



SOMALIA

ENHANCED HEAVILY - INDEBTED POOR COUNTRIES (HIPC) INITIATIVE—PRELIMINARY DOCUMENT

February 2020

In the context of the Enhanced Heavily-Indebted Poor Countries (HIPC) Initiative Program, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Preliminary Document** prepared by IMF staff and completed on January 30, 2020 for the Executive Board's consideration on February 12, 2020.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Somalia.

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February 13, 2020

International Monetary Fund
The World Bank
Washington, D.C. USA

IMF and World Bank Consider Somalia Eligible for Assistance Under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

The Executive Boards of the International Monetary Fund (IMF) and World Bank met, on February 12 and 13, respectively, to consider Somalia's eligibility for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The Executive Boards commended the authorities' sustained commitment to economic and institutional reforms under challenging circumstances and agreed that Somalia is eligible for assistance under the Enhanced HIPC Initiative based on a preliminary assessment. This assessment is an important step towards forgiveness of most of Somalia's debt, which measured US\$5.3 billion at the end of 2018.

Following the IMF Executive Board discussion on Somalia on February 12, 2020, **Kristalina Georgieva, Managing Director and Acting Chair**, said:

"Today's agreement by the IMF Executive Board that Somalia can be eligible for debt relief under the Enhanced HIPC Initiative marks a historic moment. It provides a clear recognition of Somalia's sustained commitment to key economic and financial reforms under consecutive staff-monitored programs with the IMF. Helping Somalia achieve debt relief and unlock access to the needed resources to increase growth and reduce poverty is a key priority for the IMF. I am very grateful to our members for all their support in this endeavor."

Following the World Bank Executive Board discussion on February 13, 2020, **David Malpass, World Bank Group President**, said:

"Today was an important step towards Somalia resuming financing from international financial institutions, including IDA, our fund for the poorest countries. I congratulate Somalia for embracing important reforms that can do much to encourage sustainable poverty reduction, and I thank our international partners who have worked with us to bring Somalia to this important stage. We are glad to have worked closely with the Federal Government of Somalia in assisting their progress over the past few years and look forward to opportunities for greater World Bank Group support for the Somali people."

To complete the journey to the HIPC Decision Point, Somalia's performance under the current IMF Staff-Monitored Program (SMP) will need to be confirmed as satisfactory, and the authorities will need to either clear their arrears to multilateral creditors or agree a strategy to clear them. World Bank staff expect to present the operation for clearing the arrears to the International Development Association (IDA) by the end of February 2020. In addition, the agreement on the reforms that Somalia will need to implement to reach the Completion Point—the floating Completion Point triggers—will need to be finalized taking account of the views expressed by the Executive Boards. Prompt action on these items could result in Somalia reaching the Decision Point by the end of March 2020.

Once Somalia has reached the Completion Point, it would qualify for unconditional debt relief under the HIPC Initiative, and for debt relief under the Multilateral Debt Relief Initiative (MDRI) from the World Bank's IDA and the African Development Fund (AfDF), together with beyond-HIPC assistance from the IMF. Paris Club creditors are also expected to provide further beyond-HIPC assistance at the Completion Point.

The HIPC Initiative

The HIPC Initiative is a framework, created by the IMF and World Bank, in which all creditors, including multilateral creditors, provide debt relief to the world's poorest and most heavily indebted countries, thereby reducing the constraints on economic growth and poverty reduction imposed by the debt-service burden. To date, 36 countries have reached both their Decision Points and Completion Points under the Enhanced HIPC initiative. [Learn More about the HIPC initiative process here.](#)



SOMALIA

ENHANCED HEAVILY - INDEBTED POOR COUNTRIES (HIPC) INITIATIVE—PRELIMINARY DOCUMENT

January 30, 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 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, including US\$5.0 billion in arrears. (This corresponds to US\$5.2 billion in net present value (NPV) terms.)

A preliminary 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\$3.5 billion at end-2018, equivalent to 328.9 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\$1.9 billion in end-2018 NPV terms. This implies a common reduction factor of 54.4 percent.

Staffs expects that Somalia could reach the Decision Point by the end of March 2020. As Somalia has already submitted its Ninth National Development Plan 2020-24, adopted in

September 2019, to meet the requirement of developing a poverty reduction strategy, reaching the Decision Point is subject to (i) continued satisfactory performance under the fourth IMF Staff Monitored Program; (ii) clearance of its arrears to its multilateral creditors (AfDB, IDA and the IMF); and (iii) an agreement on appropriate Completion Point triggers to be included in the Decision Point document. In addition, for the IMF to provide disbursements of interim assistance, satisfactory financing assurances from Somalia's other creditors must be received regarding the exceptional assistance they will provide under the HIPC Initiative.¹ Commitments from IMF member countries to provide the financing necessary for the IMF's share of debt relief would also need to be in place at the Decision Point, with the actual delivery of debt relief in the interim period and at the Completion Point dependent on securing the necessary financing.

On reaching the Completion Point, Somalia would qualify for MDRI debt relief from IDA and the AfDF 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\$116.6 million in 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 interim relief; this would include the first disbursement under the ECF and EFF-supported arrangement.

With HIPC, MDRI and beyond HIPC assistance, Somalia's NPV of debt-to-exports ratio is projected to decline from 491.7 percent in 2018 to 57.0 percent in 2027 and 41.5 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. Somalia remains highly vulnerable to climate shocks and a deterioration in the security situation.

¹ In this regard, the IMF has required that financing assurances be obtained from creditors representing at least 70 percent of HIPC-eligible debt.

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

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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

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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 Somalia Capacity Advancement, Livelihoods and Entrepreneurship,
SCALE-UP	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 a preliminary assessment of the eligibility of the Federal Government of Somalia (hereafter “Somalia” or “FGS”) for assistance under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative.**^{2,3} The assessment is based on a joint HIPC debt relief analