Successful reform efforts have laid the foundation for inclusive economic growth and for addressing the needs of the country's most vulnerable people. Work must continue to sustain and expand the implementation of these reforms as Somalia starts a new chapter of its history. I am confident a more resilient and prosperous future lies ahead for the people of Somalia."

"We welcome Somalia's efforts to restore stability, engage with creditors, and adopt a poverty reduction strategy," said **World Bank Group President David Malpass**. "Resumption of regular financing to Somalia is an important landmark, and we look forward to further economic and social progress."

"The Government and People of Somalia are very pleased by the IMF's and World Bank Group's decision which allows Somalia to fully re-engage with International Financial Institutions. This decision is an important milestone which presents ample opportunities for Somalia as it relentlessly pursues its ongoing reform processes as well as its recovery and development agenda," said **Hassan Ali Khayre, Prime Minister, Federal Government of Somalia**. "The journey leading to this decision required hard work, dedication and partnership. The FGS expresses its appreciation to the IMF, World Bank Group and partners for their unwavering support and to the Somali people for their patience and resilience in this journey."

Somalia has committed to maintaining macroeconomic stability; implementing a poverty reduction strategy; and putting in place a set of reforms focused on fiscal stability, improving governance and debt management, strengthening social conditions, and supporting inclusive growth in order to reach the HIPC Completion Point. The World Bank and IMF will continue working together to provide the technical assistance and policy guidance the authorities need to achieve these goals, including in the context of the new, three-year IMF financial arrangement.

In addition, the World Bank is considering a range of new IDA investments with a focus on immediate relief for communities impacted by flooding, the locust invasion as well as preparing for the fast-moving threat of COVID-19. The leadership of the World Bank Group and the International Monetary Fund expressed thanks to their member countries of all regions and income levels, in particular Italy, Norway, Qatar, and the United Kingdom, together with the EU, whose interventions catalyzed support and provided the necessary financial resources to help Somalia reach the Decision Point.

Details of the Debt Relief Operation

- At the start of the HIPC process, Somalia's public- and publicly guaranteed external debt was estimated at US$5.2 billion in NPV terms. Application of traditional debt relief mechanisms reduces this debt to US$3.7 billion.

- Additional debt relief under the enhanced HIPC Initiative is estimated at US$2.1 billion in NPV terms. Of this amount, US$843 and US$1,225 million is projected to be provided by official multilateral and bilateral creditors, respectively.

- Paris Club creditors are expected to make a decision on debt relief by the end of March 2020. The largest Paris Club creditors are the United States, Russia, Italy, and France. The IMF Executive Board has approved interim debt relief on debt service falling due to the IMF in the period between the HIPC Decision and Completion Points. At the HIPC Completion Point, Somalia's current debt due to the IMF will be paid with the proceeds of financial contributions that have been received from over 100 IMF members, including many low-income countries.

- MDRI debt relief from IDA and the African Development Bank would cancel all remaining claims at the Completion Point.

- Together, Somalia's external debt burden is expected to fall from about US$5.2 billion (110.7 percent of GDP) in NPV terms as of end-2018 to US$557 million (9 percent of GDP) once the Completion Point is reached.

IMF and World Bank Arrears Clearance Operations

- Arrears to IDA were cleared on March 5, 2020 through bridge financing provided by the government of Norway, reimbursed with the proceeds of a Development Policy Grant.

- Arrears to the IMF were cleared on March 25 with the assistance of bridge financing from the government of Italy, which the authorities have reimbursed using the front-loaded access under the new IMF financial arrangement. (See details in a separate press release)

- Arrears to the African Development Bank were cleared on March 5, 2020 through bridge financing provided by the government of the United Kingdom and a contribution from the EU. The bridge loan from the UK was reimbursed by the proceeds of a Policy Based Operation Grant.

The HIPC Initiative
In 1996, the World Bank and IMF launched the HIPC Initiative to create a framework in which all creditors, including multilateral creditors, can provide debt relief to the world's poorest and most heavily indebted countries to ensure debt sustainability, and thereby reduce the constraints on economic growth and poverty reduction imposed by the unsustainable debt-service burdens in these countries. To date, 37 HIPC countries, including Somalia, have reached their decision points, of which 36 have reached the completion point.

The MDRI
Created in 2005, the aim of the Multilateral Debt Relief Initiative (MDRI) is to reduce further the debt of eligible low-income countries and provide additional resources to help them reach their development objectives. Under the MDRI, three multilateral institutions – the World Bank's IDA, the IMF and the African Development Fund-- provide 100 percent debt relief on eligible debts to qualifying countries, at the time they reach the HIPC Initiative Completion Point.

Related Links:
https://www.imf.org/en/Countries/SOM
https://www.worldbank.org/en/country/somalia
https://www.worldbank.org/en/topic/debt-relief
http://www.imf.org/external/np/exr/facts/hipc.htm
http://www.imf.org/external/np/exr/facts/mdri.htm
https://www.worldbank.org/en/news/press-release/2020/02/27/somalia-to-reestablish-financial-relations-with-the-world-bank-group-after-thirty-years
https://www.worldbank.org/en/news/press-release/2020/02/13/imf-and-world-bank-consider-somalia-eligible-for-assistance-under-the-enhanced-heavily-indebted-poor-countries-hipc-initiative
imf.org/en/News/Articles/2020/02/13/pr2048-imf-and-wb-consider-somalia-eligible-for-assistance-under-the-enhanced-hipc-initiative
https://www.worldbank.org/en/news/press-release/2020/03/05/somalia-clears-arrears-to-world-bank-group

Contacts:
IMF in Washington: Wafa A. Amr, WAmr@imf.org
World Bank in Washington: Aby Toure, akonate@worldbank.org

[1] The IDA and IMF Executive Boards met on March 24, 2020; the IMF Executive Board's decisions became effective on March 25, 2020.

INTERNATIONAL MONETARY FUND

SOMALIA

ENHANCED HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE–DECISION POINT DOCUMENT

March 11, 2020

EXECUTIVE SUMMARY

Somalia has an historic opportunity to turn the page on decades of conflict, fragility and state fragmentation, and embark on a trajectory towards poverty reduction and inclusive growth. For over two decades, Somalia has experienced protracted conflict and fragility, the collapse of rule of law, institutions, basic public services and the social contract, resulting in the impoverishment of millions. The 2012 Provisional Constitution established a federal political structure, including a parliament, the Federal Government of Somalia (FGS) and the Federal Member States (FMS). The sustained political, economic and institutional reforms undertaken since 2016 have succeeded in rebuilding core state capabilities.

Despite these improvements, poverty remains pervasive. Almost 70 percent of Somalis live on less than US$1.90 a day in purchasing power parity terms, and economic growth is barely keeping up with population growth, estimated at 2.8 percent per year. Poverty is deep, particularly in rural populations and among internally-displaced people (IDPs). Almost nine out of 10 Somali households are deprived in at least one dimension of poverty—monetary, electricity, education, or water and sanitation—and nearly seven out of 10 households suffer in two or more dimensions. Women and youth face particular challenges.

Without a solution to its unsustainable debt situation, Somalia will not be able to finance essential poverty-reducing expenditure and its development needs. FGS public and publicly guaranteed external debt was estimated at US$5.3 billion at the end of 2018 in nominal terms (equivalent to US$5.2 billion in net present value (NPV) terms), including US$5.0 billion in arrears.

Somalia meets the requirements to reach the Decision Point under the HIPC Initiative. A Debt Relief Analysis (DRA) shows that Somalia qualifies for debt relief under the HIPC Initiative's "export window" based on end-2018 data. After full application of traditional debt relief mechanisms, the country's NPV of debt is estimated at US$3.7 billion at end-2018, equivalent to 344.2 percent of exports of goods and services. The amount of debt relief needed to bring Somalia's NPV of debt-to-exports ratio down to the HIPC threshold of 150 percent is estimated at US$2.1 billion in end-2018 NPV terms. This implies a common reduction factor of 56.4 percent. As of March 9,

2020, creditors representing 76 percent of the NPV of eligible debt have committed to provide their share of debt relief under the HIPC Initiative.

Somalia has also fulfilled the other requirements to reach the Decision Point. Somalia has (i) adopted its Ninth National Development Plan 2020-24 (in September 2019), as its Poverty Reduction Strategy; (ii) established a satisfactory track record under IMF- and IDA-supported programs; (iii) cleared its arrears to the World Bank and African Development Bank (AfDB), and agreed an approach to clear its arrears with the IMF; and (iv) agreed a set of appropriate Completion Point triggers with IDA and IMF staffs that promote stronger public financial management, improved governance, enhanced delivery of social programs, private sector-led growth and resilience. These triggers were outlined in the preliminary document and broadly supported by Directors.

On reaching the Completion Point, Somalia would qualify for MDRI debt relief from IDA and the African Development Fund and for beyond-HIPC assistance from the IMF. MDRI from IDA and AfDB would cancel all remaining claims to Somalia. MDRI debt relief could amount to US$113.5 million in end-2022 NPV terms. Somalia has no debt eligible for MDRI relief from the IMF. At the Completion Point the IMF would provide beyond-HIPC assistance through cancellation of the portion of the pre-Decision Point financing that is not already covered by HIPC debt relief.

With HIPC, MDRI and beyond HIPC assistance, Somalia's NPV of debt-to-exports ratio is projected to decline from 491.1 percent in 2018 to 55.8 percent in 2027 and 41.9 percent in 2038. The debt service-to-exports ratio is expected to initially increase after the country reaches HIPC Completion Point—mainly due to the resumption of regular payments and arrears rescheduling—but decrease gradually thereafter to 1.9 percent in 2038. The debt relief analysis suggests that, after full debt relief, Somalia's debt would remain below the relevant HIPC-threshold, even under a temporary climate shock, but highly vulnerable to a significant deterioration in the security situation.

Approved By
Thanos Arvanitis and Maria Gonzalez (IMF) and Hafez Ghanem and Ceyla Pazarbasioglu (IDA)

Prepared by the Staffs of the International Monetary Fund and the International Development Association

CONTENTS

Figures

TABLES

ANNEX

Glossary

AfDB	African Development Bank
AfDF	African Development Fund
AFESD	Arab Fund for Economic and Social Development
AMF	Arab Monetary Fund
AML/CFT	anti-money laundering/combating the financing of terrorism
BADEA	Arab Bank for Economic Development in Africa
CCDC	China Central Depository and Clearing Co
CIRR	Commercial Interest Reference Rates
CBS	Central Bank of Somalia
CPI	consumer price index
CPF	Country Partnership Framework (World Bank)
DFID	Department for International Development
DMU	Debt Management Unit
DP	Decision Point
DPG	Development Policy Grant (World Bank)
DRA	Debt Relief Analysis
DSA	Debt Sustainability Analysis
EC	European Commission
ECF	Extended Credit Facility (formerly PRGF, IMF)
EFF	Extended Fund Facility
EU	European Union
FDI	foreign direct investment
FGS	Federal Government of Somalia
FMS	Federal Member State
GDP	gross domestic product
GFS	Government Finance Statistics
GRA	General Resources Account (IMF)
HIPC	Heavily-Indebted Poor Country
HIV	human immunodeficiency virus
IDA	International Development Association
IDP	Internally-displaced people/populations
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IGFF	Intergovernmental Fiscal Forum
i-PRSP	Interim Poverty Reduction Strategy Paper
IsDB	Islamic Development Bank
ISN	Interim Strategy Note (World Bank)
LDC	Least Developed Countries
LIC	low-income country
MDRI	Multilateral Debt Relief Initiative
NDP	National Development Plan

NDP9	Ninth National Development Plan
NPV	net present value
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OFID	OPEC Fund for International Development
OPEC	Organization of the Petroleum Exporting Countries
PACG	pre-arrears clearance grants
PEM	public expenditure management
PFM	public financial management
PRGF	Poverty Reduction and Growth Facility
PRGT	Poverty Reduction and Growth Trust
PRSP	Poverty Reduction Strategy Paper
PV	present value
RCRF	Recurrent Cost and Reform Financing project
SCALE-UP	Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project
SDG	Sustainable Development Goals
SMP	Staff-Monitored Program
SDR	special drawing rights
SFMIS	Somalia Financial Management Information System
Sida	Swedish International Development Cooperation Agency
TSF	Transition Support Facility
UA	AfDB Unit of Account
UN	United Nations
UNCAC	United Nations Convention against Corruption
WB	World Bank

INTRODUCTION

1. **This paper presents an assessment of Somalia's eligibility for assistance under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.**[1,2] The assessment is based on a joint HIPC debt relief analysis (DRA)[3] conducted by IMF and IDA staffs and the Somali authorities, following a data reconciliation mission in July 2019. The Executive Boards of the IMF and IDA discussed the preliminary HIPC document for Somalia on February 12 and 13, respectively. On these occasions, Directors confirmed that Somalia is eligible for assistance under the HIPC Initiative in view of its status as a Poverty Reduction and Growth Trust (PRGT)-eligible and IDA-only country, its overall track record of reforms, and its external debt indicators being above the relevant HIPC Initiative threshold after taking into account the debt relief provided under traditional debt-relief mechanisms. Directors also indicated that the country could reach the Decision Point provided that it: (1) completes satisfactorily the second review under the fourth Staff-Monitored Program (SMP); (2) clears its arrears to World Bank, AfDB, and IMF, and agrees a strategy to clear arrears to other multilateral creditors; and (3) agrees a set of appropriate completion point triggers with IMF and IDA staffs.

2. **This paper builds on the Preliminary HIPC Document.** The macroeconomic framework reflects the policy framework underlying the proposed three-year Fund-supported program. The debt relief analysis (DRA) remains largely unchanged, but some of the underlying debt data has been updated to reflect new information from creditors. In addition, this paper presents an assessment of debt management capacity in Somalia (Annex I) and a full Debt Sustainability Analysis (DSA) under the Debt Sustainability Framework for Low-Income Countries (Annex II).

3. **The DRA reveals that, after traditional debt relief mechanisms are applied, Somalia's debt burden expressed as the net present value (NPV) of debt-to-exports ratio is 344.2 percent at the end of December 2018—significantly above the HIPC Initiative threshold.**[4] Possible HIPC debt relief is estimated at US$2.1 billion in end-2018 NPV terms, with a common reduction factor (CRF) of 56.4 percent (compared to 54.4 percent in the Preliminary Document). Debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) would help accelerate progress toward the Sustainable Development Goals (SDG).

4. **This paper is organized as follows.** The second section provides background information on Somalia's eligibility for assistance under the HIPC Initiative, including the country's recent

[1] The Federal Republic of Somalia is a federation of five states—South West State, Puntland, Jubbaland, Hirshabelle, Galmudug)—and the Banaadir Administrative Region which covers Mogadishu, the capital. Somaliland, in the north west of the country, declared its independence in 1991 (which independence has not been recognized by the international community) and has been self-governed since then.

[2] "Enhanced HIPC Initiative" is hereafter referred to as "HIPC Initiative."

[3] Also known as HIPC-DSA (Debt Sustainability Analysis).

[4] The relevant HIPC Initiative threshold for the NPV of debt-to-exports ratio is 150 percent, where exports are measured as a three-year historical average of the exports of goods and non-factor services.

progress in the political and economic areas, and planned policy reform agendas. The third section discusses the country's medium- to long-term macroeconomic framework and its poverty reduction strategy. The fourth section summarizes the DRA and presents the magnitude of HIPC assistance, including the apportionment of this assistance across Somalia's creditors. The fifth section outlines reforms that will serve as Completion Point triggers. The final section presents issues for discussion by Executive Directors.

BACKGROUND AND ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

A. PRGT and IDA Status

5. Somalia is eligible for support from the IMF under the Poverty Reduction and Growth Trust and from the World Bank as an IDA-only country (Box 1).

6. Somalia has demonstrated sustained commitment to implementing economic and financial reforms in the context of four consecutive Staff-Monitored Programs (SMPs). The Somali authorities have completed satisfactorily the second review under the fourth SMP (SMP IV), which was endorsed by IMF Executive Directors in July 2019 as meeting the standards of an Upper Credit Tranche arrangement. IMF members have mobilized the necessary financial resources to cover the IMF's costs of HIPC and beyond HIPC debt relief for Somalia, which are estimated at SDR 136 million (equivalent to US$189.1 million) and SDR 105 million (equivalent to US$146 million) in end-2018 NPV terms, respectively.[5] This would qualify Somalia for access to a new three-year Fund-supported financing arrangement once arrears to the Fund have been cleared. This three-year program, to be supported by the Extended Credit Facility (ECF) and Extended Fund Facility (EFF), will further strengthen fiscal and financial institutions, and will aim to support sustained growth and the priorities outlined in Somalia's Ninth National Development Plan (NDP9).

7. The World Bank Group's Country Partnership Framework (CPF) for Somalia (FY19–FY22) was developed with the objective of positioning Somalia for the HIPC process.[6] The CPF focuses on strengthening Somali institutions to deliver services and on restoring economic resilience and opportunities. It builds on a record of steadily improving country performance achieved under the 2013 Interim Strategy Note, which was supported by the Multi-Partner Fund (MPF).[7] The current CPF initiated IDA financing to Somalia for the first time since 1991 through exceptional pre-arrears

[5] Somalia will be eligible to access Fund resources once it clears its arrears to the IMF.

[6] The Board of Executive Directors discussed the Somalia CPF on September 25, 2019.

[7] The Interim Strategy Note was discussed by the Board of Executive Directors on December 17, 2013. The Multi-Partner Fund was established in 2014 with funding from Denmark, the European Union (EU), Finland, Italy, Norway, Sweden, Switzerland, United Kingdom, United States, and the World Bank State and Peacebuilding Fund.

clearance grants (PACGs) of US$140 million per year in FY19 and FY20.[8] The Reengagement and Reform Development Policy Grant (DPG), approved on February 27, 2020 facilitated the clearance of Somalia's arrears of US$359 million, using funds from the IDA arrears clearance set-aside. With its arrears to IDA cleared, Somalia regained access to the full range of World Bank Group financing instruments.[9] Following arrears clearance, Somalia also qualified for funds from the IDA18 Turnaround Regime (TAR) for the remainder of FY20 and access to an IDA19 Turnaround Allocation (TAA) for FY21–FY23 to support an expanded program of grant financing.[10]

Box 1. Requirements to Reach the Decision Point under the HIPC Initiative.

Three countries remain potentially eligible for debt relief under the HIPC Initiative: Eritrea, Somalia and Sudan. The HIPC Initiative is a rules-based framework that has been effectively closed to new entrants since 2011. The three "ringfenced" countries are those that (i) are IDA–only and IMF PRGT-eligible; (ii) met the indebtedness criteria at end-2004 and end-2010; and (iii) might wish to avail themselves of debt relief under the HIPC Initiative.[1/]

The key steps needed for these countries to reach the Decision Point are:

- Establishing a satisfactory track record of strong policy performance under IMF- and World Bank-supported programs. Qualifying IMF programs include a staff-monitored program (SMP) with Upper Credit Tranche (UCT) conditionality.
- Clearing arrears to the IMF, the World Bank, and the African Development Bank, and clearing or preparing a plan to clear arrears to the remaining external creditors.
- Preparing a satisfactory (full or interim) Poverty Reduction Strategy (PRS), or similar document, reflecting a broad-based consultation, including with civil society
- Agreeing a set of floating Completion Point triggers with IDA and the IMF.
- Having debt indicators that, after traditional debt relief, are above the HIPC Initiative thresholds. This assessment should be made using the most recent data for the fiscal year immediately prior to the expected Decision Point.

1/ See "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Statistical Update, 2019".

[8] In FY19, IDA approved four PACGs: The Recurrent Costs and Reform Financing, Public Financial Management and Revenue Mobilization, Somalia Capacity Advancement, Livelihoods and Entrepreneurship, through Digital Uplift Project (SCALED-UP), and the Water for Agro Pastoral Productivity and Resilience projects. To date in FY20, IDA has approved US$65 million for the Shock Responsive Safety Nets for Human Capital Development Project and US$50 million for the Urban Resilience Project, Phase II.

[9] In addition to regaining access to regular IDA financing, Somalia is now eligible for debt and equity investments by the IFC and credit enhancement products from the Multilateral Investment Guarantee Agency, which Somalia joined in February 2020.

[10] The Turn-around Allocation provides support to countries at a critical juncture in a country's development trajectory marked by: i) the cessation of an ongoing conflict (e.g., interstate warfare, civil war or other cycles of violence and/or partial state collapse that significantly disrupt a country's development prospects); or ii) the commitment to a major change in the policy environment either following a prolonged period of disengagement from Bank lending (i.e., re-engaging countries) or a major shift in a country's policy priorities. See "Special Theme: Fragility, Conflict & Violence", IDA, May 24, 2019. Access to the TAA is subject to annual reviews.

B. Background, and Political and Poverty Developments

8. Somalia has an historic opportunity to turn the page on decades of conflict, fragility and state fragmentation, and embark on a trajectory towards poverty reduction and inclusive growth. For over two decades, Somalia has experienced protracted conflict and fragility, the collapse of rule of law, institutions, basic public services and the social contract, resulting in the impoverishment of millions. Starting in the early 2000's Somalia has seen multiple (often flawed, failed or externally driven) attempts to broker peace among factions and establish a sustainable governance framework that provides the basis for stability and development. The breakthrough 2012 Provisional Constitution established a federal political structure, including a parliament, the Federal Government of Somalia (FGS) and the Federal Member States (FMSs). Somalia has also successfully undertaken two peaceful parliamentary and presidential elections—in late 2012 and early 2017. Reforms underpinning the upcoming elections in late 2020 (or early 2021) are on track now that the President has signed the new Electoral Act. Although much remains to be done to stabilize the country and secure a lasting political settlement, the sustained political, economic and institutional reforms undertaken supported by four consecutive SMPs, EU and World Bank financing, and extensive technical assistance, have succeeded in rebuilding core state capabilities.

9. Poverty remains pervasive in Somalia. Almost 70 percent of Somalis live on less than US$1.90 a day in purchasing power parity terms (Table 1), and economic growth lags behind population growth, estimated at 2.8 percent per year.[11] Poverty incidence is almost uniformly high in Somalia—poverty rates in Mogadishu, rural areas, internally displaced populations (IDPs) and nomads are all higher than the national average. The only exception is urban areas other than Mogadishu where the poverty rate is around 10 percentage points lower than the national average, possibly reflecting smaller concentrations of IDPs and, in some cities, less exposure to conflict. Poverty is deep particularly in rural populations and IDPs. The average distance to the poverty line for the poor in these two groups is more than one third of the poverty line.

Table 1. Key Poverty and Social Indicators

Indicators	Values	Year
Poverty (% below poverty line)*	69	2017
Adult literacy rate (Age 15+) (%)*	50	2017
Female literacy rate (Age 15+) (%)**	41.7	2017
Net primary enrollment rate (Age 6-13)*	33	2017
Under-five mortality (per 1,000)***	121.5	2018
Life expectancy at birth (years)***	56.7	2017
Incidence of HIV (per 1,000 uninfected population ages 15-49)***	0.04	2018

Sources: *Somali Poverty and Vulnerability Assessment; ** Authors' estimation using HFS2017; *** WDI.

[11] World Bank, Somalia Poverty and Vulnerability Assessment: Findings from the Second Somali High-Frequency Survey, April 2019. The survey employed an innovative methodology, including an abbreviated questionnaire and multiple statistical imputation techniques, to estimate household consumption, as security risks or other factors make it impractical to conduct a conventional household budget survey at this time. See Utz Pape and Johan Mistiaen, "Rapid Consumption Surveys", in Johannes Hoogeveen and Utz Pape (eds), *Data Collection in Fragile States.* (Palgrave Macmillan, Cham: 2020).

10. Somali households suffer non-monetary deprivations as well. Almost nine of 10 Somali households are deprived in at least one dimension of poverty—monetary, electricity, education, or water and sanitation—and nearly seven of 10 households suffer in two or more dimensions. In addition, a significant group of non-poor are vulnerable to falling into poverty. About one third of the non-poor is within 20 percent from the poverty line.

11. Somali cities tend to have lower monetary poverty and better services than rural areas. The only exception is Mogadishu, where, as discussed above, poverty is higher than the national average. In contrast, many other cities have not had to cope with constant and large influxes of IDPs. Cities consistently provide better access to services—except for land and housing—and more stable income than rural areas. Despite better conditions in cities, however, they still struggle with hunger, high absolute poverty of 64 percent, nonmonetary poverty of 41 percent, and ensuring universal access to services. There is also some regional disparity in the provision of services, with Mogadishu and North East and North West cities providing better access to services compared to Baidoa, Kismayo, and central urban areas.

12. Women and youth face special challenges. Women across all population groups have lower literacy and educational attainment. An estimated 74 percent of youth are unemployed, which contributes to the underlying drivers of fragility, as spoiler groups such as Al-Shabab exploit constrained economic opportunities. This situation stresses the urgency of continued support to economic reforms that will promote inclusive growth and meaningful jobs for women and the youth.

13. Somali households are especially vulnerable to shocks, including natural disasters and epidemics, as well as to household-level shocks such as injury, death, or unemployment. Successive droughts and heavy rains—such as the severe drought in 2017 and 2019 —have taken a large toll on the country, aggravating the humanitarian challenges. Poorer households are more likely to experience more than one type of shock. The impact of shocks is magnified when a household experiences several shocks simultaneously. The persistent cycle of shocks increases Somalis' vulnerability to future shocks as there is limited public and private insurance and access to finance. The authorities are taking steps to reduce Somalia's exposure to shocks and reduce their impact, including through the implementation of their Recovery and Resilience Framework (RRF) and development of a social registry (a proposed Completion Point trigger), which will improve delivery of post-disaster assistance.[12] Ongoing security challenges also represent a significant risk to households. The successful completion of the ongoing Constitutional Review process, together with other efforts to strengthen federalism and inclusive politics, including the authorities' commitments

[12] The authorities' strategy and action plan are articulated in FGS, "Recovery and Resilience Framework", (June 2018). IDA is financing development of the social registry through the Somalia Shock-Responsive Safety Net for Human Capital project.

under the Mutual Accountability Framework (MAF), will support greater peace and security in Somalia.[13]

C. Post-Conflict Macroeconomic and Structural Reform Track Record

14. Despite the challenging environment, progress on reform and policy implementation has been good and sustained reforms have translated into economic results (Figure 1). Domestic revenue mobilization has improved, albeit from a very low base—increasing by over 70 percent since 2016 to 4.6 percent of GDP in 2019, reflecting improvements in tax administration and new tax measures. At the same time, expenditures have been kept in check and there has been no domestic arrears accumulation since 2016. Although agriculture continues to be hit by adverse weather conditions, economic activity has been supported by the telecom, trade, construction, and financial sectors, with GDP growth estimated at 2.8–2.9 percent in 2018–19.[14] These reforms have been supported by consecutive IMF SMPs and World Bank support, underpinned by IDA PACGs and MPF grants.

15. In addition to the coordinated support from the Bank and Fund, reforms have been supported by other development partners.[15] This includes ongoing support from the African Development Bank (AfDB); the UK Department for International Development (DFID), particularly in the areas of public financial management (PFM) and customs modernization, and the EU, with their budget support program focusing on domestic revenue mobilization, PFM, intergovernmental fiscal relations, law enforcement, and education. Broader support from the international community is anchored by the Somalia Partnership Forum and associated MAF.[16]

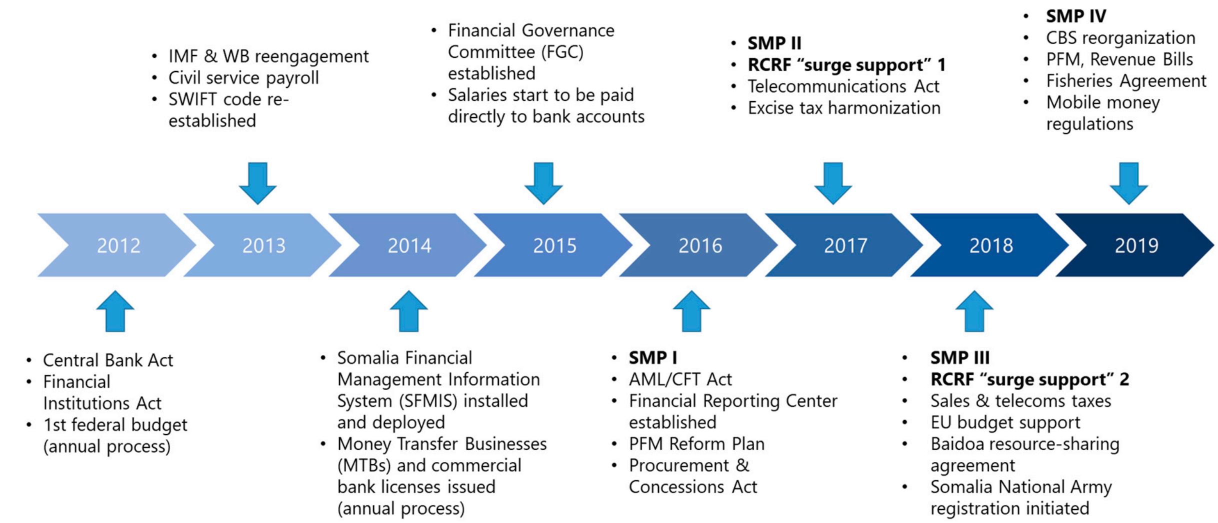
[13] The latest MAF was agreed at the Somalia Partnership Forum in Mogadishu in October 2019 and sets out the critical reform priorities and objectives agreed between Somalia and its international partners for the period through 2020. See https://unsom.unmissions.org/somalia-partnership-forum-communiqu%C3%A9-2-october-2019 and https://www.daljir.com/wp-content/uploads/2019/10/4_5807420474300302642.pdf.

[14] GDP is estimated using available demand-side data and proxies. The last complete set of national accounts was published in 1991. The IMF, World Bank, Statistics Sweden, and other international partners have been working with the Federal Government of Somalia to rebuild the national statistical system, and in the meantime to make provisional estimates of GDP and key indicators. The estimation approach is presented in IMF Statistics Department, "Somalia: Report on a National Accounts Statistics Mission," August 2017. World Bank, "Somalia Economic Update, Fourth Edition: Building Education to Boost Human Capital," September 2019, describes the latest revision to these estimates.

[15] The IMF and the World Bank have provided coordinated support for reforms through project and policy-based financing, technical assistance, capacity building, policy dialogue, and economic analysis.

[16] The New Partnership Forum for Somalia was established in 2017 to determine how Somalia and the international community will work together to meet Somalia's most pressing political, security and economic needs and aspirations. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/613719/new-partnership-for-somalia-may-2017.pdf for more detail.

Figure 1. Progress on Economic Policy Reforms[1/]



1/ The World Bank's Recurrent Cost and Reform Financing projects (RCRF) have been financed from the Multi-Partner Fund and IDA pre-arrears clearance grants.

16. **With the support of the international community, the authorities' strong commitment to reforms and policy implementation has seen significant progress in key areas.** As discussed in the Preliminary HIPC document, highlights include a significant increase in domestic revenue mobilization, including due to the introduction of sales and excise taxes, and the establishment of a large- and medium-taxpayers' office; enhanced PFM, including due to the implementation of the Somalia Financial Management Information System (SFMIS); progress on fiscal federalism, including the establishment of the Intergovernmental Fiscal Forum (IGFF); a strengthening of capacity at the Central Bank of Somalia and an expansion of regulatory oversight to the mobile money sector; a stronger anti-money laundering/combatting the financing of terrorism (AML/CFT) framework, including with the enactment of a new AML/CFT law; efforts to improve governance and reduce the risk of corruption, including the enactment of an Anti-Corruption Act; and progress on developing key statistics (such as national accounts, balance of payments, CPI, and monetary statistics).

17. **Although progress has been significant, the authorities are committed to an ambitious reform agenda, including to support NDP9**. Critical work will continue in fiscal federalism, fiscal and debt policy and management, data and statistics, monetary policy, financial sector regulation, and governance and anti-corruption in the years ahead, including within the framework of future IMF programs and WB operations. Achieving these objectives will be challenging given the ongoing limitations on resources, as well as important capacity constraints and aid absorption bottlenecks.

18. **Planned reforms focus on the following key areas and will continue to be supported by technical assistance and other support from Somalia's development partners.**

- **Fiscal:** The authorities aim to increase domestic revenues further, including by implementing the recently enacted Revenue Act and the Customs Reform Roadmap. They also plan to undertake further efforts to strengthen PFM, including by issuing key regulations to support the newly enacted PFM Act and completing a quality assurance of the SFMIS. They will also develop an action plan to strengthen the capacity of the debt management unit. They also plan to enact the Extractive Industry Tax Law and issue regulations to support the implementation of the Petroleum Act, and will finalize the model Production Sharing Agreement (PSA) in line with this legal framework ahead of issuing any oil exploration licenses. They will continue working to deepen fiscal federalism, including by revising the current set of expenditure assignment guidelines as the authorities move forward with implementing the Revenue Act.

- **Financial**: The authorities will continue implementing the Financial Sector Reform Roadmap, including further efforts to deepen financial sector supervision, and structural reforms to improve the payment system. They will complete the transition to the new CBS organizational structure, and continue strengthening the AML/CFT operational and legal framework. The authorities will also work towards completing their National Risk Assessment and preparing for the MENA-FATF Mutual Evaluation Assessment in 2024.

- **Governance.** To improve governance and fight corruption, the authorities will follow-through on the new Anti-Corruption Law by establishing the Anti-Corruption Commission. They will also approve and publish their National Anti-Corruption Strategy (NACS).

- **Inclusive growth**. To bolster the foundations for sustained inclusive growth and improve the resilience to climate shocks, the authorities will develop the National Water Resource Strategic Plan, pass the Somali Standards and Quality Control Bill and establish the Somali Bureau of Standards. They will also move forward with plans to establish a national digital ID, which will also help improve the private sector's access to credit.

- **Statistics.** The authorities will prepare a Statistical Action Plan to underpin further improvements in statistical capacity. Key priorities will include the development of a production-based estimate of GDP.

MEDIUM-TO LONG-TERM STRATEGY AND PROSPECTS

A. Macroeconomic Outlook

19. Economic activity remains stable. Real GDP growth is expected to remain at 2.9 percent in 2019 (from 2.8 percent in 2018). Spring drought conditions contributed to low cereal production in southern Somalia, while higher-than-normal rainfall in the Autumn led to flooding. While adverse climate events aggravated human displacement, the related humanitarian assistance facilitated higher food imports, mitigating the impact on food insecurity and growth. Fall rains suggested improved conditions for early 2020, but the impact of the recent locust invasion and the potential impact of Covid-19 makes the near-term outlook less certain. Inflation averaged 3.1 percent in 2019 as better food supply and lower transport costs eased pressures on food prices in the second half of the year. The current account deficit widened to 12 percent of GDP in 2019 from 10 percent in 2018, reflecting the increase in imports supported by humanitarian aid.

20. Fiscal outcomes for 2019 reflects continued strong performance. FGS domestic revenue for 2019 reached US$230 million compared to US$183 million in 2018. This reflected both an increase in tax revenues (of US$16 million or 11 percent), and a sharper increase in non-tax revenues (US$31 million or 68 percent), mostly due to the commencement of payments by the International Air Transport Association of over-flight fees. Expenditures remained below projections (US$315 million relative to US$341 million), resulting in an estimated fiscal surplus for 2019 of US$24 million, which includes US$10 million ear-marked for use in 2020 and US$0.5 million for domestic arrears payments.

21. Growth is expected to become more resilient on the back of broad-based reforms and increased access to resources for development spending on reaching the Decision Point (Table 2). Overall, growth is expected to gradually accelerate to a peak of close to 5.5 percent by 2027, before settling to a long-term average of around 4.8 percent. This would imply a long-run growth rate about 1.3 percentage points higher relative to a scenario without debt relief, with per-capita growth to reach about 2 percent over the long-run (from about -0.4 percent in 2016–18).[17] The growth outlook will be supported by higher consumption and increased contributions of export and investment. Although exports are expected to grow in line with broader economic activity, the trade deficit will remain large as imports pick-up to support growth, with an expected shift in composition from food to investment goods as investment in resilience improves food security. Over the short to medium term, the trade deficit will be financed by higher grants and remittances. However, over the longer-term, grants are expected to decline and be gradually replaced with concessional debt and greater flow of foreign direct investment (FDI) as the business environment improves. Inflation is projected to remain broadly stable at below 3 percent, in line with international prices.

22. The fiscal resource envelope will increase to reflect higher aid and domestic revenue mobilization over the medium-term. Expenditure will remain in check, and cash management and expenditure control are expected to improve and there will be no new domestic or external arrears.

23. Risks to the outlook are significant and reflect the drivers of Somalia's fragility—weak security, political tensions, particularly between FGS and FMS and surrounding the upcoming

[17] A pickup in growth following the Decision Point is consistent with the experience of other HIPCs. Specifically, the positive impact on growth in Somalia of reaching the HIPC Decision Point is expected to be marginally stronger than the median of a sample of fragile HIPC countries, given its strong record of reform implementation under successive IMF SMPs, but weaker than the median of a wider sample of all 36 HIPC countries, given Somalia will continue to be fragile and vulnerable to shocks. Achieving a long-run growth rate of 4.8 percent would imply about a two percentage point pickup in growth relative to the historical average.

national elections, and vulnerability to climate shocks.[18] These risks are mitigated by strong international support, together with the authorities' drive to build resilience and enhance political dialogue. In addition, the authorities' capacity of implementing difficult reforms as evidenced in the context of four successive SMPs mitigates overall risks to future program implementation.

Table 2. Somalia: Selected Economic and Financial Indicators, 2016-2025

	Est.				Proj.					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
National income and prices										
Real GDP growth	2.9	1.4	2.8	2.9	3.2	3.5	3.7	3.9	4.2	4.6
Inflation (CPI, e.o.p.)	1.2	6.1	3.2	3.1	3.0	2.5	2.2	2.2	2.2	2.2
					(Percent of GDP)					
Fiscal sector 1/										
Revenue and grants	4.1	6.0	5.7	6.8	9.5	10.8	12.4	13.6	10.8	11.5
of which: Grants	1.4	2.8	1.8	2.2	5.0	6.0	7.2	7.7	4.2	4.1
Total expenditure	3.3	5.3	5.7	6.3	9.1	9.5	10.4	11.7	13.1	13.7
of which: Purchase of non-financial assets	0.3	0.1	0.2	0.3	0.8	0.9	1.1	1.4	1.8	1.9
Overall balance, net	0.0	0.0	0.0	0.6	0.0	1.0	1.7	1.7	-2.3	-2.2
Public debt 2/	122.9	116.6	112.8	107.4	74.6	71.3	67.9	10.3	12.2	13.9
					(Millions of U.S. Dollars)					
Monetary Sector										
Net Foreign Assets	-324	-318	-258	-212	-183	-174	-162	191	174	179
Central Bank claims on non-residents 3/	58	89	122	148	193	219	248	263	243	244
Net Dometic Assets	539	611	697	735	758	806	865	593	711	854
Credit to the private Sector	70	105	184	206	232	269	321	395	500	651
Broad Money 4/	178	270	334	432	471	517	580	664	777	928
					(Percent of GDP)					
External sector										
Current account balance	-9.4	-9.8	-10.3	-11.9	-12.3	-12.5	-12.5	-12.7	-14.5	-14.8
Trade balance	-74.4	-86.7	-84.8	-86.6	-88.9	-89.3	-90.2	-86.6	-81.5	-78.1
Exports of goods and services	25.2	22.6	23.7	22.8	22.6	22.3	22.4	22.4	22.3	22.1
Imports of goods and services	99.6	109.2	108.5	109.4	111.5	111.6	112.6	109.0	103.7	100.2
Remittances	32.5	31.5	31.3	31.9	32.4	32.7	32.9	32.1	31.3	30.4
Grants	33.3	46.1	43.9	43.5	44.9	44.9	45.6	42.4	36.1	33.4
Foreign Direct Investment	7.9	8.2	8.6	9.0	8.9	9.0	9.1	9.3	9.6	9.8
External debt 2/	121.1	115.1	111.3	106.0	73.3	70.1	66.8	9.4	11.4	13.2
Market exchange rate (SOS/USD, e.o.p.)	24,005	23,605	24,475	26,015	…	…	…	…	…	…

Sources: Somali authorities; and Fund staff estimates and projections.

1/ Budget data for the Federal Government of Somalia. Fiscal operations are recorded on a cash basis. GDP data cover the entire territory of Somalia.

2/ Assumes application of HIPC debt relief and interim HIPC assistance from the Decision Point, and MDRI and "beyond-HIPC" relief at Completion Point.

3/ Includes FGS grants held abroad.

4/ Primarily desposits at commercial banks. Data does not yet include balances held with MNOs.

[18] For example, the 2016–17 drought caused damages and losses estimated at US$3.25 billion, displaced 926,000 people, and left more than half the population in need of humanitarian assistance. See "Drought Impact Needs Assessment", Federal Government of Somalia, February 2018.

B. The Poverty Reduction Strategy

24. On September 26, 2019, the Cabinet approved a new NDP covering 2020–24. NDP9 is a comprehensive and nationally owned strategy for poverty reduction and inclusive growth that builds on the progress under NDP8, which covered 2017–19. The strategy is informed by a detailed analysis of the drivers of poverty, which include political fragility, conflict, insecurity and lawlessness, and climatic shocks. The authorities submitted NDP9 to IDA and the IMF on October 15, 2019, to fulfill the HIPC Initiative's poverty reduction strategy requirement. A Joint Staff Advisory Note (JSAN) has been prepared and shared with the Executive Boards in March 2020 for their information. Main points from the JSAN are as follows.

25. IDA and IMF staffs note in the JSAN that NDP9 was developed through a highly consultative, participatory process that has helped ensure full country ownership. The authorities held a series of public consultative meetings with civil society, private sector representatives, FGS and FMS ministries, national and state parliamentarians, members of the judiciary, and development partners. Staffs find that the document transparently incorporates input received during consultation rounds.

26. The strategic interventions of NDP9 focus on four pillars: (1) Inclusive and Accountable Politics; (2) Improved Security and the Rule of Law; (3) Inclusive Economic Growth (including increased employment); and (4) Improved Social Development. Considering the country's fragility and the challenges to deal with security, climate shocks and federalism, each pillar integrates six critical cross-cutting policy priorities to achieve the development goals set forth in the NPD9, notably (i) gender, human rights and other kinds of social equity; (ii) resilience of households, communities and the government; (iii) Somalia's environment and its natural resources; (iv) durable solutions to long term displacement; (v) interface between humanitarian and development planning; and (vi) governance. The JSAN commends the authorities for presenting such a comprehensive strategy to reduce poverty.

27. NDP9 includes an implementation arrangement framework with associated risks and strategy to fill large data gaps. The implementation approach of NPD9 is based on three guiding principles—multi-dimensional, preserving national ownership, and demonstrating progress against one or more NPD9 indicators.

28. The JSAN notes that NDP9 lacks a costing and financing plan for the proposed interventions, and that the macroeconomic and fiscal framework underlying NDP9 is outdated. The authorities have subsequently revised the macroeconomic and fiscal framework to incorporate the anticipated impact of reaching the HIPC Decision Point on the outlook for revenues, expenditures and growth. This has been agreed with the IMF in the context of the new program. The authorities are currently developing cost estimates for specific interventions under NDP9 and expect to complete them by mid-2020—in time to inform the next budget. Recognizing that Somalia will continue to depend on external financing, the authorities are preparing a new aid policy aimed at enhancing alignment between donor projects and NDP9.

29. The authorities will report on these adjustments to NDP9, and the progress in implementing NDP9 in Annual Progress Reports. Updating NDP9's macroeconomic and fiscal framework and providing information on costing and financing would enable staffs to treat NDP9 as a full poverty reduction strategy for the purposes of meeting Completion Point requirements. Staffs of IDA and the IMF will submit JSANs on these annual reports to the Boards that provide feedback on the evolution of NDP9 and results from its implementation. These JSANs will provide the source of evidence when Somalia achieves the floating Completion Point trigger requiring satisfactory implementation of a poverty reduction strategy for at least one year.

DEBT RELIEF AND POSSIBLE HIPC AND MDRI ASSISTANCE

A. Debt Reconciliation Status

30. The DRA below is based on the reconciliation of public and publicly-guaranteed external debt data at end-2018 provided by the authorities and creditors.[19] The reconciliation process was completed jointly by the IMF, World Bank, and the authorities in July 2019. Information provided by the authorities on multilateral and official bilateral debt was reconciled close to 100 percent with creditor data.[20] According to the information provided by the Somalia's authorities, no commercial debt is outstanding.

B. Structure of External Debt

31. At end-2018, the public and publicly guaranteed external debt of the FGS was estimated at US$5.3 billion, in nominal terms (Table 3). This corresponds to US$5.2 billion in net present value (NPV) terms. Multilateral creditors account for 28.9 percent of the total debt stock in nominal terms, with liabilities to IDA, IMF and the AfDB constituting 18.5 percent of total external debt. Other multilaterals with substantial claims on Somalia are the Arab Monetary Fund (AMF) (5.4 percent), and the Arab Fund for Economic and Social Development (AFESD) (3.5 percent). The International Fund for Agricultural Development (IFAD), the OPEC Fund for International Development (OFID) and the Islamic Development Bank (IsDB) hold claims amounting to a combined share of 1.5 percent of total debt. Paris Club creditors, with the United States, Russia, and Italy as the major creditors, account for 57.8 percent of total nominal debt at end-2018. Non-Paris

[19] The amount of assistance under the enhanced HIPC Initiative framework is calculated using the NPV of debt based on the most recent data for the year immediately prior to the expected Decision Point, with a three-month grace period.

[20] Debt records provided by the authorities and reconciled with creditor statements include loans that were contracted from 1965 to 2002. These loans include loans that financed projects in pre-civil war subnational jurisdictions, including Somaliland. For all loans, the recognized debtor is the Ministry of Finance of the FGS or a line ministry of the FGS. Note that this excludes a Russian claim on the Central Bank of Somalia totaling about $7.5 million (or 0.1 percent of GDP), which has been deemed to be not eligible for HIPC debt relief.

Club official creditors are Algeria, Bulgaria, Iraq, Kuwait Fund for Arab Economic Development, Libya, Romania, Saudi Fund for Development, Serbia, and United Arab Emirates, accounting for an estimated 13.3 percent of total external debt.[21]

32. As of end-2018, about 95.8 percent of Somalia's external debt was in arrears. The stock of external arrears stood at US$5.0 billion, of which US$1.3 billion was owed to multilateral creditors and US$3.7 billion to bilateral claimants. Arrears to the World Bank and the U.S. made up the largest share of arrears to multilateral and bilateral creditors, respectively, as of end-2018.

Table 3. Nominal Stocks and Net Present Value of Debt by Creditor Groups
(as of end-2018)

	Nominal Debt Stock 1/		Arrears Stock		NPV of Debt before traditional debt relief 1/ 2/		NPV of Debt after traditional debt relief 1/2/ 3/	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	5,255.4	100.0	5,035.0	100.0	5,227.9	100.0	3,664.5	100.0
Multilateral	1,520.3	28.9	1,324.7	26.3	1,494.3	28.6	1,494.3	40.8
World Bank	501.0	9.5	341.2	6.8	478.9	9.2	478.9	13.1
IMF	335.1	6.4	335.1	6.7	335.1	6.4	335.1	9.1
AfDB Group	137.2	2.6	106.4	2.1	134.0	2.6	134.0	3.7
AMF	285.7	5.4	285.7	5.7	285.7	5.5	285.7	7.8
Others 4/	261.3	5.0	256.4	5.1	260.6	5.0	260.6	7.1
Bilateral	3,735.0	71.1	3,710.3	73.7	3,733.6	71.4	2,170.2	59.2
Paris Club 5/	3,037.6	57.8	3,016.1	59.9	3,036.9	58.1	1,664.1	45.4
Other official Bilateral	697.4	13.3	694.2	13.8	696.7	13.3	506.1	13.8

Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

1/ Includes arrears.

2/ Discount rates applied are the average Commercial Interest Reference Rates published by the OECD over the 6-month period prior to December 2018. The discount rate for the SDR is calculated using the CIRR published by the OECD for all SDR basket currencies except the Chinese yuan. The OECD does not publish a CIRR for the Chinese yuan, therefore it is calculated based on the Chinabond yield curve for bonds with a 7-year maturity increased by 100 basis point, per the standard CIRR methodology. This amounted to 4.5 percent for the 6-month period prior to December 2018.

3/ Assumes a stock-of-debt operation on Naples terms at end-December 2018; and comparable action by other official bilateral creditors on eligible debt (pre-cutoff and non-ODA).

4/ Other multilaterals include AFESD, IFAD, IsDB, and OFID.

5/ Paris Club cutoff date is October 1, 1984.

C. Possible Assistance Under the HIPC Initiative

33. Somalia would qualify for debt relief under the HIPC Initiative's "export window" based on end-2018 data, i.e., its NPV of debt-to-exports ratio exceeds the benchmark of 150 percent.[22] After full application of traditional debt relief mechanisms, the country's NPV of debt is

[21] The information on Somalia's debt to Algeria has yet to be confirmed. The debt was initially contracted in 1977 and was last reported by the authorities in 1992. According to the FGS authorities, there was an oral agreement on cancellation of this debt. Algeria, however, has yet to confirm. For the purposes of the debt relief analysis, the loan is included in the HIPC-eligible debt stock, with outright cancellation by the creditor assumed.

[22] Somalia is not eligible under the fiscal revenues-to-openness criterion that was established in April 1997. In order to qualify for debt relief under the fiscal revenue window, a country must have an NPV of debt-to-revenue ratio above 250 percent, and, in addition, an export-to-GDP ratio of at least 30 percent and a fiscal revenues-to-GDP ratio

estimated at US$3.7 billion at end-2018, equivalent to 344.2 percent of exports of goods and services.[23]

34. The amount of additional debt relief needed to bring Somalia's NPV of debt-to-exports ratio down to the HIPC threshold of 150 percent is estimated at US$2.1 billion in end-2018 NPV terms. This implies a common reduction factor (CRF) of 56.4 percent. Based on proportional burden sharing, multilateral creditors' assistance would amount to US$0.8 billion, and bilateral and commercial creditors' assistance to US$1.2 billion (in NPV terms) (Table 4, Figure 3). Most multilateral creditors have committed to provide their share of debt relief under the HIPC Initiative. In addition, Paris Club creditors have provided the necessary financial assurances, as well as some key non-Paris Club official bilateral creditors have provided the necessary financial assurances. In total, creditors representing 76 percent of the NPV of eligible debt have committed to deliver their share of HIPC debt relief.[24]

Table 4. HIPC Initiative Assistance under a Proportional Burden Sharing Approach
(in millions of US$, unless otherwise indicated)

	Debt Outstanding (NPV terms end-2018) (A)	Debt Outstanding (NPV terms end-2018) Post-HIPC (B)	Reduction of the NPV of Debt due to HIPC (A-B)
Total	3,664.5	1,596.9	2,067.6
(as percent of exports)	344.2	150.0	194.2
of which			
Multilaterals	1,494.3	651.2	843.1
Bilateral	2,170.2	945.7	1,224.5
Memorandum Items			
Common reduction factor (percent)	56.4		
Exports 1/	1,064.6		

Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.
1/ Assumes a stock-of-debt operation on Naples terms at end-December 2018; and comparable action by other official bilateral creditors on eligible debt (pre-cutoff and non-ODA).
2/ Three-year historical average of exports of goods and non-factor services (years of 2016-2018).

---

of at least 15 percent, using an average of the last three years of actual data ("Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative", July 23, 1999 IDA/SecM99-475, and EBS/99/138). At end-2018, Somalia's, NPV of debt-to-revenue ratio amounted to 1,909 percent, while, during 2016–18, the average export-to-GDP and average revenue-to-GDP stood at 23 percent and 3 percent, respectively.

[23] For the estimation of the NPV of debt after the traditional debt relief-to-exports, it used the three-year historical average of exports of goods and non-factor services (years of 2016–18).

[24] The IMF interim assistance is subject to receiving satisfactory financing assurances from Somalia's other creditors of their intention to provide debt relief. Satisfactory assurances have been defined in previous HIPC cases as 70 percent.

35. The illustrative scenarios below on the delivery of HIPC Initiative debt relief assume Somalia reaches the Decision Point in March 2020 and its Completion Point by March 2023 (Figure 3).[25]

- **IDA** assistance under the HIPC Initiative and the MDRI amounts to US$425.8 million in end-2018 NPV terms, which is equivalent to a reduction of 88.9 percent of the NPV of debt to IDA at end-2018.[26] IDA has delivered 80.1 percent of this relief through the concessional element of an arrears clearance operation to be concluded ahead of the Decision Point and entirely financed with grants.[27] Through the clearance of arrears, IDA has delivered its full share of HIPC debt relief and will not provide additional HIPC debt relief through debt service reduction after the approval of the Decision Point, based on the estimated share of IDA debt relief. The details of IDA's assistance in nominal values are provided in Table 12. The remaining relief would be provided through MDRI relief at Completion Point.

- **IMF** HIPC assistance amounts to US$189.1 million in end-2018 NPV terms, of which US$5.7 million would represent the cost of the subsidization of PRGT interest.[28] After the Decision Point is approved by the Boards of the IMF and World Bank, it is expected that the IMF would provide HIPC interim assistance on IMF-related obligations falling due prior to Somalia reaching the Completion Point, subject to Somalia maintaining satisfactory progress under the new 3-year arrangement. These obligations would mainly include GRA charges related to credit outstanding on the EFF arrangement. However, a portion of these obligations would relate to charges due on Somalia's pre-Decision Point arrears to the Fund that would not become due until after the Decision Point (Table 13).[29]

- **AfDB Group's** assistance amounts to US$75.6 million in end-2018 NPV terms and has been entirely delivered through an arrears clearance operation.

[25] The Completion Point will be reached once the Completion Point triggers approved at the Decision Point (Box 3) have been met.

[26] This estimate is based on the assumed Completion Point date; the actual amount of debt relief from IDA would depend on the actual Completion Point date.

[27] See "Somalia Reengagement and Reform Support DPF", January 29, 2020; and Section D for a description of the modalities of arrears clearance and accounting of the concessionality of arrears clearance as part of IDA's delivery of HIPC debt relief.

[28] This subsidy arises from the fact that IMF members that lend resources to the PRGT are remunerated based on the SDR interest rate, even though borrowers from the PRGT are currently not paying any interest.

[29] Somalia's pre-HIPC Decision Point arrears comprise principal and charges due on GRA, Trust Fund, and SAF loans. Given the charging cycle on these credits, GRA charges, and Trust Fund and SAF loan charges due on Somalia' arrears would only become due in May and June 2020 respectively, i.e., after the Decision Point is reached.

- **Other multilateral creditors'** assistance would amount to US$308.2 million in end-2018 NPV terms based on the CRF. Creditors are assumed to provide debt relief through cancellation or concessional rescheduling of arrears, to commence at Completion Point.[30]

- **Paris Club creditors** are assumed to provide their share of HIPC debt relief through a Cologne flow operation on eligible debt (i.e., a 90 percent NPV reduction on pre-cutoff non-Official Development Assistance (ODA) debt and a 100 percent rescheduling on highly concessional terms on pre-cutoff ODA debt) after Somalia reaches its Decision Point, with the remaining HIPC assistance delivered through a stock of debt operation at the Completion Point.[31,32] The HIPC assistance is estimated at US$938.9 million in end-2018 NPV terms, after the application of traditional debt relief.

- Regarding the **non-Paris Club official bilateral creditors**, the authorities have already approached and secured a preliminary offer of debt relief from some key creditors; it is expected that Somalia will approach the full set of non-Paris Club bilateral creditors to request comparable terms to those provided by the Paris Club members once those terms have been confirmed.[33] The HIPC assistance allocated to these creditors is estimated at US$285.6 million in end-2018 NPV terms.

D. External Arrears Clearance Strategy

36. Somalia has made substantial progress in reaching understandings with key creditors on arrears clearance. Nearly all the country's official external debt was in arrears at end-2018, including to IDA, IMF and the AfDB Group. Somalia has now cleared its arrears to IDA and the AfDB, agreed an approach to clear its arrears to the IMF, and plans for clearing arrears to other multilateral creditors are in an advanced stage of preparation. Consistent with the HIPC Initiative methodology, the grant element embedded in the arrears clearance operations of multilateral creditors is counted toward the creditor's contribution to debt reduction under the HIPC Initiative.[34]

[30] There is debt service to IFAD falling due during the interim period (of about $1.5 million); this is assumed to be paid.

[31] Negotiations on Somalia's debt to Paris Club creditors is planned by end-March 2020. Some non-Paris Club creditors have also been invited to join those negotiations.

[32] Following the Decision Point, the arrears of pre-cutoff non-ODA debt would receive a stock of debt reduction under Naples terms (i.e. 67 percent), with the remainder rescheduled over 23 years, with a 6-year grace period. Arrears of pre-cutoff ODA debt would be rescheduled over 40 years with a 16-year grace period. A Cologne flow operation would be applied to the remaining eligible Paris Club debt. ODA debt is anticipated to be rescheduled at the lower of the original interest rate on the loan or on current CIRR terms, while non-ODA debt will be rescheduled on current CIRR terms (Table 7).

[33] Paris Club terms will be reflected in the Agreed Minute of the meeting to treat Somalia's debt.

[34] See "HIPC Debt Initiative: The Chairman's Summary of the Multilateral Development Banks' Meeting," March 6, 1998, IDA/Sec M98-90.

37. Somalia's arrears to IDA were cleared on March 5 2020 through a bridge loan provided by a bilateral donor. Somalia used the proceeds of a Development Policy Grant (DPG) to repay the bridge loan. This portion of the DPG was financed with an exceptional allocation from the IDA arrears clearance set-aside, in accordance with IDA's systematic approach to the clearance of arrears.[35]

38. Arrears to the IMF are expected to be cleared with the support of a bilateral donor. A new three-year Fund-supported arrangement, with a blend of financing from the ECF and EFF, has been recommended to the Executive Board of the IMF for approval.[36]

39. Somalia cleared arrears to the AfDB Group on March 5 through an operation under the framework of the Transition Support Facility (TSF). Donors' resources were used to clear Somalia's arrears to the AfDB Group, estimated at UA 88.15 million (equivalent to US$122.6 million), including payment due through 30 June 2021. The clearance of arrears and the lifting of sanctions will enable full reengagement between the AfDB and Somalia.

40. The authorities have made progress in discussions on clearance of arrears with other multilateral creditors. Following the IMF and World Bank Boards' discussion of the Preliminary HIPC document, staffs communicated the outcome of the DRA and calculated CRF to all other multilateral creditors and requested confirmation of their plans to deliver debt relief. As of March 5, 2020, IFAD, OFID and IsDB—representing 1.5 percent of the NPV of the total debt stock—have confirmed to staffs their willingness to provide debt relief in the context of the HIPC Initiative. The AMF, which accounts for 5.5 percent of the NPV of the total debt stock, has extended a preliminary proposal on the clearance of Somalia's arrears that will be discussed further in the context of its upcoming Annual Meetings. Communication with the AFESD is ongoing.

41. Somalia is expected to be accorded an exceptional debt restructuring treatment by the Paris Club. In the context of the adoption of a Fund-supported program, Paris Club creditors are expected to agree to provide an exceptional debt treatment to Somalia, beyond the standard Naples and Cologne terms.[37] Somalia will seek comparable treatment from all its non-Paris Club bilateral creditors.

42. Based on these assumptions, Somalia's debt due to multilateral creditors is expected to decline from US$1,431.6 million (in end-2018 NPV terms) to US$407.2 million at the Completion Point (Table 9). Most of this debt relief —US$843.1 million in end-2018 NPV terms—would be provided through the clearance of Somalia's arrears, with the rest achieved through

[35] This approach is described in IDA, "Further Elaboration of a Systematic Approach to Arrears Clearance," June 2007.

[36] See "Somalia-Second Review under the Staff-Monitored Program and Request for Three-Year Arrangements under the Extended Credit and the Extended Fund Facilities".

[37] See footnote 32.

restructuring the residual debt on concessional terms.[38] As a consequence of the debt service due on this restructured debt, Somalia's future debt service payments to multilaterals would increase from an average of US$10.2 million a year prior to debt relief, to US$20.8 million a year after debt relief (Table 8). However, the delivery of MDRI and beyond-HIPC relief at the Completion Point would offset most of this increase.

43. Following the Decision Point, IDA will provide strong support to Somalia consistent with its risk of debt distress and the IDA grant allocation framework.[39] Post arrears clearance, Somalia qualifies for support from the IDA18 TAR and access to an IDA19 TAA that will provide grant financing for an expanded portfolio, including for projects that build human capital and strengthen resilience to shocks. IDA will maintain strongly positive net flows to Somalia. Similarly, the AfDB is expected to provide additional grant financing. These grants from IFIs will strengthen Somalia's ability to meet cash flow needs post-arrears clearance, including the resumption of debt service.[40]

E. Possible Assistance Under MDRI and Possible Multilateral and Bilateral Beyond-HIPC Assistance

44. On reaching the Completion Point, Somalia would qualify for MDRI debt relief from IDA and the AfDF. The MDRI debt relief provided by IDA and the AfDB Group would cover all outstanding debt disbursed prior to end-December 2003 and end-December 2004, respectively, and still outstanding at the two institutions' implementation dates. MDRI from IDA and AfDB would cancel all remaining claims to Somalia. If Somalia reaches the Completion Point by March 2023, preliminary estimates indicate that MDRI debt relief could amount to US$116.6 million in end-2022 NPV terms. Of this amount, US$96.8 million would be provided by IDA, and US$19.8 million by the AfDB Group.

45. The country has no debt eligible for MDRI relief from the IMF.[41] At the Completion Point the IMF would provide beyond-HIPC assistance through cancellation of the portion of the pre-Decision Point financing that is not already covered by HIPC debt relief. This would include Fund

[38] Note the grant element embedded in the clearance of arrears towards multilateral creditors is counted toward their contribution to debt reduction under the HIPC Initiative. The IMF is expected to provide HIPC interim assistance on IMF-related obligations falling due prior to Somalia reaching the Completion Point, subject to Somalia maintaining satisfactory progress under the new 3-year arrangement. These obligations would mainly include GRA charges related to credit outstanding on the EFF arrangement.

[39] As a country undergoing restructuring, Somalia would be classified as "in debt distress." All IDA financing would therefore be on grant terms. If Somalia's risk of debt distress were rated as "moderate" after the country reaches the Completion Point, IDA financing would be a mix of credits and grants.

[40] During calendar years 2020-22 (roughly the interim period), debt service to IDA, IFAD, and AfDB together is estimated to average US$14.9 million annually, or 5.5 percent of projected fiscal revenues.

[41] The IMF does not have outstanding MDRI-eligible loans. The last of the MDRI-eligible debt was repaid in FY2014, and the MDRI Trusts were liquidated in 2015.

financing disbursed immediately after Somalia clears its arrears to the IMF and before the HIPC Decision Point, consisting of the initial disbursement under the new IMF arrangement.[42]

46. Most Paris Club official creditors are expected to provide debt relief under bilateral initiatives beyond the HIPC Initiative. Pending Somalia's successful implementation of the HIPC Initiative process, most Paris Club creditors are expected to provide further relief and cancel 100 percent of their claims against Somalia after it reaches the Completion Point (see Table 14). This additional assistance would amount to about US$783 million in end-2023 NPV terms (Table 9).

F. Expected Impact of Debt Relief and Sensitivity Analysis

47. Simulations under a baseline and two alternative scenarios—a climate shock and a security shock scenario—were conducted to test the sustainability of Somalia's external debt after the provision of debt relief (Table 11, Figures 3 and 4). In all three simulations, debt indicators are fixed to after conditional HIPC, MDRI and bilateral beyond-HIPC assistance.

- **Baseline scenario.** The assumptions under this scenario are described in Box 2. Under this scenario, Somalia's NPV of debt-to-exports ratio gradually declines to 55.8 percent in 2027, and then drops further to 41.9 percent in 2038. The debt service-to-exports ratio initially increases slightly after the expected Completion Point, peaking at 2.0 percent in 2027, but then decreasing gradually to 1.9 percent in 2038, its long-run average.[43]

- **Climate shock scenario.** This scenario highlights the sensitivity of debt indicators to a lower export level. This would be consistent with the materialization of a climate shock that affects livestock and agricultural production (Somalia's principal exports). Under this scenario, Somalia's NPV of debt-to-exports ratio initially deteriorates sharply relative to the baseline scenario—by about 32 percentage points just before the assumed Completion Point. The deterioration then narrows to around 10 percentage points through to 2029, before declining to 8 percentage points in the long term. At this point, the NPV of debt-to-exports ratio has dropped to around 49.5 percent.

- **Security shock scenario.** The second scenario considers the sensitivity of the projections to permanently lower growth. This would be consistent with a scenario where there is a sustained deterioration in the security situation that impacts a wide range of factors, including investment and growth. Under this scenario, the prolonged effect of the deterioration in security results in an increasing deterioration in the NPV of debt-to-exports ratio relative to the baseline scenario. Specifically, over the medium term, the NPV of debt-to-exports is, on average, about 7 percentage points higher than in the baseline over the medium term, and, on average, about 27 percentage points higher over the long-term, and on an increasing trend.

[42] It is assumed that in addition to the amount of IMF financing that Somalia needs to repay the bridge loan, new financing of up to 30 percent of Somalia's new quota would be provided and evenly disbursed under a three-year Fund-supported program to support reserves accumulation.

[43] The three-year historical average exports of goods and services is used for the NPV of debt ratios, while the current year export of goods and services is used for the debt service ratios.

Box 2. Key Macroeconomic Assumptions Underlying the DRA[1/]

Key medium- to long-term macroeconomic assumptions used in the baseline of the DRA include:

Annual real GDP growth is projected to increase gradually from 2.9 percent in 2019 to a peak of 5.4 percent in 2027 as benefits from physical and human capital investments in the interim-HIPC period gradually materialize. Subsequently, long-term growth is expected to settle around 4.8 percent.

CPI Inflation, over the long-term, is projected to be about 2.2 percent annually, linked to US inflation given dollarization and the large import component of the consumption basket.

Fiscal policy will remain constrained by available resources over the medium-term; the magnitude of the fiscal deficit—hence also spending—will be driven by available grants, concessional borrowing, and domestic resources. Grants are expected to increase sharply to a peak of about 6.7 percent of GDP in 2023 before beginning a gradual decline. Concessional borrowing (also the fiscal deficit) is projected to range between about 1.5 and 2.7 percent of GDP in the five years after DP (2024-2029), and domestic revenue, at the level of the FGS, is projected to gradually increase from 4 percent of GDP in 2019 to over 6.5 percent in 2029.

Domestic borrowing: The scenario assumes no domestic borrowing.

Official borrowing: Per above, the framework assumes limited concessional borrowing at terms comparable to standard IDA terms.

External sector: The current account deficit is projected to remain elevated, averaging about 13 percent between 2019 and 2029, reflecting Somalia's current high structural level of grants and remittances, and high import needs. Remittances and grants (currently 32 and 44 percent of GDP, respectively), will gradually decline as a percent of GDP over the long-term, as FDI and concessional borrowing increase.

1/ These assumptions are consistent with those that will underpin the new Fund-arrangement.

THE DECISION AND FLOATING COMPLETION POINTS

A. Triggers for the Floating Completion Point

48. IMF and IDA staffs have agreed on a set of Completion Point triggers with the authorities (Box 3). The triggers proposed for Directors' approval are policy measures aimed at ensuring steadfast progress towards poverty reduction and inclusive growth—consistent with the objectives of the HIPC Initiative. Triggers include actions on the implementation of the poverty reduction strategy and maintenance of macroeconomic stability, as well as on public financial and expenditure management, governance and natural resource revenue management, debt management, enhanced delivery of social programs, human capital development, structural reforms, and statistics.

49. Triggers are aligned in substance, scope, and level of ambition with past precedent under the HIPC Initiative process. For instance, maintenance of prudent macroeconomic and fiscal policies is a core Completion Point trigger across all countries, as is the satisfactory implementation of the country's full poverty reduction strategy for at least one year. As with other countries, triggers include actions to improve public debt and financial management, human development programs, and economic governance and anti-corruption. And consistent with standard practice under the HIPC Initiative, triggers are actions that are under the control of the authorities rather than desired outcomes that result from policy reforms. Finally, in line with HIPC Initiative guidance, the set of triggers are limited to the minimum necessary to achieve a comprehensive coverage of the key areas of reforms needed to enhance pro-poor growth, poverty reduction, and debt sustainability.

50. At the same time, triggers are tailored to Somalia's unique circumstances to ensure country ownership and realism. The set of triggers is the outcome of intensive discussion with the authorities. Triggers support the national priorities articulated in the NDP and other high-level national action plans. Many triggers directly support elements of the fiscal federalism framework that Somalia is constructing as part of the ongoing constitutional review process. For example, adoption of national tariff schedule and PFM regulations for natural resource revenue sharing are central to the collection and allocation of revenue in a federal system, and agreements between FGS and FMSs on health and education responsibilities will guide the assignment of spending functions. The triggers related to the Companies Act and Electricity Act would support job creation (especially for the youth). In line with feedback from IMF and IDA Executive Directors that conditionality should take account of the fragility of Somalia and the evolving political and social context, staffs sought to identify measures where the necessary supporting financial and technical assistance from the IMF, World Bank Group, and other partners has already been or is close to being identified.[44] This assistance gives confidence that the authorities will have the necessary technical capacity to complete the triggers, while acknowledging that political developments may affect the timing of these reforms.

51. To maximize the impact, the triggers were selected to provide spillovers across sectors. For example, Box 3 presents the Extractive Industry Income Tax Law as a natural resource governance measure. This is equally important for improving revenue collection needed for fiscal sustainability and for attracting the foreign direct investment needed to boost economic growth.

---

[44] Revenue, expenditure, and debt management have been central pillars of IMF and World Bank programs since reengagement began in 2013. The United Kingdom is financing improvements in customs administration. The United Nations Development Program is helping the authorities with ratification of international anti-corruption conventions. The regulatory frameworks for the power sector and corporate governance are being developed with technical advice and through the public-private dialogue supported by the IFC. Establishment of the social registry is a component of a project financed by an IDA pre-arrears clearance grant that is currently underway. World Bank staff are preparing projects on health and education for Board approval in 2020. Statistics Sweden, United Nations agencies, the IMF, and World Bank are supporting statistical capacity development.

Similarly, establishing a national social registry not only improves the effectiveness of social programs, but it also increases the efficiency of public expenditure management and strengthens the country's resilience to natural hazards, including those resulting from climate change.

52. Finally, the HIPC Completion Point triggers are embedded in the broader framework of policy reforms supported by the Fund, World Bank, and other partners (see Table 5). Triggers include actions that follow directly from conditionality in EU budget support, IMF SMPs, and the World Bank's Recurrent Cost and Reform Financing (RCRF) project and its reengagement Development Policy Finance (DPF) operation.[45] Ongoing coordination with other development partners ensures that program conditionalities are complementary and mutually reinforcing rather than over-lapping. The triggers also complement the policy anchors for the new IMF arrangement, which will focus on a continued strengthening of public finances to meet Somalia's development needs while balancing fiscal sustainability considerations; a continued deepening of central bank capacity; efforts to improve the business environment and governance; and enhancing statistics, and the planned reforms under World Bank operations, including those to support health and education services across the FGS and FMS, and support establishment of the social registry. Linkages between HIPC Completion Point triggers and the rolling structural benchmarks under the new IMF arrangement and annual milestones for the provision of financing under IDA19's TAA creates coordinated and sustained mutual reinforcement of reform measures, while providing critical flexibility for conditionality to adapt to evolving needs and priorities. As a fully reengaged IDA client, Somalia will also be supported through the forthcoming IDA Sustainable Development Finance Policy, which contains provisions to strengthen debt policy reforms.

Table 5. Coordination of Policy Conditionality

	Reform Areas	HIPC Completion Point Triggers	IMF	World Bank	AfDB	EU Budget Support
1	Domestic Revenue Mobilization	✓	✓	✓	✓	✓
2	PFM and expenditure controls	✓	✓	✓	✓	✓
3	Debt management	✓	✓	✓	✓	
4	Inter-Governmental Fiscal Relations	✓	✓	✓		✓
5	Governance, anti-corruption and natural resource management	✓	✓	✓	✓	
6	Financial Sector Development		✓	✓	✓	
7	AML/CFT		✓	✓	✓	
8	Private Sector Development	✓		✓	✓	
9	Social sectors					
	Education	✓		✓		✓
	Health	✓		✓		
	Social safety net	✓		✓		
10	Statistics	✓	✓	✓	✓	

Source: IMF and IDA staff.

[45] For example, cabinet approval of the draft PFM Bill was a structural benchmark in the IMF's SMP II, enactment of the final PFM Law was a prior action for the World Bank's Reengagement and Reform DPF, and issuance of regulations to implement the PFM Act is a Completion Point trigger.

53. IMF and IDA staffs' baseline assumption is that achieving the Completion Point by March 2023 appears feasible. While this would be somewhat faster than the average HIPC experience (of over four years), risks around this timing, notably weak capacity, are mitigated by the strong reform commitment sustained and demonstrated by the authorities under consecutive IMF SMPs, and supported by the World Bank's sustained engagement through operations, and technical assistance from the IMF and World Bank, together with other development partners.

Box 3. Triggers for the Floating Completion Point

Poverty reduction strategy implementation

- Satisfactory implementation for at least one year of Somalia's full poverty reduction strategy, as evidenced by an Annual Progress Report on the implementation of the poverty reduction strategy submitted by the government to IDA and the IMF.

Macroeconomic stability

- Maintain macroeconomic stability as evidenced by satisfactory implementation of the 3-year ECF-supported program.

Public financial and expenditure management

- Publish at least two years of the audited financial accounts of the Federal Government of Somalia.
- Issue regulations to implement the Public Financial Management Act's provisions on debt, public investment, and natural resource revenue management.

Domestic revenue mobilization

- Adopt and apply a single import duty tariff schedule at all ports in the Federal Republic of Somalia (to also foster greater trade integration).

Governance, anti-corruption, and natural resource management

- Enact the Extractive Industry Income Tax Law.
- Ratify the United Nations Convention Against Corruption (UNCAC)

Debt management

- Publish at least four consecutive quarterly reports outlining the outstanding stock of general government debt; monthly debt-service projections for 12-months ahead; annual principal payment projections (for at least the next five years); and key portfolio risk indicators (including proportion of debt falling due in the next 12-months; proportion of variable rate debt; and projected debt service-to-revenues and debt service-to-exports for the next five years).

Social sectors

- Establish a national social registry as a functional platform that supports registration and determination of potential eligibility for social programs.
- FGS and FMS Ministers of Health adopt a joint national health sector strategy.
- FGS and FMS Ministers of Education adopt an agreement defining their respective roles and responsibilities on curriculum and examinations.

Growth/structural

- Enact the Electricity Act and issue supporting regulations to facilitate private sector investment in the energy sector.
- Issue Company Act implementing regulations on minority shareholder protection (to encourage private sector investment).

Statistics

- Publish at least two editions of the "Somalia Annual Fact Book"

B. Monitoring Public Spending Following Provision of HIPC Assistance

54. During the interim period, the direct effect of debt relief on the FGS budget will lead to an increase in debt service payments. As discussed above, Somalia has not been servicing external debt to any of its creditors, and after arrears clearance, the government must resume paying debt service. The DRA estimates that debt service payments will average US$14.9 million annually during calendar years 2020–22 (roughly the interim period) in a scenario of enhanced HIPC assistance and multilateral arrears clearance (Table 8).

55. Securing the effective use of public spending for poverty reduction and inclusive growth is a key objective of the HIPC Initiative. While the resumption of debt servicing payments will represent a drain on the fiscal space available for development spending, the impact will be mitigated by the anticipated increase in external aid once Somalia has normalized relations with the IFIs, and overall, the fiscal resource envelope is expected to expand. The authorities will continue their ongoing efforts to strengthen the programming, management and control of public expenditures, and to improve service delivery in key sectors. Within this framework, technical assistance from IDA, IMF, AfDB and other partners will continue to be needed as it will be important to continue to strengthen public financial management capacity.

56. While the FGS does not have a budget classification by program or a fully functional budget classification, the authorities intend to monitor the use of resources made available by the HIPC Initiative using existing mechanisms. Existing budget and accounting classifications allow for monitoring of budget allocations and expenditures following two dimensions: (i) administrative (ministries, departments and agencies) including development projects; and (ii) economic (expenditure types). Spending data can also be presented following a sectoral classification with broad categories resembling functions (such as education and health), which is prepared using estimates from the administrative classification. Also, in the absence of a program budget, projects can be individually coded within the administrative classification to allow recording and reporting on project expenditures.

ISSUES FOR DISCUSSION

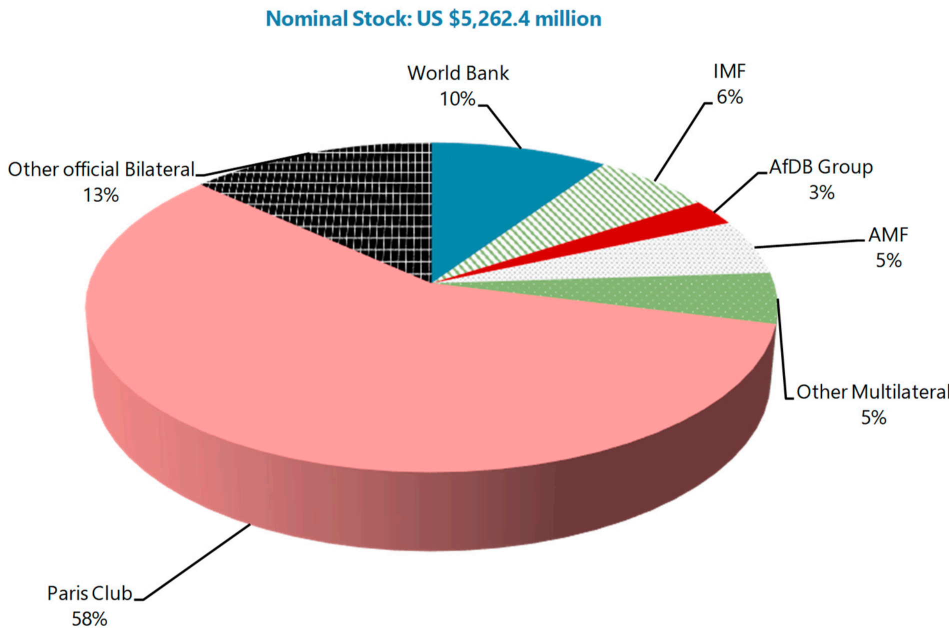
57. This paper presents an assessment of Somalia's qualification for assistance under the Enhanced HIPC Initiative. Executive Directors' views and guidance are sought on the following issues:

- **Qualification and Decision Point:** Do Executive Directors agree that Somalia qualifies for assistance under the Enhanced HIPC Initiative and do they recommend approval for the Decision Point?

- **Amount and delivery of assistance:** In order to reduce the NPV of debt-to-exports ratios to the threshold of 150 percent, the total amount of assistance under the Enhanced HIPC Initiative is estimated at US$2.1 billion in end-2018 NPV terms. Of this amount, US$341.2 million in end-2018 NPV terms has been provided by IDA through the grant element of its recent DPO in support of Somalia's arrears clearance; and US$189.1 million in end-2018 NPV terms would be provided by the IMF. Do IMF Directors agree that the IMF should provide interim assistance of SDR 2.4 million between the Decision and Completion Points in line with existing guidelines?

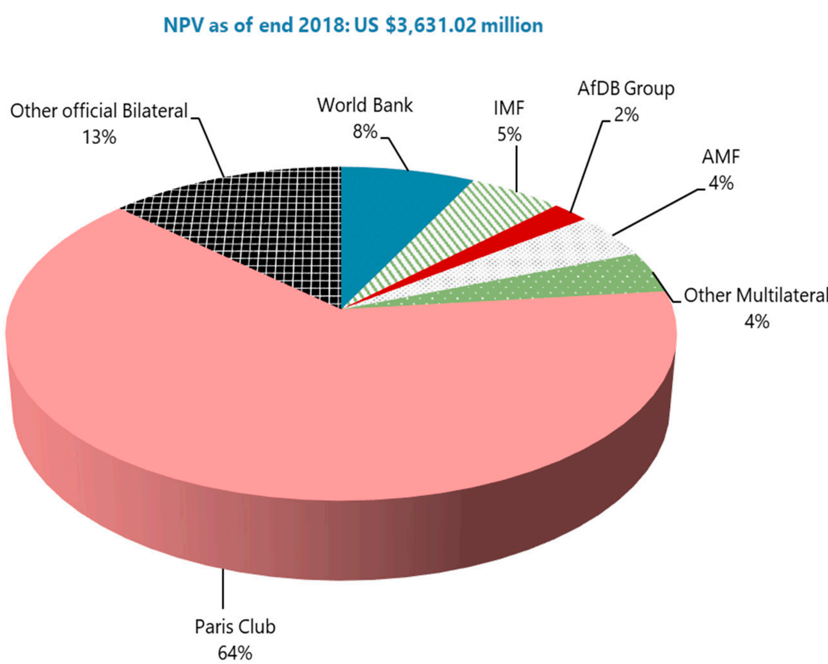
- **Floating Completion Point:** Do Directors agree that the HIPC floating Completion Point will be reached when the triggers in Box 3 have been met? Debt relief will be provided unconditionally only when the Completion Point triggers have been met and satisfactory assurances of other creditors' participation under the enhanced HIPC Initiative for Somalia have been received.

Figure 2. Composition of Stock of External Debt at End- 2018 by Creditor Group



Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

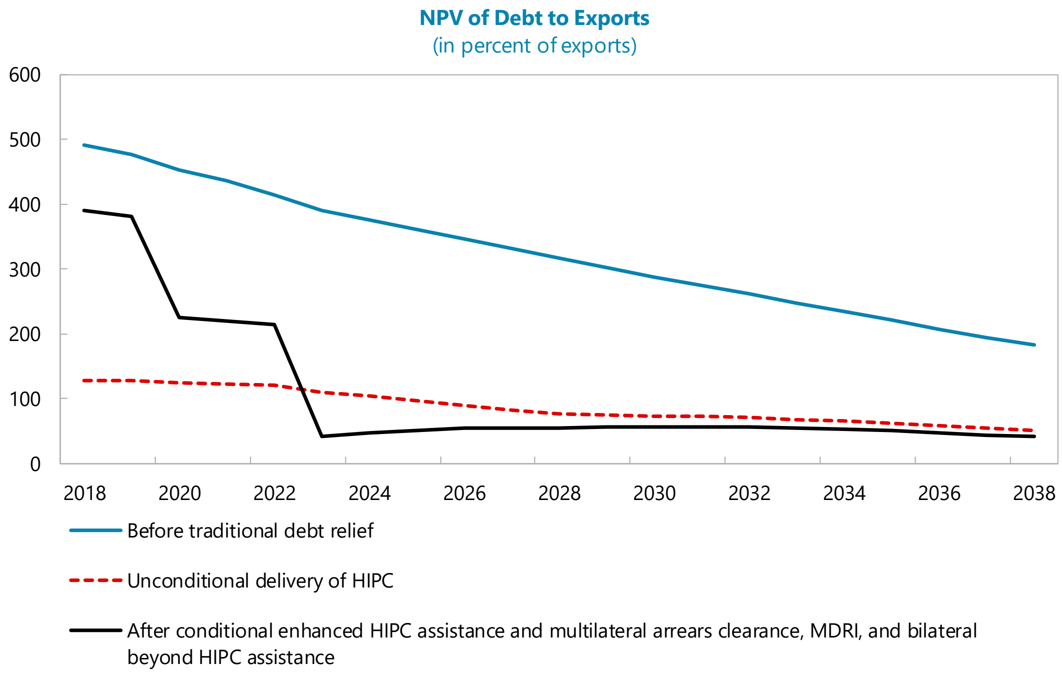
Figure 3. Somalia: Potential Costs of the HIPC Initiative by Creditor[1/]

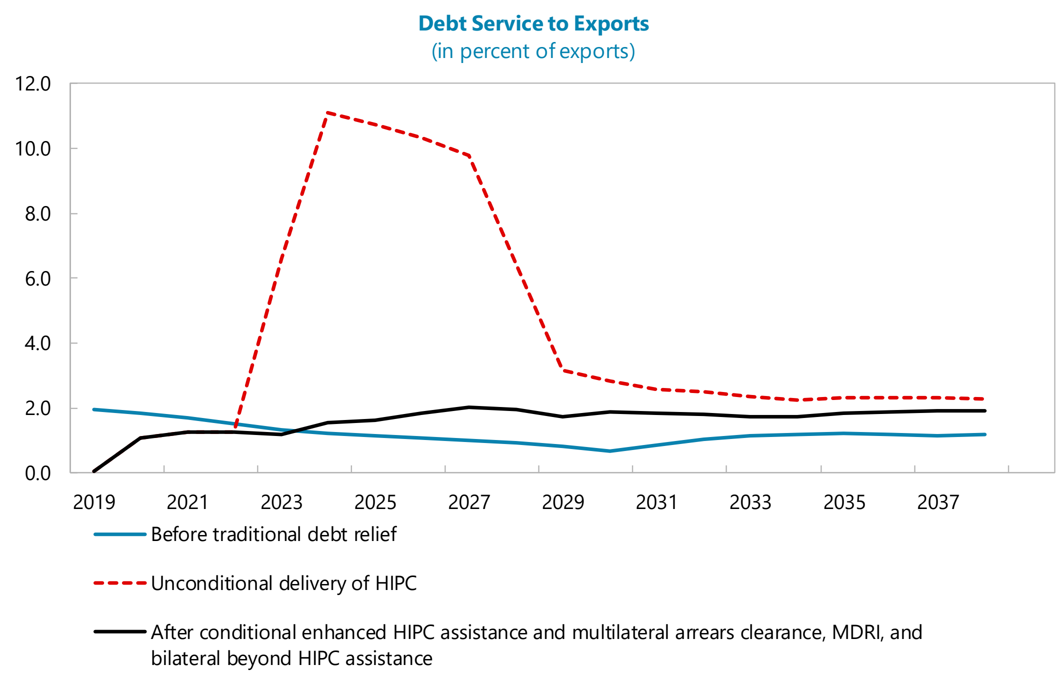


Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

1/ Including the costs of the delivery of traditional debt relief by bilateral creditors.

Figure 4. External Debt Sustainability Indicators, 2019-38

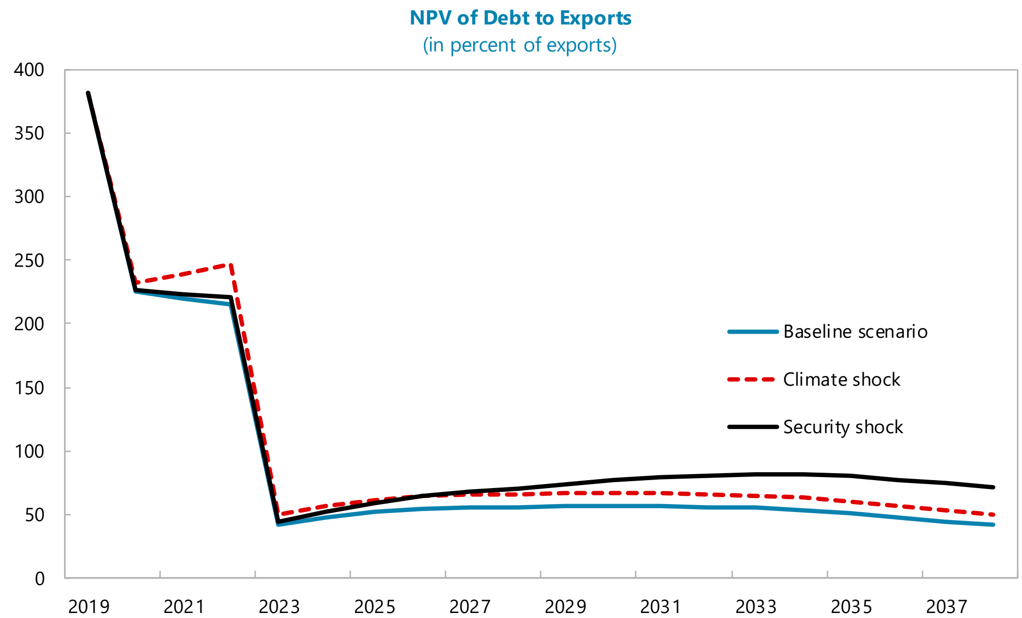


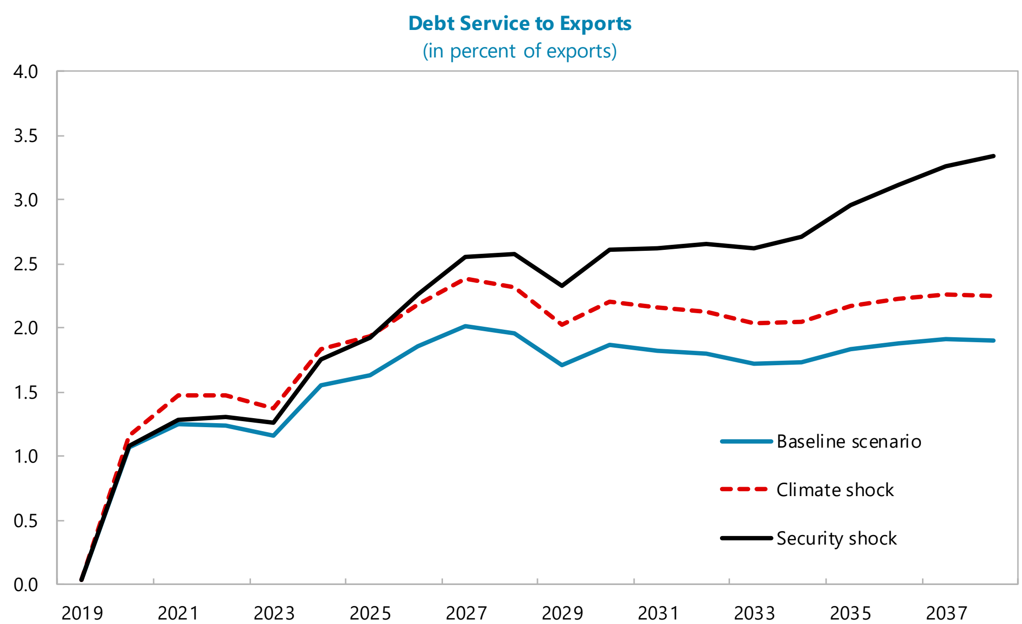


Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

Figure 5. Sensitivity Analysis, 2019-38

(After conditional enhanced HIPC assistance and multilateral arrears clearance, MDRI, and bilateral beyond HIPC)





Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

Table 6. Nominal Stock and Net Present Value of Debt as of end December 2018, by Creditor Groups

	Legal Situation						Base Situation for Calculation of HIPC Debt Relief	
	Nominal Debt Stock 1/		Arrears Stock		NPV of Debt before traditional debt relief 1/ 2/		NPV of Debt after traditional debt relief 1/ 2/ 3/	
	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total	US$ million	Percent of total
Total	5,255.4	100.0	5,035.0	100.0	5,227.9	100.0	3,664.5	100.0
Multilateral	1,520.3	28.9	1,324.7	26.3	1,494.3	28.6	1,494.3	40.8
World Bank	501.0	9.5	341.2	6.8	478.9	9.2	478.9	13.1
IMF	335.1	6.4	335.1	6.7	335.1	6.4	335.1	9.1
AfDB Group	137.2	2.6	106.4	2.1	134.0	2.6	134.0	3.7
AFESD	181.9	3.5	181.9	3.6	181.9	3.5	181.9	5.0
AMF	285.7	5.4	285.7	5.7	285.7	5.5	285.7	7.8
IFAD	30.9	0.6	25.9	0.5	30.2	0.6	30.2	0.8
IsDB	13.1	0.2	13.1	0.3	13.1	0.2	13.1	0.4
OFID	35.5	0.7	35.5	0.7	35.5	0.7	35.5	1.0
Bilateral and commercial	3,735.0	71.1	3,710.3	73.7	3,733.6	71.4	2,170.2	59.2
Paris Club 4/	3,037.6	57.8	3,016.1	59.9	3,036.9	58.1	1,664.1	45.4
Post-cutoff date	456.6	8.7	442.6	8.8	456.0	8.7	450.9	12.3
ODA	192.4	3.7	178.4	3.5	191.8	3.7	190.1	5.2
Non-ODA	264.2	5.0	264.2	5.2	264.2	5.1	260.8	7.1
Pre-cutoff date	2,581.0	49.1	2,573.5	51.1	2,580.9	49.4	1,213.2	33.1
ODA	581.9	11.1	574.3	11.4	581.8	11.1	549.0	15.0
Non-ODA	1,999.1	38.0	1,999.1	39.7	1,999.1	38.2	664.3	18.1
Denmark	8.5	0.2	8.5	0.2	8.5	0.2	8.4	0.2
EEC IDA Administered Loans 5/	1.6	0.0	1.2	0.0	1.6	0.0	1.8	0.0
France	417.8	8.0	417.8	8.3	417.8	8.0	140.4	3.8
Italy	615.2	11.7	615.2	12.2	615.2	11.8	410.6	11.2
Japan	118.6	2.3	118.6	2.4	118.6	2.3	118.3	3.2
Netherlands	6.6	0.1	6.6	0.1	6.6	0.1	6.6	0.2
Norway	1.9	0.0	1.9	0.0	1.9	0.0	0.6	0.0
Russia	678.6	12.9	678.6	13.5	678.6	13.0	222.6	6.1
Spain	39.5	0.8	39.5	0.8	39.5	0.8	39.0	1.1
United Kingdom	83.9	1.6	83.9	1.7	83.9	1.6	27.5	0.7
United States	1,065.4	20.3	1,044.3	20.7	1,064.7	20.4	688.5	18.8
Other official bilateral	697.4	13.3	694.2	13.8	696.7	13.3	506.1	13.8
Post-cutoff date	23.9	0.5	23.9	0.5	23.9	0.5	23.6	0.6
Pre-cutoff date	673.5	12.8	670.3	13.3	672.8	12.9	482.5	13.2
ODA	468.8	8.9	465.6	9.2	468.1	9.0	415.5	11.3
Non-ODA	204.7	3.9	204.7	4.1	204.7	3.9	67.0	1.8
Algeria	1.6	0.0	1.6	0.0	1.6	0.0	0.5	0.0
Bulgaria	10.5	0.2	10.5	0.2	10.5	0.2	3.4	0.1
Iraq	181.4	3.5	181.4	3.6	181.4	3.5	59.4	1.6
Kuwait	118.9	2.3	118.9	2.4	118.9	2.3	87.5	2.4
Libya	30.4	0.6	30.4	0.6	30.4	0.6	25.7	0.7
Romania	2.5	0.0	2.5	0.1	2.5	0.0	0.8	0.0
Saudi Arabia	109.6	2.1	106.3	2.1	108.9	2.1	85.6	2.3
Serbia	2.3	0.0	2.3	0.0	2.3	0.0	0.7	0.0
United Arab Emirates	240.3	4.6	240.3	4.8	240.3	4.6	242.5	6.6

Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

1/ Includes Arrears

2/ Discount rates applied are the average Commercial Interest Reference Rates published by the OECD over the 6-month period prior to December 2018. The discount rate for the SDR is calculated using the CIRR published by the OECD for all SDR basket currencies except the Chinese yuan. The OECD does not publish a CIRR for the Chinese yuan, therefore it is calculated based on the Chinabond yield curve for bonds with a 7-year maturity increased by 100 basis point, per the standard CIRR methodology. This amounted to 4.5 percent for the 6-month period prior to December 2018.

3/ Assumes a stock-of-debt operation on Naples terms at end-December 2018; and comparable action by other official bilateral creditors on eligible debt (pre-cutoff and non-ODA).

4/ Paris Club cutoff date is October 1, 1984.

5/ Special Action Credits (SAC) provided by the European Economic Community (EEC) member states according to the 21/12/1978 Council decision n°79/195 EEC are bilateral loans for which IDA acts as administrative agent. As of November 1, 2005, all Paris Club SAC creditors (Belgium, Denmark, Germany, France, Italy, The Netherlands and the United-Kingdom) have decided to classify these credits as bilateral creditor loans and cancel their them at Completion Point.

Table 7. Discount and Exchange Rate Assumptions as of end-December 2018

	Exchange Rate 1/ (Currency per U.S dollar)	Discount Rate 2/ (in percent per annum)
U.S. dollar	1.0	3.9
Canadian dollar	1.3	3.3
Danish krone	6.6	1.0
Japanese yen	112.6	1.0
Swiss franc	1.0	0.8
Swedish krona	9.0	1.2
Norwegian krone	8.6	2.5
Euro	0.9	1.1
Kuwaiti dinar	0.3	2.7
Soviet Union Ruble 3/	0.6	…
United Arab Emirate Dinar	3.7	3.9
U.K. pound	0.8	2.2
Saudi Arabian Riyal	3.8	3.9
Special Drawing Rights 4/	0.7	2.7

Sources: OECD; and IMF, International Financial Statistics.

1/ The exchange rates are expressed as national currency per U.S. dollar at end-December 2018.

2/ Discount rates applied are the average Commercial Interest Reference Rates published by the OECD over the 6-month period prior to December 2018. The discount rate for the SDR is calculated using the CIRR published by the OECD for all SDR basket currencies except the Chinese yuan. The OECD does not publish a CIRR for the Chinese yuan, therefore it is calculated based on the Chinabond yield curve for bonds with a 7-year maturity increased by 100 basis point, per the standard CIRR methodology. This amounted to 4.5 percent for the for the 6-month period prior to December 2018.

3/ Per the data provided by Russia, the amounts of indebtedness denominated in Soviet rubles are converted into US dollars at the official Gosbank USSR exchange rate of 0.6 Soviet ruble per 1 US dollar. This is consistent with the past HIPC cases.

4/ The IsDB, AfDB Group and AMF use the Islamic dinar (ISD), African currency unit (UAC) and Arab accounting dinar (AAD) respectively, which are all linked to the SDR (ISD 1=UAC 1=AAD 3=SDR 1) and use the same discount rate as the SDR.

Table 8. External Debt Service, 2019-38 1/

(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Average 2019 - 2028	Average 2029 - 2038
I. Before traditional debt relief and multilateral arrears clearance																						
Total	22.4	21.8	20.9	19.9	18.6	17.7	17.5	17.7	17.3	16.9	15.7	14.1	19.2	24.8	28.9	31.8	34.6	36.2	37.9	41.1	19.1	28.4
Existing debt 2/	22.4	21.8	20.9	19.9	18.6	17.7	16.4	15.3	13.9	12.7	10.8	8.3	7.6	7.3	6.6	5.2	4.5	2.5	0.6	0.2	18.0	5.3
Multilateral	17.1	17.0	16.8	16.4	15.9	15.4	15.0	14.4	13.6	12.4	10.6	8.1	7.4	7.1	6.4	5.0	4.3	2.3	0.5	0.2	15.4	5.2
World Bank	14.1	14.0	13.8	13.4	12.9	12.4	12.2	11.6	10.8	9.9	8.5	6.8	6.4	6.2	5.6	4.3	3.6	1.8	0.1	0.0	12.5	4.3
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AfDB Group	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.3	2.1	1.7	1.3	1.0	0.9	0.8	0.7	0.7	0.5	0.4	0.2	2.4	0.8
Others 3/	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Bilateral	5.3	4.8	4.1	3.5	2.7	2.4	1.4	0.9	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	2.6	0.2
Paris Club	5.1	4.6	3.9	3.3	2.5	2.2	1.2	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0
Other official Bilateral	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.2	0.2
Debt service to exports ratio	2.0	1.8	1.7	1.5	1.3	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.9	1.0	1.1	1.2	1.2	1.2	1.2	1.2	1.4	1.0
Debt service to revenue ratio	11.4	9.3	7.8	6.5	5.2	4.1	3.4	2.9	2.4	2.1	1.8	1.5	2.0	2.3	2.5	2.5	2.5	2.4	2.4	2.4	5.5	2.3
New debt 4/	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.4	3.4	4.3	5.0	5.8	11.6	17.5	22.3	26.6	30.0	33.7	37.3	40.9	1.1	23.1
II. After traditional debt relief																						
Total	90.4	90.3	90.2	187.7	183.7	179.5	178.9	178.2	79.3	82.1	84.1	86.0	95.0	104.8	113.7	121.6	141.9	150.5	160.2	172.1	134.0	123.0
Existing debt	90.4	90.3	90.2	187.7	183.7	179.5	177.7	175.8	76.0	77.8	79.1	80.2	83.4	87.3	91.3	95.1	111.8	116.8	122.9	131.1	132.9	99.9
Multilateral	17.1	17.0	16.8	16.4	15.9	15.4	15.0	14.4	13.6	12.4	10.6	8.1	7.4	7.1	6.4	5.0	4.3	2.3	0.5	0.2	15.4	5.2
World Bank	14.1	14.0	13.8	13.4	12.9	12.4	12.2	11.6	10.8	9.9	8.5	6.8	6.4	6.2	5.6	4.3	3.6	1.8	0.1	0.0	12.5	4.3
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AfDB Group	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.3	2.1	1.7	1.3	1.0	0.9	0.8	0.7	0.7	0.5	0.4	0.2	2.4	0.8
Others 3/	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Bilateral 5/	73.3	73.3	73.4	171.3	167.8	164.1	162.7	161.3	62.4	65.4	68.6	72.1	76.0	80.2	85.0	90.1	107.5	114.5	122.4	131.0	117.5	94.7
Paris Club	55.4	55.4	55.5	148.7	145.3	141.8	140.4	139.0	44.7	47.4	50.3	53.5	57.1	60.9	65.2	69.9	81.7	87.8	94.7	102.1	97.3	72.3
Other official Bilateral	18.0	18.0	18.0	22.7	22.5	22.3	22.3	22.3	17.7	18.0	18.3	18.6	18.9	19.3	19.7	20.2	25.8	26.7	27.8	28.8	20.2	22.4
Debt service to exports ratio	7.9	7.6	7.3	14.3	13.2	12.2	11.4	10.8	4.5	4.4	4.3	4.1	4.2	4.4	4.5	4.5	4.9	4.9	4.9	4.9	9.4	4.6
Debt service to revenue ratio	46.1	38.5	33.8	61.6	51.0	41.8	34.7	28.9	11.2	10.2	9.8	9.4	9.9	9.9	9.9	9.7	10.4	10.1	10.1	10.1	35.8	9.9
New debt	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.4	3.4	4.3	5.0	5.8	11.6	17.5	22.3	26.6	30.0	33.7	37.3	40.9	1.1	23.1
III. After enhanced HIPC assistance and multilateral arrears clearance 6/ 7/																						
Total	0.5	12.8	15.5	16.4	91.7	163.9	167.5	170.9	170.7	119.0	62.0	59.4	57.6	59.1	59.3	61.1	66.6	71.2	76.1	79.8	92.9	65.2
Existing debt	0.5	12.8	15.5	16.4	91.7	163.9	166.3	168.5	167.4	114.8	57.1	53.6	46.1	41.6	36.9	34.5	36.6	37.5	38.8	38.9	91.8	42.2
Multilateral	0.5	12.8	15.5	16.4	22.6	22.1	21.8	24.1	27.1	29.7	28.8	32.9	29.2	25.0	20.3	17.9	19.9	17.8	15.8	15.4	19.3	22.3
World Bank	0.0	12.3	13.8	13.4	12.9	12.4	12.2	11.6	10.8	9.9	8.5	6.8	6.4	6.2	5.6	4.3	3.6	1.8	0.1	0.0	10.9	4.3
IMF 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.7	10.5	11.5	11.5	8.6	4.8	1.0	0.0	0.0	0.0	0.0	0.0	2.0	3.7
AfDB Group	0.0	0.0	1.3	2.5	2.5	2.5	2.4	2.4	2.3	2.1	1.7	1.3	1.0	0.9	0.8	0.7	0.7	0.5	0.4	0.2	1.8	0.8
Others 3/	0.5	0.5	0.5	0.5	7.2	7.2	7.2	7.2	7.2	7.2	7.1	13.3	13.2	13.1	13.0	12.9	15.6	15.5	15.4	15.2	4.5	13.4
Bilateral	0.0	0.0	0.0	0.0	69.1	141.8	144.6	144.4	140.3	85.0	28.2	20.8	16.8	16.6	16.6	16.6	16.6	19.7	23.0	23.5	72.5	19.8
Paris Club	0.0	0.0	0.0	0.0	63.4	126.3	127.6	126.4	122.5	70.6	17.9	12.1	9.4	9.1	9.1	9.1	9.1	11.0	12.9	13.2	63.7	11.3
Other official Bilateral	0.0	0.0	0.0	0.0	5.6	15.5	17.0	18.0	17.8	14.4	10.3	8.6	7.5	7.5	7.5	7.5	7.5	8.8	10.1	10.3	8.8	8.5
Debt service to exports ratio	0.0	1.1	1.3	1.2	6.6	11.1	10.7	10.3	9.8	6.4	3.1	2.8	2.6	2.5	2.3	2.3	2.3	2.3	2.3	2.3	5.9	2.5
Debt service to revenue ratio	0.2	5.4	5.8	5.4	25.5	38.1	32.5	27.7	24.2	14.9	7.2	6.5	6.0	5.6	5.1	4.9	4.9	4.8	4.8	4.7	18.0	5.5
New debt	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.4	3.4	4.3	5.0	5.8	11.6	17.5	22.3	26.6	30.0	33.7	37.3	40.9	1.1	23.1

Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

1/ All external debt statistics correspond to public and publicly guaranteed debt.

2/ Includes only scheduled debt service on current maturities and does not include projected penalty interest on arrears.

3/ Other multilaterals include AFESD, AMF, IFAD, IsDB, and OFID.

4/ The projected debt service is based on PRGT/GRA arrangements in the amount equal to the stock of arrears at arrears clearance, plus a new PRGT credit of 30 percent of quota under the 14th General Review which will be disbursed in 7 installments. Interest obligations do not include net SDR charges and assessments.

5/ Reflects debt service on the projected borrowing needed to close the fiscal gap which assumes lending from IDA and new PRGT borrowing above that required for IMF arrears clearance.

6/ Shows the external debt situation after the full use of traditional debt-relief mechanisms (hypothetical stock-of-debt operations on Naples terms) by Paris Club creditors that includes treatment of debt stock in arrears, and assumes at least comparable treatment from other official bilateral creditors.

Table 8. External Debt Service, 2019-38[1/] (continued)

(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Average 2019 - 2028	Average 2029 - 2038
IV. Debt Service after HIPC and MDRI Assistance																						
Total	0.5	12.8	15.5	16.4	79.5	149.0	153.0	156.9	157.6	107.0	51.8	51.3	50.2	52.0	52.9	56.1	62.3	68.9	75.7	79.7	84.8	60.1
Existing debt	0.5	12.8	15.5	16.4	79.5	149.0	151.8	154.5	154.2	102.8	46.8	45.5	38.6	34.5	30.6	29.5	32.2	35.2	38.4	38.7	83.7	37.0
Multilateral	0.5	12.8	15.5	16.4	10.4	7.2	7.2	10.1	13.9	17.8	18.6	24.8	21.8	17.9	13.9	12.9	15.6	15.5	15.4	15.2	11.2	17.2
World Bank	0.0	12.3	13.8	13.4	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0
IMF 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.7	10.5	11.5	11.5	8.6	4.8	1.0	0.0	0.0	0.0	0.0	0.0	2.0	3.7
AfDB Group	0.0	0.0	1.3	2.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Others 3/	0.5	0.5	0.5	0.5	7.2	7.2	7.2	7.2	7.2	7.2	7.1	13.3	13.2	13.1	13.0	12.9	15.6	15.5	15.4	15.2	4.5	13.4
Bilateral	0.0	0.0	0.0	0.0	69.1	141.8	144.6	144.4	140.3	85.0	28.2	20.8	16.8	16.6	16.6	16.6	16.6	19.7	23.0	23.5	72.5	19.8
Paris Club	0.0	0.0	0.0	0.0	63.4	126.3	127.6	126.4	122.5	70.6	17.9	12.1	9.4	9.1	9.1	9.1	9.1	11.0	12.9	13.2	63.7	11.3
Other official Bilateral	0.0	0.0	0.0	0.0	5.6	15.5	17.0	18.0	17.8	14.4	10.3	8.6	7.5	7.5	7.5	7.5	7.5	8.8	10.1	10.3	8.8	8.5
Debt service to exports ratio	0.0	1.1	1.3	1.2	5.7	10.1	9.8	9.5	9.0	5.8	2.6	2.4	2.2	2.2	2.1	2.1	2.2	2.2	2.3	2.3	5.3	2.3
Debt service to revenue ratio	0.2	5.4	5.8	5.4	22.1	34.7	29.7	25.5	22.3	13.4	6.0	5.6	5.2	4.9	4.6	4.5	4.6	4.6	4.8	4.7	16.4	5.0
New debt	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.4	3.4	4.3	5.0	5.8	11.6	17.5	22.3	26.6	30.0	33.7	37.3	40.9	1.1	23.1
V. After enhanced HIPC assistance, multilateral arrears clearance, MDRI, and bilateral beyond HIPC assistance																						
Total	0.5	12.8	15.5	16.4	16.2	22.9	25.5	30.6	35.2	36.5	33.9	39.2	40.8	42.8	43.7	46.9	53.1	58.0	62.7	66.4	21.2	48.8
Existing debt	0.5	12.8	15.5	16.4	16.2	22.9	24.3	28.2	31.8	32.2	28.9	33.4	29.3	25.3	21.4	20.4	23.1	24.2	25.4	25.5	20.1	25.7
Multilateral	0.5	12.8	15.5	16.4	10.4	7.2	7.2	10.1	13.9	17.8	18.6	24.8	21.8	17.9	13.9	12.9	15.6	15.5	15.4	15.2	11.2	17.2
World Bank	0.0	12.3	13.8	13.4	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0
IMF 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.7	10.5	11.5	11.5	8.6	4.8	1.0	0.0	0.0	0.0	0.0	0.0	2.0	3.7
AfDB Group	0.0	0.0	1.3	2.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0
Others 3/	0.5	0.5	0.5	0.5	7.2	7.2	7.2	7.2	7.2	7.2	7.1	13.3	13.2	13.1	13.0	12.9	15.6	15.5	15.4	15.2	4.5	13.4
Bilateral	0.0	0.0	0.0	0.0	5.7	15.7	17.1	18.1	17.9	14.5	10.3	8.6	7.5	7.5	7.5	7.5	7.5	8.8	10.1	10.3	8.9	8.5
Paris Club 9/	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other official Bilateral	0.0	0.0	0.0	0.0	5.6	15.5	17.0	18.0	17.8	14.4	10.3	8.6	7.5	7.5	7.5	7.5	7.5	8.8	10.1	10.3	8.8	8.5
Debt service to exports ratio	0.0	1.1	1.3	1.2	1.2	1.5	1.6	1.9	2.0	2.0	1.7	1.9	1.8	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.4	1.8
Debt service to revenue ratio	0.2	5.4	5.8	5.4	4.5	5.3	5.0	5.0	5.0	4.6	4.0	4.3	4.2	4.1	3.8	3.8	3.9	3.9	3.9	3.9	4.6	4.0
New debt	0.0	0.0	0.0	0.0	0.0	0.0	1.2	2.4	3.4	4.3	5.0	5.8	11.6	17.5	22.3	26.6	30.0	33.7	37.3	40.9	1.1	23.1
Reduction in debt service as a results of																						
Traditional debt relief mechanisms	-68.0	-68.5	-69.3	-167.8	-165.1	-161.7	-161.3	-160.4	-62.1	-65.2	-68.4	-71.9	-75.8	-80.0	-84.8	-89.9	-107.3	-114.3	-122.4	-131.0	-114.9	-94.6
HIPC initiative assistance and multilateral arrears clearance	21.9	9.0	5.4	3.5	-73.1	-146.2	-150.0	-153.1	-153.5	-102.1	-46.3	-45.3	-38.4	-34.3	-30.4	-29.3	-32.0	-35.0	-38.3	-38.7	-73.8	-36.8
Additional MDRI assistance	0.0	0.0	0.0	0.0	12.2	14.9	14.5	14.0	13.1	12.0	10.2	8.1	7.4	7.1	6.4	5.0	4.3	2.3	0.5	0.2	8.1	5.2
Additional bilateral beyond HIPC assistance	0.0	0.0	0.0	0.0	63.3	126.2	127.5	126.3	122.4	70.5	17.9	12.1	9.4	9.1	9.1	9.1	9.1	11.0	12.9	13.2	63.6	11.3
Memorandum items:																						
Exports of goods and nonfactor services 10/	1,140.7	1,188.6	1,240.7	1,315.2	1,393.6	1,475.9	1,562.4	1,653.3	1,748.8	1,859.3	1,975.5	2,097.7	2,236.3	2,382.2	2,535.8	2,707.5	2,888.4	3,078.9	3,279.5	3,490.9	1,457.8	2,667.3
Government revenues 11/	196.3	234.4	266.9	304.7	359.9	429.8	515.3	616.3	706.2	800.7	857.2	910.0	961.2	1,055.1	1,152.0	1,250.7	1,366.3	1,488.9	1,590.1	1,698.2	443.0	1,233.0

7/ Paris Club and other official bilateral creditors are assumed to provide a Cologne flow rescheduling on eligible debt during interim period 'and the remaining of their share of relief after of the completion point (i.e. in January 2023) through stock-of-debt reduction. Multilateral creditors start delivering HIPC assistance through the arrears clearance process. This starts at January 2023 for the IMF, World Bank and the AfDB. Other multilaterals are assumed to clear their arrears (as at the completion point date of March 2023).

8/ Includes beyond-HIPC assistance to the remaining outstanding debt stock associated with the arrears clearance. The IMF does not have outstanding MDRI-eligible debt. The last of the MDRI-eligible debt was repaid in FY2014, and the MDRI Trusts were liquidated in 2015.

9/ Paris Club creditors deliver, through voluntarily bilateral initiatives, additional debt relief beyond the HIPC Initiative after the completion point (assumed to be delivered in January 2023). Details on the modalities of the delivery are presented in Table A10.

10/ Exports of goods as defined in IMF, Balance of Payments Manual, 6th edition, 2009. Refers to fiscal year exports.

11/ Revenues are defined as central government revenues, excluding grants.

Table 9. Net Present Value of External Debt, 2018-38 1/

(In millions of U.S. dollars, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Average 2018 - 2027	Average 2028 - 2038
I. Before traditional debt relief and multilateral arrears clearance																							
NPV of total debt	5,227.9	5,211.3	5,194.7	5,178.4	5,162.7	5,147.8	5,240.6	5,339.5	5,419.7	5,492.5	5,553.0	5,625.1	5,705.4	5,784.3	5,855.3	5,913.8	5,963.2	5,995.7	6,001.7	6,007.2	6,010.9	5,261.5	5,855.9
NPV of outstanding debt	5,227.9	5,211.3	5,194.7	5,178.4	5,162.7	5,147.8	5,133.2	5,119.6	5,106.6	5,094.7	5,083.6	5,074.2	5,066.9	5,060.1	5,053.5	5,047.4	5,042.6	5,038.2	5,035.8	5,035.3	5,035.1	5,157.7	5,052.1
Multilateral	1,494.3	1,482.0	1,469.5	1,456.8	1,444.1	1,431.6	1,419.2	1,406.8	1,394.6	1,382.9	1,372.0	1,362.7	1,355.6	1,349.0	1,342.5	1,336.6	1,331.9	1,327.7	1,325.5	1,325.0	1,324.8	1,438.2	1,341.2
World Bank	478.9	468.9	458.6	448.3	438.0	427.8	417.9	407.9	398.2	388.9	380.4	373.0	367.1	361.4	355.7	350.5	346.5	343.0	341.3	341.2	341.2	433.3	354.7
IMF	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1
AfDB Group	134.0	132.1	130.1	128.2	126.2	124.1	122.1	120.1	118.0	116.0	114.1	112.5	111.3	110.4	109.6	108.8	108.1	107.4	107.0	106.6	106.5	125.1	109.3
Others 2/	546.3	546.0	545.6	545.2	544.9	544.5	544.1	543.7	543.3	542.8	542.4	542.1	542.1	542.1	542.1	542.1	542.1	542.1	542.1	542.1	542.1	544.6	542.1
Multilateral debt in arrears	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7	1,324.7
Bilateral	3,733.6	3,729.2	3,725.2	3,721.6	3,718.5	3,716.2	3,714.0	3,712.8	3,712.0	3,711.8	3,711.6	3,711.4	3,711.3	3,711.2	3,711.0	3,710.9	3,710.7	3,710.5	3,710.4	3,710.3	3,710.3	3,719.5	3,710.9
Paris Club	3,036.9	3,032.7	3,028.7	3,025.3	3,022.3	3,020.0	3,018.0	3,016.9	3,016.2	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1	3,016.1
Other official Bilateral	696.7	696.6	696.5	696.4	696.2	696.1	696.0	695.9	695.8	695.6	695.5	695.4	695.2	695.1	694.9	694.8	694.6	694.4	694.3	694.2	694.2	694.2	694.8
NPV of new borrowing	0.0	0.0	0.0	0.0	0.0	0.0	107.3	219.9	313.1	397.8	469.4	550.9	638.5	724.2	801.8	866.4	920.6	957.4	965.8	971.9	975.7	103.8	803.9
II. After traditional debt relief 3/																							
NPV of total debt	3,664.5	3,652.9	3,641.1	3,629.2	3,520.0	3,411.0	3,409.6	3,411.3	3,391.5	3,458.2	3,509.5	3,568.7	3,632.4	3,690.1	3,734.9	3,761.7	3,773.3	3,749.4	3,690.1	3,620.3	3,537.4	3,518.9	3,660.7
NPV of outstanding debt	3,664.5	3,652.9	3,641.1	3,629.2	3,520.0	3,411.0	3,302.3	3,191.4	3,078.3	3,060.4	3,040.1	3,017.8	2,993.8	2,965.9	2,933.2	2,895.4	2,852.6	2,792.0	2,724.3	2,648.3	2,561.7	3,415.1	2,856.8
Multilateral	1,494.3	1,482.0	1,469.5	1,456.8	1,444.1	1,431.6	1,419.2	1,406.8	1,394.6	1,382.9	1,372.0	1,362.7	1,355.6	1,349.0	1,342.5	1,336.6	1,331.9	1,327.7	1,325.5	1,325.0	1,324.8	1,438.2	1,341.2
World Bank	478.9	468.9	458.6	448.3	438.0	427.8	417.9	407.9	398.2	388.9	380.4	373.0	367.1	361.4	355.7	350.5	346.5	343.0	341.3	341.2	341.2	433.3	354.7
IMF	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1	335.1
AfDB Group	134.0	132.1	130.1	128.2	126.2	124.1	122.1	120.1	118.0	116.0	114.1	112.5	111.3	110.4	109.6	108.8	108.1	107.4	107.0	106.6	106.5	125.1	109.3
Others 2/	546.3	546.0	545.6	545.2	544.9	544.5	544.1	543.7	543.3	542.8	542.4	542.1	542.1	542.1	542.1	542.1	542.1	542.1	542.1	542.1	542.1	544.6	542.1
Bilateral	2,170.2	2,170.9	2,171.7	2,172.4	2,075.9	1,979.4	1,883.1	1,784.5	1,683.7	1,677.5	1,668.0	1,655.1	1,638.3	1,616.9	1,590.7	1,558.8	1,520.8	1,464.3	1,398.9	1,323.3	1,236.8	1,976.9	1,515.6
Paris Club	1,664.1	1,664.0	1,663.8	1,663.7	1,570.9	1,478.2	1,385.6	1,291.0	1,194.2	1,187.6	1,178.1	1,165.3	1,149.0	1,128.6	1,103.6	1,073.6	1,037.9	989.5	933.4	868.5	794.2	1,476.3	1,038.3
Other official Bilateral	506.1	507.0	507.8	508.7	504.9	501.2	497.5	493.6	489.5	489.9	490.0	489.8	489.3	488.4	487.0	485.2	482.8	474.8	465.5	454.8	442.6	500.6	477.3
NPV of new borrowing	0.0	0.0	0.0	0.0	0.0	0.0	107.3	219.9	313.1	397.8	469.4	550.9	638.5	724.2	801.8	866.4	920.6	957.4	965.8	971.9	975.7	103.8	803.9
III. After conditional delivery of enhanced HIPC assistance and multilateral arrears clearance 4/ 5/																							
NPV of total debt	4,149.3	4,161.4	2,591.7	2,616.9	2,683.0	1,445.0	1,453.0	1,444.1	1,409.2	1,362.2	1,349.6	1,401.5	1,461.8	1,527.0	1,588.1	1,640.3	1,684.3	1,708.6	1,703.2	1,693.9	1,681.7	2,331.6	1,585.4
NPV of outstanding debt	4,149.3	4,161.4	2,591.7	2,616.9	2,683.0	1,445.0	1,345.7	1,224.2	1,096.1	964.4	880.3	850.5	823.3	802.8	786.3	773.9	763.7	751.2	737.4	721.9	706.0	2,227.8	781.6
Multilateral	415.7	426.9	426.2	422.6	418.1	407.2	396.5	385.8	372.5	355.8	335.9	316.4	292.4	271.3	253.9	240.7	229.5	216.0	204.2	194.1	184.2	402.7	249.0
World Bank	122.4	126.0	117.5	107.1	96.8	86.7	76.7	66.7	57.0	47.8	39.2	31.8	25.9	20.2	14.6	9.4	5.4	1.9	0.1	0.0	0.0	90.5	13.5
IMF	42.5	43.7	44.9	46.1	47.4	48.7	50.0	51.4	49.9	44.5	35.2	24.7	13.8	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	46.9	7.3
AfDB Group	21.6	22.0	22.5	21.8	19.8	17.8	15.7	13.7	11.7	9.6	7.7	6.1	4.9	4.0	3.2	2.4	1.8	1.1	0.6	0.3	0.1	17.6	2.9
Others 2/	229.2	235.1	241.3	247.6	254.1	254.1	254.0	254.0	253.9	253.8	253.8	253.8	247.7	241.5	235.2	228.9	222.4	213.0	203.5	193.9	184.1	247.7	225.3
Bilateral	3,733.6	3,734.5	2,165.6	2,194.2	2,264.9	1,037.8	949.3	838.4	723.6	608.7	544.3	534.1	530.9	531.5	532.4	533.3	534.2	535.2	533.1	527.8	521.8	1,825.1	532.6
Paris Club	3,036.9	3,037.7	1,659.4	1,679.7	1,733.0	783.8	696.4	593.2	487.3	381.4	323.1	315.1	312.5	312.6	312.9	313.3	313.6	314.0	312.7	309.4	305.7	1,408.9	313.2
Other official Bilateral	696.7	696.8	506.2	514.5	531.9	254.0	252.9	245.3	236.3	227.3	221.2	219.0	218.4	218.9	219.4	220.0	220.6	221.1	220.5	218.4	216.1	416.2	219.4
NPV of new borrowing	0.0	0.0	0.0	0.0	0.0	0.0	107.3	219.9	313.1	397.8	469.4	550.9	638.5	724.2	801.8	866.4	920.6	957.4	965.8	971.9	975.7	103.8	803.9

Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

1/ All NPV debt stocks refer to public and publicly guaranteed debt at end-December 2018.

2/ Other multilaterals include AFESD, AMF, IFAD, IsDB, and OFID.

3/ Shows the external debt situation after the full use of traditional debt-relief mechanisms (hypothetical stock-of-debt operations on Naples terms) by Paris Club creditors that includes treatment of debt stock in arrears, and assumes at least comparable treatment from other official bilateral creditors.

4/ Paris Club and other official bilateral creditors are assumed to provide a Cologne flow rescheduling on eligible debt during interim period and the remaining of their share of relief after of the completion point (i.e. in January 2023) through stock-of-debt reduction. Multilateral creditors start delivering HIPC assistance through the arrears clearance process. This starts at January 2023 for the IMF, World Bank and the AfDB. For the IMF, it includes beyond-HIPC assistance to the remaini stock associated with the arrears clearance. Other multilaterals are assumed to clear their arrears (as at the completion point date of end-December 2022).

Table 9. Net Present Value of External Debt, 2018-38[1/] (continued)

(In millions of U.S. dollars, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Average 2018 - 2027	Average 2028 - 2038
IV. After unconditional delivery of enhanced HIPC assistance and multilateral arrears clearance 5/																							
NPV of total debt	1,361.4	1,405.3	1,438.6	1,470.2	1,502.3	1,445.0	1,453.0	1,444.1	1,409.2	1,362.2	1,349.6	1,401.5	1,461.8	1,527.0	1,588.1	1,640.3	1,684.3	1,708.6	1,703.2	1,693.9	1,681.7	1,429.1	1,585.4
NPV of outstanding debt	1,361.4	1,405.3	1,438.6	1,470.2	1,502.3	1,445.0	1,345.7	1,224.2	1,096.1	964.4	880.3	850.5	823.3	802.8	786.3	773.9	763.7	751.2	737.4	721.9	706.0	1,325.3	781.6
Multilateral	415.7	426.9	426.2	422.6	418.1	407.2	396.5	385.8	372.5	355.8	335.9	316.4	292.4	271.3	253.9	240.7	229.5	216.0	204.2	194.1	184.2	402.7	249.0
World Bank	122.4	126.0	117.5	107.1	96.8	86.7	76.7	66.7	57.0	47.8	39.2	31.8	25.9	20.2	14.6	9.4	5.4	1.9	0.1	0.0	0.0	90.5	13.5
IMF	42.5	43.7	44.9	46.1	47.4	48.7	50.0	51.4	49.9	44.5	35.2	24.7	13.8	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	46.9	7.3
AfDB Group	21.6	22.0	22.5	21.8	19.8	17.8	15.7	13.7	11.7	9.6	7.7	6.1	4.9	4.0	3.2	2.4	1.8	1.1	0.6	0.3	0.1	17.6	2.9
Others 2/	229.2	235.1	241.3	247.6	254.1	254.1	254.0	254.0	253.9	253.8	253.8	253.8	247.7	241.5	235.2	228.9	222.4	213.0	203.5	193.9	184.1	247.7	225.3
Bilateral	945.7	978.4	1,012.4	1,047.6	1,084.2	1,037.8	949.3	838.4	723.6	608.7	544.3	534.1	530.9	531.5	532.4	533.3	534.2	535.2	533.1	527.8	521.8	922.6	532.6
Paris Club	725.2	749.7	775.2	801.7	829.2	783.8	696.4	593.2	487.3	381.4	323.1	315.1	312.5	312.6	312.9	313.3	313.6	314.0	312.7	309.4	305.7	682.3	313.2
Other official Bilateral	220.6	228.7	237.2	245.9	255.0	254.0	252.9	245.3	236.3	227.3	221.2	219.0	218.4	218.9	219.4	220.0	220.6	221.1	220.5	218.4	216.1	240.3	219.4
NPV of new borrowing	0.0	0.0	0.0	0.0	0.0	0.0	107.3	219.9	313.1	397.8	469.4	550.9	638.5	724.2	801.8	866.4	920.6	957.4	965.8	971.9	975.7	103.8	803.9
V. After conditional delivery of enhanced HIPC assistance and multilateral arrears clearance, and MDRI assistance																							
NPV of total debt	4,149.3	4,161.4	2,591.7	2,616.9	2,683.0	1,340.6	1,360.6	1,363.6	1,340.5	1,304.8	1,302.7	1,363.5	1,430.9	1,502.8	1,570.3	1,628.5	1,677.2	1,705.6	1,702.5	1,693.6	1,681.6	2,291.3	1,569.0
NPV of outstanding debt	4,149.3	4,161.4	2,591.7	2,616.9	2,683.0	1,340.6	1,253.3	1,143.7	1,027.4	907.0	833.3	812.6	792.4	778.6	768.5	762.1	756.6	748.2	736.7	721.7	705.9	2,187.4	765.1
Multilateral	415.7	426.9	426.2	422.6	418.1	302.7	304.0	305.3	303.8	298.4	289.0	278.5	261.5	247.1	236.2	228.9	222.4	213.0	203.5	193.9	184.1	362.4	232.5
World Bank	122.4	126.0	117.5	107.1	96.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	57.0	0.0
IMF	42.5	43.7	44.9	46.1	47.4	48.7	50.0	51.4	49.9	44.5	35.2	24.7	13.8	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	46.9	7.3
AfDB Group	21.6	22.0	22.5	21.8	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8	0.0
Others 2/	229.2	235.1	241.3	247.6	254.1	254.1	254.0	254.0	253.9	253.8	253.8	253.8	247.7	241.5	235.2	228.9	222.4	213.0	203.5	193.9	184.1	247.7	225.3
Bilateral	3,733.6	3,734.5	2,165.6	2,194.2	2,264.9	1,037.8	949.3	838.4	723.6	608.7	544.3	534.1	530.9	531.5	532.4	533.3	534.2	535.2	533.1	527.8	521.8	1,825.1	532.6
Paris Club	3,036.9	3,037.7	1,659.4	1,679.7	1,733.0	783.8	696.4	593.2	487.3	381.4	323.1	315.1	312.5	312.6	312.9	313.3	313.6	314.0	312.7	309.4	305.7	1,408.9	313.2
Other official Bilateral	696.7	696.8	506.2	514.5	531.9	254.0	252.9	245.3	236.3	227.3	221.2	219.0	218.4	218.9	219.4	220.0	220.6	221.1	220.5	218.4	216.1	416.2	219.4
NPV of new borrowing	0.0	0.0	0.0	0.0	0.0	0.0	107.3	219.9	313.1	397.8	469.4	550.9	638.5	724.2	801.8	866.4	920.6	957.4	965.8	971.9	975.7	103.8	803.9
VI. After conditional enhanced HIPC assistance and multilateral arrears clearance, MDRI, and bilateral beyond HIPC assistance																							
NPV of total debt	4,149.3	4,161.4	2,591.7	2,616.9	2,683.0	557.4	664.7	770.9	853.5	923.5	979.6	1,048.4	1,118.4	1,190.2	1,257.4	1,315.2	1,363.6	1,391.6	1,389.8	1,384.2	1,375.9	1,997.2	1,255.9
NPV of outstanding debt	4,149.3	4,161.4	2,591.7	2,616.9	2,683.0	557.4	557.4	550.9	540.3	525.7	510.2	497.5	479.9	466.0	455.6	448.9	443.0	434.2	424.0	412.3	400.2	1,893.4	452.0
Multilateral	415.7	426.9	426.2	422.6	418.1	302.7	304.0	305.3	303.8	298.4	289.0	278.5	261.5	247.1	236.2	228.9	222.4	213.0	203.5	193.9	184.1	362.4	232.5
World Bank	122.4	126.0	117.5	107.1	96.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	57.0	0.0
IMF 6/	42.5	43.7	44.9	46.1	47.4	48.7	50.0	51.4	49.9	44.5	35.2	24.7	13.8	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	46.9	7.3
AfDB Group	21.6	22.0	22.5	21.8	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.8	0.0
Others 2/	229.2	235.1	241.3	247.6	254.1	254.1	254.0	254.0	253.9	253.8	253.8	253.8	247.7	241.5	235.2	228.9	222.4	213.0	203.5	193.9	184.1	247.7	225.3
Bilateral	3,733.6	3,734.5	2,165.6	2,194.2	2,264.9	254.7	253.4	245.6	236.6	227.4	221.2	219.0	218.4	218.9	219.4	220.0	220.6	221.1	220.5	218.4	216.1	1,531.1	219.4
Paris Club 7/	3,036.9	3,037.7	1,659.4	1,679.7	1,733.0	0.6	0.5	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,114.9	0.0
Other official Bilateral	696.7	696.8	506.2	514.5	531.9	254.0	252.9	245.3	236.3	227.3	221.2	219.0	218.4	218.9	219.4	220.0	220.6	221.1	220.5	218.4	216.1	416.2	219.4
NPV of new borrowing	0.0	0.0	0.0	0.0	0.0	0.0	107.3	219.9	313.1	397.8	469.4	550.9	638.5	724.2	801.8	866.4	920.6	957.4	965.8	971.9	975.7	103.8	803.9

5/ Unconditional delivery of HIPC assistance assumes full delivery of estimated enhanced HIPC Initiative debt relief as of end-June 2018, while conditional delivery of HIPC assistance assumes that the full delivery of HIPC assistance will only be considered after the expected completion point. Therefore, the NPV of debt under the conditional scenario is higher than under the unconditional scenario during the interim period.

6/ Includes beyond-HIPC assistance to the remaining outstanding debt stock associated with the arrears clearance. The IMF does not have outstanding MDRI-eligible debt. The last of the MDRI-eligible debt was repaid in FY2014, and the MDRI Trusts were liquidated in 2015.

7/ Paris Club creditors deliver, through voluntarily bilateral initiatives, additional debt relief beyond the HIPC Initiative after the completion point (assumed to be delivered in Janaury 2023). Details on the modalities of the delivery are presented in Table A10.

Table 10. External Debt Indicators, 2018-2038[1/]

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Average 2019 - 2027	Average 2028 - 2038
I. Before traditional debt relief																							
NPV of debt-to-GDP ratio	110.7	105.1	99.6	94.0	88.6	83.3	79.8	76.1	72.1	68.0	64.0	60.5	57.3	54.4	51.6	48.8	46.1	43.4	40.7	38.1	35.7	85.2	49.1
NPV of debt-to-exports ratio 2/	491.1	477.0	451.9	435.2	413.6	391.0	375.7	361.4	346.6	331.9	316.6	302.2	288.5	275.0	261.5	248.0	234.6	221.2	207.6	194.9	183.1	398.2	248.5
NPV of debt-to-revenue ratio 4/	2,850.3	2,655.1	2,216.4	1,940.3	1,694.2	1,430.4	1,219.4	1,036.3	879.5	777.8	693.5	656.2	627.0	601.8	555.0	513.4	476.8	438.8	403.1	377.8	353.9	1,538.8	517.9
Debt service-to-exports ratio	...	2.0	1.8	1.7	1.5	1.3	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.9	1.0	1.1	1.2	1.2	1.2	1.2	1.2	1.4	1.0
Debt service-to-revenue ratio 4/	...	11.4	9.3	7.8	6.5	5.2	4.1	3.4	2.9	2.4	2.1	1.8	1.5	2.0	2.3	2.5	2.5	2.5	2.4	2.4	2.4	5.9	2.2
II. After traditional debt relief 5/																							
NPV of debt-to-GDP ratio	77.6	73.7	69.8	65.9	60.4	55.2	51.9	48.6	45.1	42.8	40.4	38.4	36.5	34.7	32.9	31.0	29.2	27.1	25.0	23.0	21.0	57.0	30.8
NPV of debt-to-exports ratio 2/	344.2	334.3	316.7	305.0	282.0	259.1	244.4	230.9	216.9	209.0	200.1	191.7	183.7	175.5	166.8	157.7	148.4	138.3	127.6	117.5	107.7	266.5	155.9
NPV of debt-to-revenue ratio 4/	1,997.9	1,861.2	1,553.6	1,359.8	1,155.1	947.8	793.4	662.1	550.3	489.7	438.3	416.3	399.2	383.9	354.0	326.5	301.7	274.4	247.8	227.7	208.3	1,041.4	325.3
Debt service-to-exports ratio	...	7.9	7.6	7.3	14.3	13.2	12.2	11.4	10.8	4.5	4.4	4.3	4.1	4.2	4.4	4.5	4.5	4.9	4.9	4.9	4.9	9.9	4.5
Debt service-to-revenue ratio 4/	...	46.1	38.5	33.8	61.6	51.0	41.8	34.7	28.9	11.2	10.2	9.8	9.4	9.9	9.9	9.9	9.7	10.4	10.1	10.1	10.1	38.6	10.0
III. After conditional delivery of enhanced HIPC assistance and multilateral arrears clearance																							
NPV of debt-to-GDP ratio	87.9	83.9	49.7	47.5	46.0	23.4	22.1	20.6	18.8	16.9	15.6	15.1	14.7	14.4	14.0	13.5	13.0	12.4	11.5	10.7	10.0	36.5	13.2
NPV of debt-to-exports ratio 2/	389.8	380.9	225.4	219.9	215.0	109.8	104.2	97.8	90.1	82.3	77.0	75.3	73.9	72.6	70.9	68.8	66.3	63.0	58.9	55.0	51.2	169.5	66.6
NPV of debt-to-revenue ratio 4/	2,262.2	2,120.3	1,105.8	980.5	880.5	401.5	338.1	280.3	228.7	192.9	168.6	163.5	160.6	158.9	150.5	142.4	134.7	125.1	114.4	106.5	99.0	725.4	138.6
Debt service-to-exports ratio	...	0.0	1.1	1.3	1.2	6.6	11.1	10.7	10.3	9.8	6.4	3.1	2.8	2.6	2.5	2.3	2.3	2.3	2.3	2.3	2.3	5.8	2.8
Debt service-to-revenue ratio 4/	...	0.2	5.4	5.8	5.4	25.5	38.1	32.5	27.7	24.2	14.9	7.2	6.5	6.0	5.6	5.1	4.9	4.9	4.8	4.8	4.7	18.3	6.3
IV. After unconditional delivery of enhanced HIPC assistance and multilateral arrears clearance 6/																							
NPV of debt-to-GDP ratio	28.8	28.3	27.6	26.7	25.8	23.4	22.1	20.6	18.8	16.9	15.6	15.1	14.7	14.4	14.0	13.5	13.0	12.4	11.5	10.7	10.0	23.3	13.2
NPV of debt-to-exports ratio 2/	127.9	128.6	125.1	123.5	120.4	109.8	104.2	97.8	90.1	82.3	77.0	75.3	73.9	72.6	70.9	68.8	66.3	63.0	58.9	55.0	51.2	109.1	66.6
NPV of debt-to-revenue ratio 4/	742.2	716.0	613.8	550.9	493.0	401.5	338.1	280.3	228.7	192.9	168.6	163.5	160.6	158.9	150.5	142.4	134.7	125.1	114.4	106.5	99.0	423.9	138.6
Debt service-to-exports ratio	...	0.0	1.1	1.3	1.2	6.6	11.1	10.7	10.3	9.8	6.4	3.1	2.8	2.6	2.5	2.3	2.3	2.3	2.3	2.3	2.3	5.8	2.8
Debt service-to-revenue ratio 4/	...	0.2	5.4	5.8	5.4	25.5	38.1	32.5	27.7	24.2	14.9	7.2	6.5	6.0	5.6	5.1	4.9	4.9	4.8	4.8	4.7	18.3	6.3
V. After conditional delivery of enhanced HIPC assistance and multilateral arrears clearance, and MDRI assistance																							
NPV of debt-to-GDP ratio	87.9	83.9	49.7	47.5	46.0	21.7	20.7	19.4	17.8	16.1	15.0	14.7	14.4	14.1	13.8	13.4	13.0	12.3	11.5	10.7	10.0	35.9	13.0
NPV of debt-to-exports ratio 2/	389.8	380.9	225.4	219.9	215.0	101.8	97.5	92.3	85.7	78.9	74.3	73.3	72.4	71.5	70.1	68.3	66.0	62.9	58.9	54.9	51.2	166.4	65.8
NPV of debt-to-revenue ratio 4/	2,262.2	2,120.3	1,105.8	980.5	880.5	372.5	316.6	264.7	217.5	184.8	162.7	159.1	157.3	156.3	148.8	141.4	134.1	124.8	114.3	106.5	99.0	715.9	136.8
Debt service-to-exports ratio	...	0.0	1.1	1.3	1.2	5.7	10.1	9.8	9.5	9.0	5.8	2.6	2.4	2.2	2.2	2.1	2.1	2.2	2.2	2.3	2.3	5.3	2.6
Debt service-to-revenue ratio 4/	...	0.2	5.4	5.8	5.4	22.1	34.7	29.7	25.5	22.3	13.4	6.0	5.6	5.2	4.9	4.6	4.5	4.6	4.6	4.8	4.7	16.8	5.7
VI. After conditional enhanced HIPC assistance and multilateral arrears clearance, MDRI, and bilateral beyond HIPC assistance																							
NPV of debt-to-GDP ratio	87.9	83.9	49.7	47.5	46.0	9.0	10.1	11.0	11.4	11.4	11.3	11.3	11.2	11.2	11.1	10.9	10.5	10.1	9.4	8.8	8.2	31.1	10.4
NPV of debt-to-exports ratio 2/	389.8	380.9	225.4	219.9	215.0	42.3	47.7	52.2	54.6	55.8	55.9	56.3	56.6	56.6	56.2	55.2	53.6	51.3	48.1	44.9	41.9	143.7	52.4
NPV of debt-to-revenue ratio 4/	2,262.2	2,120.3	1,105.8	980.5	880.5	154.9	154.7	149.6	138.5	130.8	122.3	122.3	122.9	123.8	119.2	114.2	109.0	101.9	93.3	87.1	81.0	646.2	108.8
Debt service-to-exports ratio	...	0.0	1.1	1.3	1.2	1.2	1.5	1.6	1.9	2.0	2.0	1.7	1.9	1.8	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.3	1.8
Debt service-to-revenue ratio 4/	...	0.2	5.4	5.8	5.4	4.5	5.3	5.0	5.0	5.0	4.6	4.0	4.3	4.2	4.1	3.8	3.8	3.9	3.9	3.9	3.9	4.6	4.0

Sources: Federal Government of Somalia (FGS) authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt at end-December 2018.

2/ Exports are defined as in IMF, Balance of Payments Manual, [6th edition, 2009].

3/ Based on a three-year average of exports on the previous year (e.g., export average over 2017-2019 for NPV of debt-to-exports ratio in 2019).

4/ Revenue is defined as central government revenue, excluding grants.

5/ Shows the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors.

6/ Unconditional delivery of HIPC assistance assumes that the completion point will be reached. Therefore, it shows the full impact of HIPC debt relief on the NPV of debt at base year (i.e. 2018). However, conditional delivery of HIPC assistance assumes that the full delivery of HIPC assistance will only be considered after the expected completion point. Therefore, the NPV of debt under the conditional scenario is higher than under the unconditional scenario during the interim period.

Table 11. External Debt Indicators and Sensitivity Analysis, 2019-2038 1/

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2038	Average 2019 - 2029	Average 2030 - 2038
I. Baseline Scenario 2/												
NPV of debt-to-GDP ratio	83.9	49.7	47.5	46.0	9.0	10.1	11.0	11.4	11.4	8.2	27.5	10.1
NPV of debt-to-exports ratio 3/4/	380.9	225.4	219.9	215.0	42.3	47.7	52.2	54.6	55.8	41.9	127.8	51.6
NPV of debt-to-revenue ratio 5/	2120.3	1105.8	980.5	880.5	154.9	154.7	149.6	138.5	130.8	81.0	550.9	105.8
Debt service-to-exports ratio	0.0	1.1	1.3	1.2	1.2	1.5	1.6	1.9	2.0	1.9	1.4	1.8
Debt service-to-revenue ratio	0.2	5.4	5.8	5.4	4.5	5.3	5.0	5.0	5.0	3.9	4.6	4.0
II. Sensitivity Analysis												
Lower export level scenario												
NPV of debt-to-GDP ratio	83.9	52.1	52.4	50.8	10.0	11.2	12.1	12.5	12.6	9.0	29.3	11.2
NPV of debt-to-exports ratio	380.9	231.8	238.9	247.0	50.0	56.3	61.6	64.4	65.9	49.5	139.0	60.9
NPV of debt-to-revenue ratio	2120.3	1105.8	980.5	880.5	161.5	169.6	176.0	173.7	165.3	75.6	566.8	110.2
Debt service-to-exports ratio	0.0	1.2	1.5	1.5	1.4	1.8	1.9	2.2	2.4	2.2	1.7	2.2
Debt service-to-revenue ratio	0.2	5.4	5.8	5.4	4.7	5.8	5.8	6.2	6.3	3.6	5.1	4.1
Permanently lower growth												
NPV of debt-to-GDP ratio	83.9	50.1	48.8	48.4	9.8	11.5	13.0	13.9	14.5	14.3	29.5	15.8
NPV of debt-to-exports ratio	380.9	226.1	222.5	221.3	44.7	52.0	59.2	64.4	68.3	71.5	134.9	78.1
NPV of debt-to-revenue ratio	2120.3	1115.4	1006.2	926.5	229.5	246.1	261.9	264.5	256.3	146.9	627.9	194.6
Debt service-to-exports ratio	0.0	1.1	1.3	1.3	1.3	1.8	1.9	2.3	2.6	3.3	1.7	2.9
Debt service-to-revenue ratio	0.2	5.5	6.0	5.7	6.6	8.5	8.7	9.5	9.8	7.1	7.0	7.3

Sources: FRS authorities and staff estimates and projections.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt at end-December 2018.

2/ The macroeconomic projections for the baseline scenario are described in Section III.

3/ Exports are defined as in IMF, Balance of Payments Manual, [6th edition, 2009].

4/ Based on a three-year average of exports on the previous year (e.g., export average over 2017-2019 for NPV of debt-to-exports ratio

5/ Revenue is defined as central government revenue, excluding grants.

Table 12. Possible Delivery of World Bank Group's Assistance under the Enhanced HIPC Initiative, 2019-2053

(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020			2021	2022	2023	2024	2025	2026	2027	2032	2042	2052	2053	Cumulative	
		Jan. 1 - Mar. 5	Mar. 6 - Dec. 31	Total												2023-2034	2019-2053
I. Relief under the Enhanced HIPC Initiative																	
Debt service before HIPC assistance 1/	14.1	1.7	12.3	14.0	13.8	13.4	12.9	12.4	12.2	11.6	10.8	6.2	0.0	0.0	0.0	107.6	168.5
of which principal	12.9	1.6	11.4	12.9	12.8	12.5	12.1	11.7	11.6	11.1	10.4	6.1	0.0	0.0	0.0	103.1	159.8
of which interest	1.2	0.1	0.9	1.1	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.1	0.0	0.0	0.0	4.5	8.7
Debt service after HIPC assistance 1/ 2/	0.0	0.0	12.3	12.3	13.8	13.4	12.9	12.4	12.2	11.6	10.8	6.2	0.0	0.0	0.0	107.6	152.7
of which principal	0.0	0.0	11.4	11.4	12.8	12.5	12.1	11.7	11.6	11.1	10.4	6.1	0.0	0.0	0.0	103.1	145.4
of which interest	0.0	0.0	0.9	0.9	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.1	0.0	0.0	0.0	4.5	7.3
Savings on debt service to IDA	14.1	1.7	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.8
of which principal	12.9	1.6	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.5
of which interest	1.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3
I. Relief under MDRI																	
Projected stock of IDA credits outstanding at implementation date							106.8										
Remaining IDA credits after MDRI							0.0										
Debt stock reduction on eligible credits 3/4/							106.8										
Due to HIPC relief							0.0										
Due to MDRI							106.8										
Debt service due after HIPC relief and the MDRI	0.0	0.0	12.3	12.3	13.8	13.4	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:																	
Debt service to IDA covered by HIPC assistance (in percent) 5/	100.0	100.0	0.0	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service to IDA covered by HIPC assistance and MDRI (in percent) 5/	100.0	100.0	0.0	12.1	0.0	0.0	84.7	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
IDA debt service relief under the MDRI	..	..	..	..	..	..	11.0	12.4	12.2	11.6	10.8	6.2	0.0	0.0	0.0	107.6	107.6

Sources: IBRD staff estimates

1/ Principal and interest due to IDA correspond to prorated projections on disbursed and outstanding debt as of end-December 2018, converted to U.S dollar.

2/ Savings on debt service to IDA in 2019 and from January 1st to March 5th 2020 include payments that were cleared as part of the arrears clearance in March 2020.

3/ Stock of debt and debt service denominated in SDRs are converted in U.S dollar by applying the end-2018 exchange rate.

4/ Debt disbursed as of December 31, 2003 and still outstanding at December 31, 2022.

5/ Based on debt disbursed and outstanding as of end-2018.

Table 13. Somalia: Possible Delivery of IMF Enhanced HIPC Initiative Assistance and Beyond-HIPC Debt Relief, 2020-2033 1/

(In millions of U.S. dollars, unless otherwise indicated)

Based on SDR/US$ exchange rate as of February 27, 2020	2019	2020	2021	2022	2023		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
					Jan-Mar	Apr-Dec										
I. Debt relief (under the HIPC Initiative only)																
Projected debt service due on IMF obligations before debt relief 2/	-	1.4	0.9	0.9	0.4	0.6	5.5	38.8	70.4	74.1	77.7	78.5	45.0	8.6	4.8	1.0
Principal	-	-	-	-	-	-	4.5	37.9	69.7	73.5	77.3	78.3	44.9	8.6	4.8	1.0
EFF (24.22 percent of quota)	-	-	-	-	-	-	4.5	9.0	9.0	9.0	9.0	9.0	4.5	-	-	-
ECF (154.76 percent of quota)	-	-	-	-	-	-	-	28.9	60.6	64.5	68.3	69.3	40.4	8.6	4.8	1.0
Interest and charges on new IMF financing 3/ 4/	-	1.0	0.9	0.9	0.4	0.6	0.9	0.9	0.7	0.6	0.4	0.2	0.1	-	-	-
Interest and charges on pre-Decision Point principals in arrears 5/	-	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total HIPC-eligible debt	-	1.0	0.9	0.9	0.4	0.6	5.5	38.8	67.5	67.4	67.2	67.0	33.4	-	-	-
Principal	-	-	-	-	-	-	4.5	37.9	66.8	66.8	66.8	66.8	33.4	-	-	-
Interest and charges	-	1.0	0.9	0.9	0.4	0.6	0.9	0.9	0.7	0.6	0.4	0.2	0.1	-	-	-
IMF assistance under the HIPC Initiative-deposits into Somalia's Umbrella Account																
Interim assistance	-	1.3	0.9	1.1	-											
Completion point assistance 6/					180.2											
Completion point interest 7/					3.6											
Total Umbrella Account balance at the completion point					183.8											
IMF assistance--drawdown schedule from Somalia's Umbrella Account	-	1.3	0.9	1.1	183.8											
Debt service due to the IMF after the HIPC debt relief only	-	-	-	-	-		-	23.5	49.8	53.6	57.5	58.4	35.0	8.6	4.8	1.0
Principal	-	-	-	-	-		-	23.5	49.8	53.6	57.5	58.4	35.0	8.6	4.8	1.0
Interest	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
II. Debt relief provided at Completion Point (on stock basis in cash terms) 8/					343.0											
HIPC assistance					183.8											
Beyond-HIPC					159.2											
III. Debt service due to the IMF after HIPC and beyond-HIPC debt relief 4/	-	-	-	-	-		-	-	2.9	6.7	10.5	11.5	11.5	8.6	4.8	1.0
Memorandum items:																
Total debt service due (in millions of U.S. dollars)	22.4	21.8	20.9	19.9	18.6		17.7	17.5	17.7	17.3	16.9	15.7	14.1	19.2	24.8	28.9
Debt service due on IMF obligations at end-December 2018 (in millions of U.S. dollars)	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Debt service due on current IMF obligations after IMF assistance	-	-	-	-	-		-	-	2.9	6.7	10.5	11.5	11.5	8.6	4.8	1.0
(in percent of current year exports of goods and nonfactor services)	-	-	-	-	-		-	-	0.3	0.6	0.9	0.9	0.8	0.6	0.3	0.1
(in percent of total debt service after HIPC assistance and multilateral arrears clearance)	-	-	-	-	-		-	-	624.3	52.6	68.0	70.3	12.5	5.3	2.9	0.6

Source: Fund staff estimates and projections.

1/ Total IMF assistance under the HIPC Initiative is estimated at US$189.1 million in end-December 2018 NPV terms. Of this amount, US$5.7 million represents the concessional element associated with subsidization of PRGT Interest during interim period. The remaining balance of US$183.4 million will be provided as a grant toward debt relief under the HIPC Initiative.

2/ The projected debt service is based on ECF/EFF arrangements in the amount equal to the stock of arrears at arrears clearance, plus a new PRGT credit of 30 percent of quota under the 14th General Review, which will be disbursed in 7 installments.

3/ The EFF charges during the interim period are based on the adjusted rate of charge of 1.733 percent at February 27, 2020. Beyond the completion point, the projected EFF charges are based on assumed SDR interest rate (gradually rising to 1.44 percent in 2029 and beyond) plus 100 basis points and 0.004 percent adjustment for deferred charges.

4/ The ECF bears zero interest. In May 2019, the Executive Board approved zero interest rates on the ECF and SCF until June 2021. The current interest mechanism ensures that rates would remain at zero for as long as global rates are low. The IMF reviews interest rates for all concessional facilities under the PRGT every two years.

5/ Remaining GRA charges and interest on Trust Fund and SAF falling due after the date of decision point.

6/ The remaining IMF's grant HIPC assistance would be disbursed into the member's Umbrella Account after the assumed completion point in March 2023, which is reflected in the calculation of interest.

7/ Estimated interest earnings on: (a) amounts held in the member's Umbrella Account; and (b) up to the completion point, amounts committed but not yet disbursed, are based on assumed SDR interest rates which are gradually rising to 1.27 percent in 2029 and beyond; actual interest earnings may be higher or lower.

8/ Associated with the stock of arrears at arrears clearance and the first disbursement of new credit under the ECF.

Table 14. Paris Club Official Bilateral Creditors' Delivery of Debt Relief under Bilateral Initiatives beyond the HIPC Initiative[1/]

Countries Covered		ODA (In percent)		Non-ODA (In percent)		Provision of Relief	
		Pre-cutoff Date Debt	Post-cutoff Date Debt	Pre-cutoff Date Debt	Post-cutoff Date Debt	Decision Point (In percent)	Completion Point
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	HIPCs	100	100	100	100 2/	2/	2/
Austria	HIPCs	100	-	100	-	Case-by-case, flow	Stock
Belgium	HIPCs	100	100 3/	100	-	100 flow	Stock
Canada	HIPCs	100	100	100	100	100 flow	Stock
Denmark	HIPCs	100	100 4/	100	100 4/	100 flow	Stock
France	HIPCs	100	100	100	-	100 flow 5/	Stock
Finland	HIPCs	100	- 6/	100	- 6/	-	-
Germany	HIPCs	100	100	100	100 7/	100 flow	Stock
Ireland	-	-	-	-	-	-	-
Italy	HIPCs	100	100 8/	100	100 8/	100 flow	Stock
Japan	HIPCs	100	100	100	-	-	Stock
Netherlands, the	HIPCs	100 9/	100	100	-	90-100 flow 9/	Stock
Norway	HIPCs	10/	10/	11/	11/	-	-
Russia	HIPCS	- 12/	- 12/	100 19/	100 19/20/	-	Stock
Spain	HIPCs	100	100 13/	100	100 13/	-	Stock
Sweden	HIPCs	-	- 14/	100	-	-	Stock
Switzerland	HIPCs	- 15/	- 15/	100 16/	-	100 flow 16/	Stock
United Kingdom	HIPCs	100	100	100	100 17/	100 flow 17/	Stock
United States 18/	HIPCs	100	100	100	100	100 flow	Stock

Source: Paris Club Secretariat.

1/ Columns (1) to (7) describe the additional debt relief provided following a specific methodology under bilateral initiatives and need to be read as a whole for each creditor. In column (1), "HIPCs" stands for eligible countries effectively qualifying for the HIPC process. A "100 percent" mention in the table indicates that the debt relief provided under the enhanced HIPC Initiative framework will be topped up to 100 percent through a bilateral initiative.

2/ Australia: Australia cancelled all HIPC claims.

3/ Belgium: cancellation at completion point 100 percent of ODA loans contracted before December 31, 2000.

4/ Denmark provides 100 percent cancellation of ODA loans and non-ODA credits contracted and disbursed before September 27, 1999.

5/ France: cancellation of 100 percent of debt service on pre-cutoff date commercial claims on the government as they fall due starting at decision point. Once countries have reached completion point, debt relief on ODA claims on the government will go to a special account and will be used for specific development projects.

6/ Finland: no post-Cutoff date claims.

7/ If not treated in the Agreed Minutes at Completion Point, debt cancellation of 100 % only on a case by case basis.

8/ Italy: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20,1999 (the Cologne Summit). At decision point, cancellation of accrued arrears and maturities falling due in the interim period. At completion point, cancellation of the stock of remaining debt.

9/ The Netherlands: 100 percent ODA (pre- and post-cutoff date debt will be cancelled at decision point); for non-ODA: in some particular cases (Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Zambia), the Netherlands will write off 100 percent of the consolidated amounts on the flow at decision point; all other HIPCs will receive interim relief up to 90 percent reduction of the consolidated amounts. At completion point, all HIPCs will receive 100 per cent cancellation of the remaining stock of the pre-cutoff date debt.

10/ Norway has cancelled all ODA claims.

11/ Due to the current World Bank/IMF methodology for recalculating debt reduction needs at HIPC completion point, Norway has postponed the decisions on whether or not to grant 100% debt reduction until after HIPCs' completion point.

12/ Russia has no ODA claims.

13/ Spain provides 100 percent cancellation of ODA and non-ODA claims contracted before January 1, 2004.

14/ Sweden has no ODA claims.

15/ Switzerland has cancelled all ODA claims.

16/ Switzerland usually writes off 100 percent of government-owned claims of the remaining debt stock at Completion Point and provides at least full HIPC debt relief of claims held by the ECA (100% cancellation of all remaining claims with the exception of Honduras and Cameroon).

17/ United Kingdom: "beyond 100 percent" full write-off of all debts of HIPCs as of their decision points, and reimbursement at decision point of any debt service paid before the decision point.

18/ United States: cancellation of 100 percent of all debts (pre- and post-cutoff date, ODA and non-ODA) incurred before June 20, 1999 (the Cologne Summit). At decision point, cancellation of accrued arrears and maturities falling due in the interim period. At completion point, cancellation of the stock of remaining eligible debt.

19/ 100% debt relief provides for countries reached Completion Point before December 31, 2006 as of December 21, 2006 and for countries reached Completion Point after December 31, 2006 as of date of Completion Point. No payments are expected from debtors from those dates.

20/ Exception is short term debt category.

Table 15. HIPC Initiative: Status of Country Cases Considered Under the Initiative, December 2019

Country	Decision Point	Completion Point	Target NPV of Debt-to- Exports	Target NPV of Debt-to- Gov. revenue	Assistance Levels[1] (In millions of U.S. dollars, present value) Total	Bilateral and commercial	Multilateral Total	Multilateral IMF	Multilateral World Bank	Percentage Reduction in NPV of Debt [1/]
			(in percent)							
Completion point reached under enhanced framework (36)										
Afghanistan	Jul. 07	Jan. 10	150		582	446	136	-	76	51
Benin	Jul. 00	Mar. 03	150		265	77	189	24	84	31
Bolivia					1,302	425	876	84	194	
original framework	Sep. 97	Sep. 98	225		448	157	291	29	54	14
enhanced framework	Feb. 00	Jun. 01	150		854	268	585	55	140	30
Burkina Faso					553	83	469	57	231	
original framework	Sep. 97	Jul. 00	205		229	32	196	22	91	27
enhanced framework	Jul. 00	Apr. 02	150		195	35	161	22	79	30
topping-up	…	Apr. 02	150		129	16	112	14	61	24
Burundi	Aug. 05	Jan. 09	150		833	127	706	28	425	92
Cameroon	Oct. 00	Apr. 06	150		1,267	879	322	37	176	27
Central African Rep.	Sept. 07	Jun. 09	150		578	186	362	27	207	68
Chad	May. 01	Apr. 15	150		170	35	134	18	68	30
Comoros	Jun. 10	Dec. 12	150		145	34	111	4	45	56
Congo Rep. of	Mar. 06	Jan. 10		250	1,575	1,462	113	8	47	31
Congo, Democratic Rep. of	Jul. 03	Jul. 10	150		7,252	4,618	2,633	471	854	82
Cote d'Ivoire	Mar. 09	Jun. 12		250	3,109	2,398	711	39	413	24
Ethiopia					1,982	637	1,315	60	832	
enhanced framework	Nov. 01	Apr. 04	150		1,275	482	763	34	463	47
topping-up	…	Apr. 04	150		707	155	552	26	369	31
Gambia, The	Dec. 00	Dec. 07	150		67	17	49	2	22	27
Ghana	Feb. 02	Jul. 04	144	250	2,186	1,084	1,102	112	781	56
Guinea	Dec. 00	Sep. 12	150		639	256	383	36	174	36
Guinea-Bissau					554	279	275	12	139	
enhanced framework	Dec. 00	Dec. 10	150		422	218	204	12	93	86
topping-up	…	Dec. 10	150		133	61	71	-	46	40
Guyana					591	223	367	75	68	
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24
enhanced framework	Nov. 00	Dec. 03	150	250	335	132	202	40	41	40
Haiti	Nov. 06	Jun. 09	150		140	20	120	3	53	15
Honduras	Jul. 00	Mar. 05	110	250	556	215	340	30	98	18
Liberia	Mar. 08	Jun. 10	150		2,739	954	1,421	730	374	90
Madagascar	Dec. 00	Oct. 04	150		836	474	362	19	252	40
Malawi					1,057	171	886	45	622	
enhanced framework	Dec. 00	Aug. 06	150		646	164	482	30	333	44
topping-up	…	Aug. 06	150		411	7	404	15	289	35
Mali					539	169	370	59	185	
original framework	Sep. 98	Sep. 00	200		121	37	84	14	43	9
enhanced framework	Sep. 00	Mar. 03	150		417	132	285	45	143	29
Mauritania	Feb. 00	Jun. 02	137	250	622	261	361	47	100	50
Mozambique					2,023	1,270	753	143	443	
original framework	Apr. 98	Jun. 99	200		1,717	1,076	641	125	381	63
enhanced framework	Apr. 00	Sep. 01	150		306	194	112	18	62	27
Nicaragua	Dec. 00	Jan. 04	150		3,308	2,175	1,134	82	191	73
Niger					663	235	428	42	240	
enhanced framework	Dec. 00	Apr. 04	150		521	211	309	28	170	53
topping-up	…	Apr. 04	150		143	23	119	14	70	25
Rwanda					696	65	631	63	383	
enhanced framework	Dec. 00	Apr. 05	150		452	56	397	44	228	71
topping-up	…	Apr. 05	150		243	9	235	20	154	53
São Tomé and Príncipe					124	31	93	1	47	128
enhanced framework	Dec. 00	Mar. 07	150		99	29	70	-	24	83
topping-up	…	Mar. 07	150		25	2	23	1	23	45
Senegal	Jun. 00	Apr. 04	133	250	488	212	276	45	124	19
Sierra Leone	Mar. 02	Dec. 06	150		675	335	340	125	123	81
Tanzania	Apr. 00	Nov. 01	150		2,026	1,006	1,020	120	695	54
Togo	Nov. 08	Dec. 10		250	282	127	155	0.3	102	20
Uganda					1,003	183	820	160	517	
original framework	Apr. 97	Apr. 98	202		347	73	274	69	160	20
enhanced framework	Feb. 00	May 00	150		656	110	546	91	357	37
Zambia	Dec. 00	Apr. 05	150		2,499	1,168	1,331	602	493	63

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ This is calculated as the NPV amount of assistance divided by NPV of debt, which is the common reduction factor. The NPV amount of assistance is calculated as the reduction of the NPV of debt after traditional debt relief that is necessary to bring the NPV of debt to exports to the threshold level of 150 percent or the NPV of debt to revenue to 250 percent.

Annex I. Somalia: Debt Management Capacity

1. Somalia is establishing the legal and institutional framework for debt management. The FGS, subnational states and SOEs have not borrowed or issued guarantees for many years. The Public Financial Management (PFM) law, enacted in December 2019, defines the authority to borrow, issue guarantees and recording, reporting and auditing requirements. The PFM law gives the Minister of sole authority to borrow and issue guarantees within the ceilings and terms established by Parliament in the annual appropriation act. Borrowing from sub-national governments and state-owned enterprises requires the explicit written authorization by the Minister of Finance. The issuance of guarantees by sub-national governments is subject to legislation of sub-national government finances which has not yet been adopted. The PFM law also establishes recording and annual reporting requirements, mandating the annual publication of the list of newly contracted loans and outstanding external and domestic debt and the stock of arrears. The PFM law also requires internal and external annual audit of financial statement.

2. Legislation also defines debt ceilings. The 2020 Budget Appropriation Act commits the Federal Government of Somalia not to borrow domestically or from abroad, with the exception of limited advances for liquidity purposes. Those ceilings are further supplemented by the indicative targets under the IMF Staff-Monitored Program, which define (i) a zero ceiling on contracting of new domestic debt, and (ii) a zero ceiling on contracting or guaranteeing of new nominal external non-concessional borrowing. Following the clearance of arrears to IDA and the IMF and the approval of an IMF financing program, Somalia will also be subject to the Bank's Non-Concessional Borrowing Policy, its successor Sustainable Development Finance Policy, and the IMF's Debt Limit Policy.

3. The institutional structure for debt management is clearly defined. All debt-related activities are conducted by the Debt Management Unit (DMU) of the Federal Ministry of Finance, which has been established in December 2015. The DMU is conducting the reconciliation of the debt database, monitors the accumulation of external and domestic arrears and publishes annual debt bulletins reporting the status of the external PPG debt at year end. The DMU is composed of one director and three staff members, one for front office operations and two for the back-office. Given the nascent state of domestic financial institutions and local capital markets, domestic public debt does not exist beyond the accumulation of government arrears. The process of validation of the domestic arrears is conducted by the Domestic Arrears Management Committee's (DAMC), for which the DMU is the secretariat.

4. The authorities have reconstituted the external public debt statistics. The authorities have reached out to external creditors and reconstituted almost entirely their external debt database. The government has established contacts and maintained dialogue with all creditors, at both the official and technical levels to seek information and understanding on creditors' claims. Computerized debt management system has been established. The DMU has installed the CS-DRMS—a debt recording and management system; and procured an IT system that support the CS-DRMS. Debt recording capacity is improving, but still weak.

5. Debt management capacity remains weak and strengthened debt management processes and practices should therefore be prioritized in several areas. Staff capacity should be enhanced, particularly in the middle and back office functions in order to create the capacity to regularly report detailed statistics on the external and domestic debt stock and debt service. Regular reporting will provide confidence that Somalia will be able to service the remaining outstanding debt after the provision of interim debt relief and after the HIPC completion point. Investment in hardware is also needed to make sure that CS-DRMS is used in real time to record all external and domestic debt. Training staff to use the software should also be a priority. The African Development Bank is currently working to assist the government in several of these areas, however major software upgrades are prevented by lack of financing.

6. The good progress achieved so far by the DMU is vulnerable to the materialization of a security shock. The DMU has no secure data backups and no disaster recovery plan. Loss of key staff and destruction of facilities would substantially reduce capacity and set back the process of debt reconciliation. Cloud-based secure data backups and a recovery procedure in case of destruction should be a priority of capacity building activities.

7. Any future borrowing should be based on a medium-term debt management strategy. Arrears clearance, HIPC interim debt relief followed by the full delivery of HIPC and MDRI debt relief at the completion point will significantly reduce the stock of external debt and provide a clean slate for the country. Reduced debt together with economic recovery may eventually lead to resuming of borrowing at highly concessional terms to finance reconstruction and development. Therefore, going forward, it is important to establish the capacity to base new borrowings on a medium-term debt management strategy consistent with debt sustainability.

INTERNATIONAL MONETARY FUND

SOMALIA

DEBT SUSTAINABILITY ANALYSIS

March 12, 2020

Approved By
Thanos Arvanitis (IMF, MCD) and Maria Gonzalez (IMF, SPR), and Marcello Estevão (IDA)

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).

Risk of external debt distress:	**In debt distress**
Overall risk of debt distress	**In debt distress**
Granularity in the risk rating	**Sustainable**
Application of judgment	**No**

This debt sustainability analysis (DSA) provides an update of the preliminary July 2019 DSA and incorporates the findings of the Debt Relief Analysis. Total public debt is US$5.3 billion, or 113 percent of GDP at end-2018—nearly all of which is external (Tables 1 and 2). Under a baseline scenario where traditional debt relief is delivered in early 2020 at the HIPC Decision Point, Somalia's external and public debt indicators would remain in debt distress, and public debt would be unsustainable. The total debt stock would decrease to about 70 percent of GDP, still well above the 30 percent threshold for countries like Somalia with weak capacity to manage debt. Furthermore, the baseline forecast also indicates a substantial and sustained breaches of the PV of external debt-to-exports indicative threshold, the PV of external debt service-to-exports threshold, and the debt service-to-revenue threshold. However, contingent on the full delivery of the HIPC Initiative, MDRI, and beyond-HIPC assistance at the Completion Point (an alternative scenario under the DSA analysis), Somalia's debt indicators would improve dramatically to a manageable level following Completion Point. As such, in a forward-looking sense, Somalia's debt is judged as sustainable.

PUBLIC DEBT COVERAGE

1. Public debt data coverage is limited to the central government. The coverage of public debt captured by the Debt Sustainability Assessment (DSA) is near complete. There is no government guaranteed debt, there are no known liabilities of state-owned enterprises or subnational governments, and public-private partnerships do not exist (Text Table 1).[1] Given the nascent state of domestic financial institutions and local capital markets, domestic public debt does not exist beyond the accumulation of government arrears. Default settings are applied to the DSA contingent liability stress test and no other tailored stress tests are applicable to Somalia. A reconciliation of external obligations has been finalized, and its findings have been incorporated into this DSA.[2,3] External debt for the DSA is defined on a residency basis.

Text Table 1. Somalia: Public Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	X

1	**The country's coverage of public debt**	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt			
		Default		**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	0.0	No government guaranteed or non-guaranteed SOE debt in Somalia
4	PPP	35	percent of PPP stock	0.0	No PPPs exist in Somalia.
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			5.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

Source: Somali authorities and IMF staff estimates.

2. Somalia's debt-carrying capacity is classified as weak. This classification is guided by the composite indicator score, as determined by the World Bank's CPIA, the country's real GDP growth, import coverage of foreign exchange reserves, remittances as percent of GDP, and growth of the world economy. The DSA for Somalia uses the October 2019 vintage of the WEO and the 2018 CPIA. The latest available composite indicator score for Somalia is 0.867 (Text Table 2).

[1] Somalia's general government debt stock excludes a Russian claim on a non-central government entity. The claim concerns special correspondent accounts at the Central Bank of Somalia totaling about $7.5 million (or 0.1 percent of GDP).

[2] See Somalia—Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Decision Point Document (March 2020, Country Report No. 20/XX).

[3] Methodologically, the LIC DSA differs from the HIPC Debt Relief Analysis (DRA) in that it compares the evolution over the projection period of debt-burden indicators (based on single-year denominators) against policy-dependent indicative thresholds. In contrast, under a HIPC DRA, the debt burden indicators (based on three-year backward-looking averages of denominators) are compared to uniform thresholds in order to evaluate eligibility or to calculate HIPC debt relief as of a historical reference date. In addition, the results of the LIC DSA differ from the HIPC DRA because of two other methodological differences related to the definition of: (i) discount rates; and (ii) exchange rates.

Text Table 2. Somalia: Composite Indicator and Threshold Tables

Debt Carrying Capacity and Thresholds

Country	Somalia
Country Code	726

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage
Weak	Weak	Weak
	0.87	0.57

Note: Until the October 2018 WEO vintage is released, the previous vintage classification and corresponding score are based solely on the CPIA per the previous framework.

EXTERNAL debt burden thresholds	
PV of debt in percent of	
Exports	140
GDP	30
Debt service in percent of	
Exports	10
Revenue	14

TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Note: Calculated based on the most recent WEO vintage (October 2019).

BACKGROUND ON DEBT AND MACROECONOMIC DATA

3. **Somalia's public debt has increased over the last decades, although it has not contracted any new external debt since the late 1980s.** The nominal level of indebtedness has risen steadily since 1991 reflecting the accumulation of arrears and late interest. The total stock of debt outstanding at end-2018 was US$5.3 billion, of which nearly all is in arrears (US$5.0 billion). This total debt stock reflects the findings of a debt reconciliation process supported by IDA and IMF staffs. The findings indicate an upward revision of the debt outstanding at end-2018 by US$0.6 billion relative to data reported under Somalia's preliminary DSA, mainly due to an upward revision of bilateral Paris Club creditor debt that was not reported during previous debt data calls (Text Table 3).[4]

[4] The previously reported data for Somalia was compiled through via earlier data calls on Paris and non-Paris Club creditors, supplemented with information estimated from historical information in the International Debt Statistics system.

Text Table 3. External Debt Revisions, end-2018

(USD millions)

	end-2018 1/		Change
	Pre-reconciliation 2/	Post-reconciliation	
Total	4.70	5.26	0.56
Mulitlateral	1.51	1.52	0.01
Bilateral	3.18	3.74	0.55
Paris Club creditors	2.49	3.04	0.55
o/w Russia	0.15	0.68	0.53
o/w United States	1.04	1.07	0.02
Non-Paris Club creditors	0.69	0.70	0.01

Sources: Somali authorities and IMF and World Bank estimates.

1/ In line with the guidance for the joint Bank-Fund LIC DSF for Decision Point HIPC Initiative Documents, the HIPC Debt Relief Analysis and the LIC DSA for Somalia are consistent regarding the underlying macroeconomic framework and the debt data.

2/ IMF Country Report No. 19/256

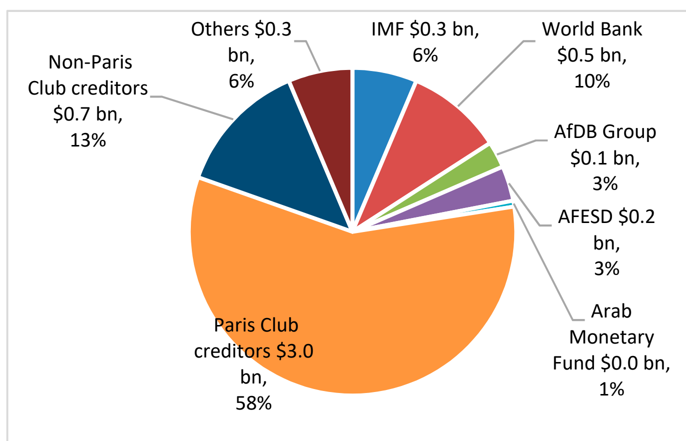
Sources: Somali authorities and IMF and World Bank estimates.

1/ In line with the guidance for the joint Bank-Fund LIC DSF for Decision Point HIPC Initiative Documents, the HIPC Debt Relief Analysis and the LIC DSA for Somalia are consistent regarding the underlying macroeconomic framework and the debt data.

2/ IMF Country Report No. 19/256

4. **Nearly all of Somalia's public debt is with official creditors.** $2.0 billion is composed of principal, $1.3 billion is unpaid interest, and $1.7 billion is late interest or fees.[5] Most is owed to Paris Club creditors (58 percent), followed by multilaterals (29 percent), and non-Paris Club bilateral creditors (11 percent) (see Text Figure 1). All domestic debt (1.5 percent of GDP) represents central government arrears.[6]

Text Figure 1. Composition of Reconciled External Debt Stock, end-2018



Sources: Somali authorities and IMF and World Bank estimates.

5. **Data weaknesses significantly constrain macroeconomic analysis, limiting the significance of the results provided by the standardized stress test in the LIC-DSF.** The national accounts data contain only a relatively short time series (six years), which builds from expenditure-based estimates derived from household survey data. Substantial gaps are also present in balance-of-payments data,

---

[5] Of the $191 million not in arrears, $31 million and $160 million are obligations to the African Development Fund and the International Development Association, respectively.

[6] Somalia's stock of domestic debt (estimated at US$68.8 million, end-2018) reflects the accumulation government wage arrears to civil servants due to constrained resources and longstanding weaknesses in public financial management. No new arrears have been accumulated since end-2017, and the authorities are committed to gradually clearing these arrears in line with available resources.

including on current account flows. Trade estimates are based on third-party data and augmented by data for the Port of Mogadishu. Secondary transfers data are also derived from third parties and cross-checked with Somali data, which is improving. Direct investment data are derived from the real sector file, but an FDI survey is due for launch in the near term.

MEDIUM- AND LONG-TERM ASSUMPTIONS

6. Although macroeconomic conditions are slowly improving, Somalia is a fragile state that is very vulnerable to security and climate shocks. The long civil war significantly degraded Somalia's economic and human capital. These fragilities are aggravated by frequent climate shocks that directly impact agricultural activities that account for the bulk of economic activity.[7] Nonetheless, together with substantial international support, important efforts have been made in recent years to improve social and macroeconomic stability. Improving conditions have helped to ensure positive real growth rates of about 2.5 percent (2013–18), although this has still fallen short of Somalia's 2.9 percent population growth, indicating falling real per capita incomes.[8]

Text Table 4. Macroeconomic Projections

(percent of GDP, unless otherwise indicated)

	DSA July 2019 1/				DSA March 2020			
	2018	2019-24	2029	2039	2018	2019-24	2029	2039
GDP growth (percent)	2.8	3.4	3.5	3.5	2.8	3.6	5.0	4.7
GDP deflator (percent)	1.8	2.0	2.0	2.0	1.8	2.0	2.0	2.0
Non-interest current account deficit 2/	8.2	3.7	2.6	-1.6	10.3	11.5	7.4	6.9
Primary deficit	0.0	-0.3	-0.4	-0.1	-0.1	-0.5	1.2	-0.7
Exports	25.9	26.7	26.8	26.6	23.7	22.5	21.1	20.6
Revenues and grants	5.7	7.9	10.1	13.0	5.7	10.7	12.7	13.3
of which: grants	1.8	2.8	2.4	1.9	1.8	5.5	3.5	2.5

Sources: Somali authorities and IMF and World Bank estimates.

1/ IMF Country Report No. 19/256

2/ Excludes other current account flows related to debt relief.

[7] In 2016-17, Somalia narrowly averted widespread famine. A drought led to large-scale food insecurity affecting more than six million people, or 40 percent of the population (see https://www.worldbank.org/en/results/2019/11/11/preventing-famine-in-somalia-by-supporting-sustainable-and-resilient-drought-recovery) . Real GDP growth declined from 2.9 percent in 2016 to 1.4 percent in 2017.

[8] Derived from World Bank total population data for Somalia, 2000–2017.

7. The baseline scenario relies on the same medium-term macroeconomic framework that underpins the new IMF arrangement and the long-term assumptions consistent with normalization of relations with creditors, the impact of reforms, and the experience of other HIPC cases (Text Table 4). This macroeconomic framework is aligned to that underpinning the HIPC Debt Relief Analysis.

- The consolidation of structural reforms under Somalia's new World Bank Development Policy Operation and IMF arrangement, as well as a steady increase in human and physical capital investment, is expected to deliver a growth dividend. However, in view of Somalia's persistent fragility and slowly materializing payoffs, it is expected that growth will rise only gradually and peak at a lower level than seen in other post-HIPC countries.[9] As such, growth is forecast to pick up modestly from 2022 and peak at around 5.4 percent in 2027, and thereafter settle to a long-run average of 4.8 percent, although upside risks could materialize with improvements in security, deepening federalism, and positive regional spillovers. It is also assumed that the economy will remain fully dollarized, implying low inflation and no adverse nominal exchange rate movements.

- Over the near term, macroeconomic stability is expected to be buttressed by prudent fiscal policy. The fiscal stance is expected to remain broadly in balance, given very limited access to new external or domestic debt financing and no accumulation of new domestic arrears, as required under the new IMF arrangement. Improved domestic revenue mobilization, including due to the introduction of sales and excise taxes, and the establishment of a large- and medium-sized taxpayers' office, will be critical to generate the fiscal space required for significantly scaling up public investment. Over the medium-term, the government is expected to maximize grants and to seek external financing on concessional terms.[10]

- The non-interest current account deficit is expected to remain highly negative and large. The trade deficit is expected to be largely financed by official grants and remittances. The residual current account balance is assumed to be met through foreign direct investment. Export growth assumptions are conservative at 5.7 percent per year through 2029, recognizing both the country's fragility and latent potential. Import growth is slightly more constrained at 3.6 percent per annum. Increasing investment in domestic production will reduce imports of some consumption items (e.g. basic foodstuffs) as local production recovers, while imports of capital and investment goods should increase to support increasing investment.

8. The available realism tools suggest the macroeconomic assumptions of the baseline scenario appear realistic. As this document represents Somalia's first full DSA, the realism tool comparing debt stocks and flows across DSA vintages is not yet applicable. Furthermore, the tool assessing the realism of the public investment-growth nexus is inoperable due to gaps in Somalia's investment data. Other tools

[9] Payoffs from infrastructure investment materializing only 5-7 years after the initial spending (and longer for social spending. Please see Annex I on medium- and long-term growth assumptions for additional details on HIPC comparators.

[10] For illustrative purposes, starting in 2024, the central government is assumed to undertake moderate deficit financing, with the overall deficit (including grants) projected to average about 2.0 percent of GDP per year, which is financed through external concessional borrowing.

suggest that the planned fiscal adjustment is in the middle of the distribution, and although the tool warns about optimism in the growth path, it should be noted that fiscal multipliers for Somalia are likely to be weak given conservative projections of the impact of reforms supporting revenue mobilization and limited channels of transmission (e.g. via the underdeveloped financial system) (Figure 3).

9. The baseline scenario assumes full delivery of traditional debt relief. The scenario assumes no new borrowing over the interim period. Is also assumes the application of Naples terms by all bilateral creditors at the HIPC Decision Point in the first half of 2020.[11] Consistent with the LIC DSF guidance note and the HIPC Debt Relief Analysis, the baseline does not include relief from the HIPC Initiative or MDRI.[12] An alternative scenario is presented that incorporates the full impact of multilateral arrears clearance, interim debt relief, HIPC, MDRI and beyond HIPC debt relief. Somalia is assumed to reach the HIPC Completion Point in early 2023—estimated to provide an additional stock reduction of external debt of about 50 percent of GDP relative to the baseline.[13]

EXTERNAL DEBT SUSTAINABILITY

10. Somalia remains in debt distress in the baseline scenario, which assumes full delivery of traditional relief and a financing gap to be met through HIPC interim assistance. Under the baseline assumptions, both the PV of external debt-to-GDP and the PV of external debt-to-exports remain well above their respective thresholds throughout the forecast period. Debt service-to-exports and debt service-to-revenue also remain above the thresholds across the horizon. That said, in a forward-looking sense, Somalia's debt could be considered sustainable, given the expectation that all outstanding arrears will be treated under debt restructuring agreements soon after Somalia reaches the HIPC Decision Point.

11. The standardized stress tests reveal that the evolution of Somalia's external debt position is subject to considerable vulnerabilities and highlight the importance of debt relief. While the application of the standard DSA stress test to Somalia is complicated by the short historical data series as well as severe structural breaks, most debt indicators deteriorate substantially under temporary shock

[11] Under Naples terms, most low-income countries receive a reduction in eligible non-official development assistance (ODA) debt of 67 percent in net present value (NPV) terms. Pre-cutoff date ODA credits are rescheduled on interest rates at least as concessional as the original interest rates over 40 years with 16 years' grace (30 years maturity with 12 years' grace for 50 percent NPV reduction).

[12] For the IMF, the MDRI Trust Fund is closed, but financing is being sought for beyond-HIPC relief.

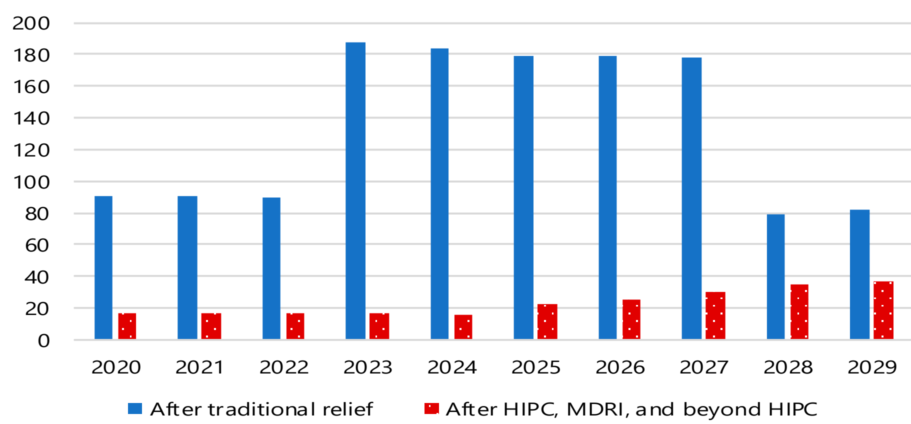
[13] See Appendix V in "Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries," (February 2018). While the guidance indicates that the only interim HIPC relief should be incorporated as a customized scenario, as in previous HIPC Decision Point cases such as Liberia (IMF Country Report No. 08/160) and Comoros (IMF Country Report No. 10/242), this analysis also presents full debt relief on HIPC terms.

scenarios.[14,15] The most serious shock for all indicative thresholds of external debt distress concern non-debt flows, which would worsen breaches emphasizing Somalia's high dependence on external aid. Furthermore, the external debt service-to-revenue ratio experiences large breaches under all shock scenarios, highlighting liquidity risks during the HIPC interim period.

12. Somalia's debt situation improves dramatically under the alternative scenario that assumes debt relief through the HIPC Initiative, MDRI, and beyond HIPC, underscoring that traditional debt relief alone is insufficient. Assuming full delivery of this additional debt relief at the completion point, all debt burden indicators would be significantly below their respective thresholds from 2023, consistent with achieving a moderate risk rating at the Completion Point. There are, however, risks around the timing of the HIPC Completion Point, and a delay could compromise the debt restructuring assumptions underpinning the alternative scenario. Given the projected spike in debt service obligations to around $180 million if the Completion Point is not reached in 2023, creditors may be asked to provide additional assistance to forestall a new accumulation of external arrears to official creditors (Text Figure 2).

Text Figure 2. Projected Debt Service, 2020-2029

(USD millions)



Sources: Somali authorities and IMF and World Bank estimates.

[14] The standardized tests embedded in the LIC-DSF generate a financing gap that is assumed to be filled by the accumulation of new debt. However, Somalia has no access to any formal debt financing. While the DSA assumes additional financing, in practice, any additional financing needs would be expected to be accommodated through lower fiscal expenditures, lower imports, or higher grants.

[15] Somalia's severe data weaknesses could bias the simulation results. For example, exports estimates derived from third-party sources may overestimate informal flows, while GDP estimates based on the household survey may not fully capture fast-growing sectors, e.g. telecommunications and services.

13. Even after the full delivery of debt relief, Somalia remains highly vulnerable to climate and security shocks (Figure 4)

- A climate shock would sharply slow Somalia's critical agricultural sector, with spillovers on overall activity and exports. Humanitarian inflows would partly mitigate these impacts, but the transient disruption would lead to a temporary slowdown in growth to around 1 to 1.5 percent and delay the projected rise in fiscal revenues and exports.

- A severe security shock would test public and donor confidence in Somalia's nascent institutions. A protracted slowdown would occur as government and private investment plans are shelved, and overall growth would be negative on a per-capita basis (around 1.5 percent on average over the projection). The lack of investment would contribute to flat export growth in nominal terms. Under this scenario, debt burden indicators would increase rapidly toward their respective thresholds, as concessional borrowing reaches around $400 million per year to bridge the financing gap. This favorable financing assumption helps to initially contain debt service relative to exports, but the debt service-to-revenue (excluding grants) also quickly accelerates toward the threshold, highlighting Somalia's relatively limited buffers due to its narrow domestic revenue base.

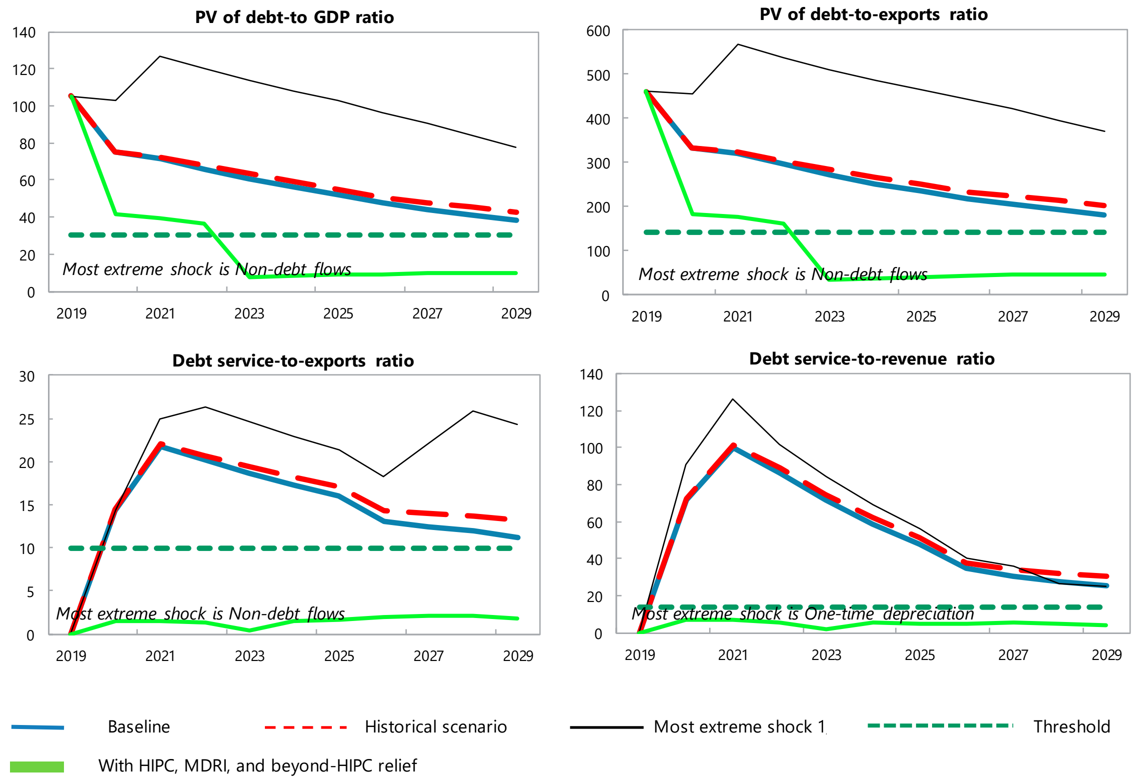
PUBLIC DEBT SUSTAINABILITY

14. Indicators of public debt are largely indistinguishable from the indicators for external debt. The PV of total public debt-to-GDP would be well above the benchmark, with serious breaches under the various stress scenarios. The conclusions with regards to external debt sustainability are relevant also for public debt sustainability, given that there is no market for domestic debt and the existing stock of domestic debt is limited to a small stock of government arrears. As in external debt sustainability, under the alternative scenario debt burden indicators improve significantly and drop below their respective thresholds.

CONCLUSION

15. Somalia's external public debt and overall public debt remain in distress under the baseline scenario, but in a forward-looking sense overall debt is judged as sustainable contingent on the full delivery of eligible debt relief at the HIPC Completion Point. Even with a baseline scenario that assumes full delivery of traditional debt relief, external debt burden indicators remain well above their indicative thresholds. This emphasizes the need for debt relief. Debt relief under the HIPC Initiative, MDRI, and beyond-HIPC assistance would dramatically improve Somalia's external debt situation and bring debt to a manageable level such that it can be judged sustainable in a forward-looking sense. The inclusion of domestic debt does not materially impact the analysis. Even after full debt relief, Somalia is expected to remain highly vulnerable to shocks, underscoring the importance of strengthening debt management institutions and capacity over the medium term

Figure 1. Somalia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2019–2029



Customization of Default Settings	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	n.a.	n.a.
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	38
Avg. grace period	5	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

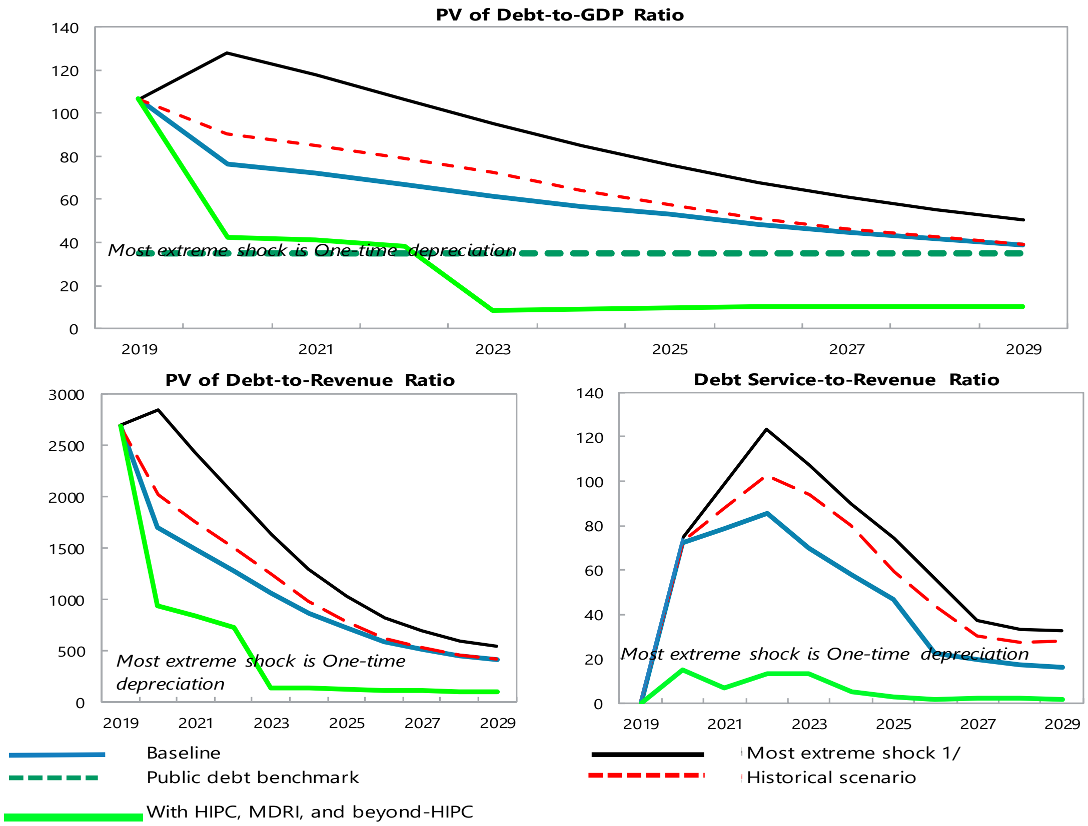
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

.

Figure 2. Somalia: Indicators of Public Debt under Alternative Scenarios, 2019–2029



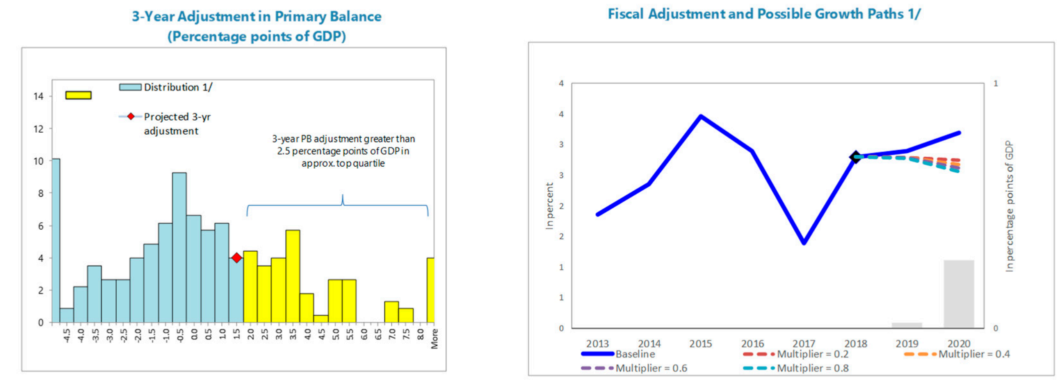
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	82%	82%
Domestic medium and long-term	0%	0%
Domestic short-term	0%	18%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.5%	1.5%
Avg. maturity (incl. grace period)	28	38
Avg. grace period	5	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	0.0%	0.0%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	0%	0.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Somalia: Realism Tools

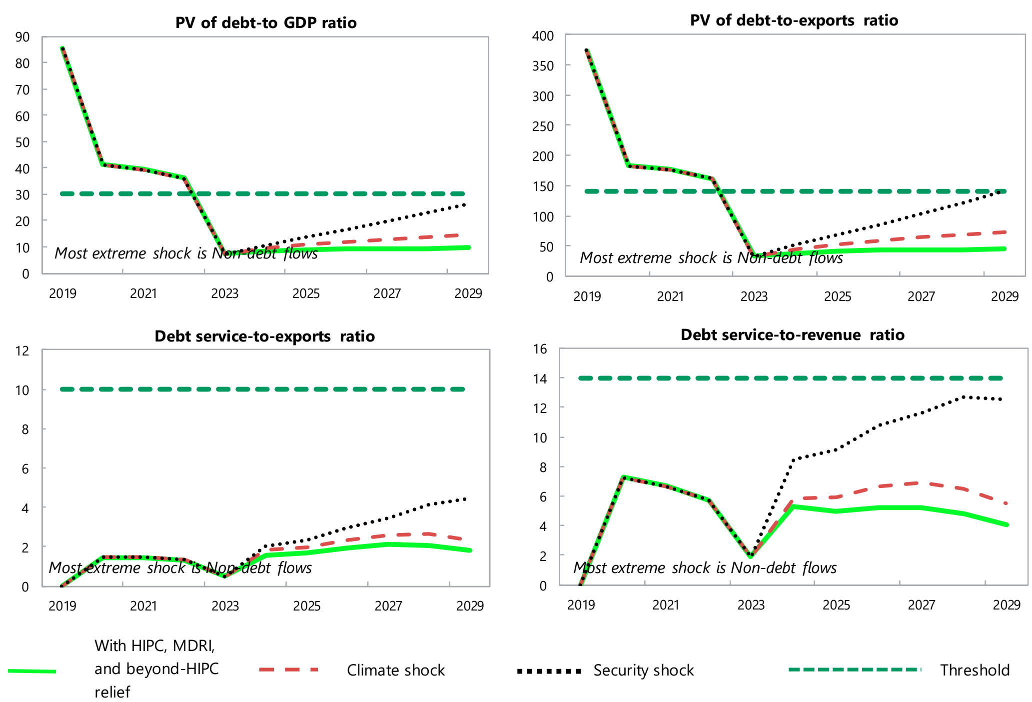


1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Sources: Staff estimates

Figure 4. Somalia: Indicators of Public and Publicly Guaranteed External Debt under Country-Specific Alternatives Scenarios, 2019-2029



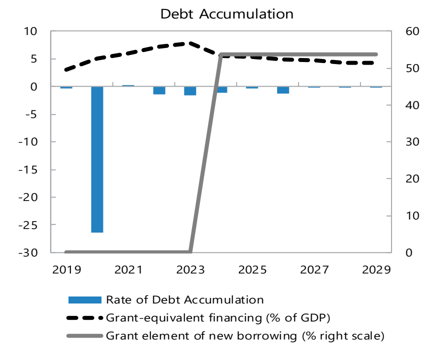
Source: Country authorities and staff estimates

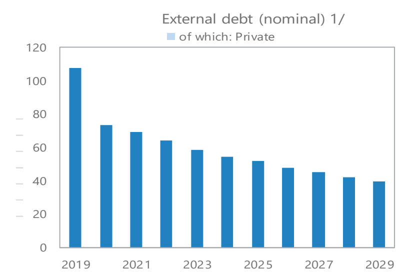
Table 1. Somalia: External Debt Sustainability Framework, Baseline Scenario, 2018–2039

(in percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	**111.3**	**107.5**	**73.3**	**69.6**	**64.1**	**58.6**	**54.8**	**39.9**	**19.7**	**32.3**	**59.6**
of which: public and publicly guaranteed (PPG)	**111.3**	**107.5**	**73.3**	**69.6**	**64.1**	**58.6**	**54.8**	**39.9**	**19.7**	**32.3**	**59.6**
Change in external debt	-3.8	-3.8	-34.2	-3.8	-5.5	-5.5	-3.8	-2.5	-2.2		
Identified net debt-creating flows	**...**	**-0.1**	**0.1**	**1.0**	**1.0**	**0.9**	**2.4**	**1.6**	**1.1**	**...**	**1.2**
Non-interest current account deficit	**10.3**	**10.5**	**10.9**	**11.1**	**11.1**	**11.3**	**13.2**	**12.7**	**11.5**	**8.5**	**12.1**
Deficit in balance of goods and services	84.8	87.3	88.9	89.3	90.2	86.6	81.3	62.3	45.2	**67.9**	**79.2**
Exports	23.7	22.8	22.6	22.3	22.4	22.4	22.3	21.1	20.6		
Imports	108.5	110.1	111.5	111.7	112.6	109.0	103.5	83.4	65.7		
Net current transfers (negative = inflow)	-75.2	-76.0	-77.3	-77.6	-78.5	-74.5	-67.4	-49.4	-33.8	**-60.0**	**-66.5**
of which: official	-43.9	-44.1	-44.9	-44.9	-45.6	-42.4	-36.1	-23.0	-14.5		
Other current account flows (negative = net inflow)	0.7	-0.8	-0.7	-0.7	-0.6	-0.8	-0.6	-0.2	0.1	**0.6**	**-0.5**
Net FDI (negative = inflow)	**-8.6**	**-9.0**	**-8.9**	**-9.0**	**-9.1**	**-9.3**	**-9.6**	**-9.8**	**-9.7**	**-6.3**	**-9.5**
Endogenous debt dynamics 2/	**...**	**-1.6**	**-1.8**	**-1.0**	**-1.1**	**-1.1**	**-1.2**	**-1.3**	**-0.7**		
Contribution from nominal interest rate	0.0	1.5	1.4	1.4	1.3	1.2	1.1	0.7	0.3		
Contribution from real GDP growth	-3.1	-3.1	-3.3	-2.4	-2.4	-2.4	-2.3	-2.0	-1.0		
Contribution from price and exchange rate changes	...	...	...	...	...	...	...	...	...		
Residual 3/	**...**	**-3.8**	**-34.3**	**-4.8**	**-6.4**	**-6.4**	**-6.2**	**-4.0**	**-3.2**	**...**	**-7.7**
of which: exceptional financing	...	0.0	-35.3	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators											
PV of PPG external debt-to-GDP ratio	**110.9**	**105.2**	**74.9**	**71.3**	**65.9**	**60.7**	**56.0**	**38.0**	**18.2**		
PV of PPG external debt-to-exports ratio	**467.6**	**461.4**	**331.7**	**319.0**	**294.7**	**271.2**	**251.3**	**180.2**	**88.5**		
PPG debt service-to-exports ratio	**...**	**...**	**14.3**	**21.7**	**20.2**	**18.6**	**17.2**	**11.3**	**6.5**		
PPG debt service-to-revenue ratio (excl. grants)	**...**	**...**	**72.0**	**100.1**	**86.3**	**71.5**	**58.6**	**25.7**	**12.5**		
Gross external financing need (Million of U.S. dollars)	77.8	164.8	270.4	381.2	384.2	384.6	487.0	489.0	551.9		
Key macroeconomic assumptions											
Real GDP growth (in percent)	2.8	2.9	3.2	3.5	3.7	3.9	4.2	5.0	4.7	**2.5**	**4.2**
GDP deflator in US dollar terms (change in percent)	1.8	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	**2.1**	**2.0**
Effective interest rate (percent) 4/	0.0	1.4	1.4	2.0	2.0	2.0	2.0	1.7	1.4	**...**	**1.8**
Growth of exports of G&S (US dollar terms, in percent)	10.0	1.0	4.2	4.4	6.0	6.0	5.9	6.3	6.7	**3.6**	**5.2**
Growth of imports of G&S (US dollar terms, in percent)	4.0	6.6	6.6	5.7	6.7	2.6	1.0	3.4	4.9	**5.4**	**3.9**
Grant element of new public sector borrowing (in percent)	...	0.0	0.0	0.0	0.0	0.0	53.7	53.7	53.7	**...**	**...**
Government revenues (excluding grants, in percent of GDP)	3.9	4.0	4.5	4.8	5.2	5.8	6.5	9.2	10.7	**2.4**	**6.7**
Aid flows (in Million of US dollars) 5/	89.2	147.9	321.2	328.4	418.6	477.7	433.1	452.3	454.1		
Grant-equivalent financing (in percent of GDP) 6/	...	3.0	5.0	6.0	7.2	7.7	5.5	4.2	2.5	**...**	**5.3**
Nominal GDP (Million of US dollars)	4,721	4,958	5,218	5,507	5,827	6,179	6,570	9,299	17,984		
Nominal dollar GDP growth	4.7	5.0	5.2	5.5	5.8	6.0	6.3	7.2	6.8	**4.6**	**6.4**
Memorandum items:											
PV of external debt 7/	110.9	105.2	74.9	71.3	65.9	60.7	56.0	38.0	18.2		
In percent of exports	467.6	461.4	331.7	319.0	294.7	271.2	251.3	180.2	88.5		
Total external debt service-to-exports ratio	0.0	0.0	14.3	21.7	20.2	18.6	17.2	11.3	6.5		
PV of PPG external debt (in Million of US dollars)	5234.9	5218.3	3909.6	3924.2	3842.8	3748.5	3678.3	3532.6	3273.4		
(PVt-PVt-1)/GDPt-1 (in percent)		-0.4	-26.4	0.3	-1.5	-1.6	-1.1	-0.2	-0.7		
Non-interest current account deficit that stabilizes debt ratio	14.1	14.4	45.0	14.8	16.6	16.8	17.0	15.2	13.6		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Εα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ε=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

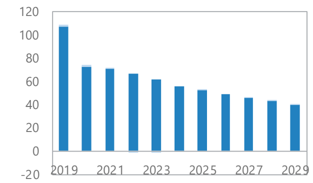
Table 2. Somalia: Public Sector Sustainability Framework, Baseline Scenario, 2018–2039

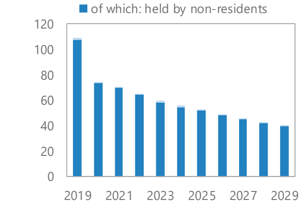
(in percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	112.8	108.9	74.6	70.8	65.3	59.7	55.8	40.5	24.1	33.5	60.6
of which: external debt	111.3	107.5	73.3	69.6	64.1	58.6	54.8	39.9	19.7	32.3	59.6
Change in public sector debt	-3.8	-3.9	-34.3	-3.8	-5.5	-5.5	-3.9	-2.5	-0.7		
Identified debt-creating flows	-5.3	-4.0	-39.3	-2.5	-2.5	-2.4	-0.1	-1.0	-1.1	…	-5.1
Primary deficit	-0.1	-0.1	-0.4	-1.4	-2.0	-1.7	2.3	1.2	-0.7	-0.2	0.4
Revenue and grants	5.7	6.9	9.5	10.8	12.4	13.6	10.8	12.7	13.3	3.7	11.4
of which: grants	1.8	3.0	5.0	6.0	7.2	7.7	4.2	3.5	2.5		
Primary (noninterest) expenditure	5.7	6.9	9.1	9.5	10.4	11.8	13.1	13.9	12.6	3.4	11.8
Automatic debt dynamics	-5.2	-3.9	-4.0	-2.5	-2.5	-2.4	-2.4	-2.2	-1.1		
Contribution from interest rate/growth differential	247.2	-13.7	3.1	-0.8	-3.7	-1.1	-1.2	-1.4	-0.6		
of which: contribution from average real interest rate	250.4	-10.5	6.5	1.7	-1.2	1.3	1.2	0.7	0.5		
of which: contribution from real GDP growth	-3.2	-3.2	-3.4	-2.5	-2.5	-2.4	-2.4	-2.1	-1.1		
Contribution from real exchange rate depreciation	…	…	…	…	…	…	…	…	…		
Other identified debt-creating flows	0.0	0.0	-35.0	1.4	2.0	1.7	0.0	0.0	0.7	0.0	-2.7
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	-35.3	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.4	1.4	2.0	1.7	0.0	0.0	0.7		
Residual	1.4	9.8	-2.1	-3.0	-1.8	-4.4	-5.0	-2.3	-0.1	…	-2.0
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	112.3	106.6	76.2	72.5	67.1	61.8	57.0	38.7	22.6		
PV of public debt-to-revenue (excl. grants) ratio	1963.1	2693.3	1696.4	1495.3	1282.9	1060.3	871.0	419.6	210.2		
Debt service-to-revenue (excl. grants) ratio 3/	…	…	72.0	99.7	85.5	70.2	57.5	16.0	9.8		
Gross financing need 4/	-0.1	0.0	0.0	0.0	0.1	0.1	2.4	2.1	4.0		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	2.8	2.9	3.2	3.5	3.7	3.9	4.2	5.0	4.7	2.5	4.2
Average nominal interest rate on external debt (in percent)	0.0	1.4	1.4	2.0	2.0	2.0	2.0	1.7	1.4	…	1.8
Average real interest rate on domestic debt (in percent)	-1.8	-2.0	-1.9	-1.9	-1.9	-1.3	-1.2	-2.0	9.9	-1.3	-1.8
Real exchange rate depreciation (in percent, + indicates depreciation)	…	…	…	…	…	…	…	…	…	…	…
Inflation rate (GDP deflator, in percent)	1.8	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	10.6	24.6	36.7	7.6	13.7	18.7	15.2	4.6	3.3	19.1	13.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	3.8	3.8	33.9	2.5	3.5	3.8	6.2	3.7	0.0	-37.6	7.0
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Somalia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–2029

(in percent)

	Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	**105.2**	**74.9**	**71.3**	**65.9**	**60.7**	**56.0**	**52.1**	**47.5**	**44.1**	**40.9**	**38.0**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	105.2	75.4	72.4	67.9	63.5	58.8	55.1	50.8	48.0	45.3	42.7
A2. Alternative Scenario: With HIPC, MDRI and beyond-HIPC assistance	105.2	41.1	39.4	36.2	7.4	8.3	9.0	9.3	9.5	9.4	9.5
B. Bound Tests											
B1. Real GDP growth	105.2	76.7	75.0	69.4	63.9	59.0	54.9	50.0	46.4	43.0	40.0
B2. Primary balance	105.2	76.6	75.9	73.1	70.0	67.2	65.0	61.1	58.2	55.3	52.7
B3. Exports	105.2	76.1	74.2	68.8	63.4	58.7	54.7	50.0	46.5	43.1	40.0
B4. Other flows 2/	105.2	102.7	126.5	120.2	113.8	107.9	102.7	96.5	90.5	83.8	77.8
B6. One-time 30 percent nominal depreciation	105.2	94.4	75.8	69.4	63.0	57.5	53.0	47.5	43.6	40.4	37.6
B6. Combination of B1-B5	105.2	102.8	120.0	113.4	106.8	100.7	95.5	89.3	83.5	77.3	71.8
C. Tailored Tests											
C1. Combined contingent liabilities	105.2	78.5	77.0	74.0	70.8	68.1	65.8	61.9	59.1	56.2	53.7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**
PV of debt-to-exports ratio											
Baseline	**461.4**	**331.7**	**319.0**	**294.7**	**271.2**	**251.3**	**235.9**	**217.5**	**205.4**	**192.2**	**180.2**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	461.4	333.7	324.2	303.4	283.8	264.1	249.1	232.5	223.5	213.0	202.4
A2. Alternative Scenario: With HIPC, MDRI and beyond-HIPC assistance	461.4	182.1	176.4	161.6	33.1	37.1	40.8	42.8	44.0	44.4	45.2
B. Bound Tests											
B1. Real GDP growth	461.4	331.8	319.1	294.7	271.3	251.4	236.0	217.6	205.5	192.3	180.3
B2. Primary balance	461.4	339.1	339.8	326.4	312.8	301.6	294.2	280.0	271.2	260.2	250.0
B3. Exports	461.4	358.0	376.2	348.2	321.2	298.2	280.5	259.2	245.0	229.3	215.0
B4. Other flows 2/	461.4	454.8	566.5	537.0	508.8	484.3	464.6	442.0	421.3	394.2	369.1
B6. One-time 30 percent nominal depreciation	461.4	331.7	269.6	246.2	223.8	204.8	190.3	172.7	161.4	151.0	141.6
B6. Combination of B1-B5	461.4	442.8	493.2	499.8	471.0	446.1	426.3	403.4	383.5	358.9	336.1
C. Tailored Tests											
C1. Combined contingent liabilities	461.4	347.6	344.6	330.6	316.7	305.5	298.0	283.8	275.1	264.5	254.8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	**0.0**	**14.3**	**21.7**	**20.2**	**18.6**	**17.2**	**15.9**	**13.1**	**12.5**	**12.0**	**11.3**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	...	14.4	22.0	20.7	19.4	18.2	17.2	14.3	14.0	13.7	13.2
A2. Alternative Scenario: With HIPC, MDRI and beyond-HIPC assistance	...	1.4	1.4	1.3	0.5	1.6	1.7	2.0	2.1	2.1	1.8
B. Bound Tests											
B1. Real GDP growth	...	14.3	21.7	20.2	18.6	17.2	15.9	13.1	12.5	12.0	11.3
B2. Primary balance	...	14.4	22.0	20.8	19.5	18.3	17.2	14.7	14.5	14.5	14.2
B3. Exports	...	15.3	24.9	23.3	21.5	19.9	18.5	15.2	14.7	14.3	13.5
B4. Other flows 2/	...	14.3	24.9	26.4	24.6	22.9	21.4	18.3	22.2	25.8	24.4
B6. One-time 30 percent nominal depreciation	...	14.3	21.7	18.9	17.4	16.1	14.8	12.0	11.5	9.1	8.6
B6. Combination of B1-B5	...	14.8	26.0	26.4	24.5	22.8	21.3	18.0	21.2	23.3	22.0
C. Tailored Tests											
C1. Combined contingent liabilities	...	14.4	22.2	20.9	19.6	18.4	17.3	14.6	14.1	13.6	13.0
C2. Natural disaster	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Debt service-to-revenue ratio											
Baseline	**0.0**	**72.0**	**100.1**	**86.3**	**71.5**	**58.6**	**48.0**	**34.8**	**30.7**	**27.6**	**25.7**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	...	72.4	101.6	88.7	74.5	62.1	51.6	38.1	34.4	31.6	30.2
A2. Alternative Scenario: With HIPC, MDRI and beyond-HIPC assistance	...	7.2	6.7	5.7	1.9	5.3	5.0	5.2	5.2	4.8	4.1
B. Bound Tests											
B1. Real GDP growth	...	73.7	105.4	90.9	75.3	61.7	50.5	36.6	32.4	29.0	27.1
B2. Primary balance	...	72.5	101.4	88.9	74.9	62.4	51.9	39.1	35.6	33.3	32.4
B3. Exports	...	72.3	101.3	88.2	73.1	59.9	49.1	35.7	31.9	29.2	27.2
B4. Other flows 2/	...	72.0	114.7	112.9	94.3	78.0	64.4	48.7	54.6	59.5	55.8
B6. One-time 30 percent nominal depreciation	...	...	126.0	102.0	84.2	68.9	56.2	40.3	35.6	26.5	24.7
B6. Combination of B1-B5	...	...	121.4	114.3	95.3	78.7	64.8	48.5	52.7	54.5	51.0
C. Tailored Tests											
C1. Combined contingent liabilities	...	...	102.4	89.5	75.2	62.7	52.1	38.9	34.8	31.4	29.6
C2. Natural disaster	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**	**14**

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Includes official and private transfers and FDI.

Table 4. Somalia: Sensitivity Analysis for Key Indicators of Public Debt, 2019–2029
(in percent)

	Projections										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**106.6**	**76.2**	**72.5**	**67.1**	**61.8**	**57.0**	**53.0**	**48.3**	**44.9**	**41.6**	**38.7**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	107	91	85	79	73	64	57	51	47	43	39
A2. Alternative Scenario : With HIPC, MDRI, and beyond-HIPC	107	42	41	38	8	9	10	10	10	10	10
B. Bound Tests											
B1. Real GDP growth	107	91	87	78	70	62	56	50	46	43	39
B2. Primary balance	107	78	74	67	60	54	49	44	40	37	34
B3. Exports	107	77	75	69	64	59	55	50	47	43	40
B4. Other flows 2/	107	104	128	121	115	109	104	97	91	85	79
B6. One-time 30 percent nominal depreciation	107	128	118	106	95	85	76	67	61	55	50
B6. Combination of B1-B5	107	78	106	93	83	73	64	56	50	44	40
C. Tailored Tests											
C1. Combined contingent liabilities	107	77	72	65	58	52	47	42	39	36	33
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**	**35**
PV of Debt-to-Revenue Ratio											
Baseline	**2,693.3**	**1,696.4**	**1,495.3**	**1,282.9**	**1,060.3**	**871.0**	**721.8**	**589.2**	**513.7**	**450.8**	**419.6**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	2693	2016	1760	1508	1245	980	780	619	532	461	421
A2. Alternative Scenario : With HIPC, MDRI, and beyond-HIPC	2693	944	845	726	145	139	131	121	115	108	108
B. Bound Tests											
B1. Real GDP growth	2693	2030	1790	1492	1198	955	768	616	531	463	428
B2. Primary balance	2693	1743	1525	1273	1024	819	663	534	462	402	371
B3. Exports	2693	1715	1544	1327	1099	905	751	615	536	471	438
B4. Other flows 2/	2693	2315	2636	2320	1972	1665	1409	1187	1044	916	852
B6. One-time 30 percent nominal depreciation	2693	2848	2430	2031	1636	1299	1033	822	699	600	545
B6. Combination of B1-B5	2693	1738	2189	1775	1418	1113	876	678	569	481	432
C. Tailored Tests											
C1. Combined contingent liabilities	2693	1714	1478	1234	992	793	642	517	447	390	362
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	**-**	**72.0**	**78.8**	**85.5**	**70.2**	**57.5**	**46.8**	**22.3**	**19.4**	**17.2**	**16.0**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 1/	...	73	88	103	94	80	59	43	30	27	28
A2. Alternative Scenario : With HIPC, MDRI, and beyond-HIPC	...	15	7	13	13	5	3	2	2	2	2
B. Bound Tests											
B1. Real GDP growth	...	74	88	101	88	74	61	46	31	27	27
B2. Primary balance	...	73	93	112	93	78	64	49	42	38	37
B3. Exports	...	73	81	88	73	60	49	35	32	29	27
B4. Other flows 2/	...	73	93	114	95	79	65	49	55	60	56
B6. One-time 30 percent nominal depreciation	...	75	99	124	107	90	74	56	37	33	33
B6. Combination of B1-B5	...	70	78	86	84	71	58	43	35	31	29
C. Tailored Tests											
C1. Combined contingent liabilities	...	72	90	107	93	78	64	49	41	36	34
C2. Natural disaster	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
2/ Includes official and private transfers and FDI.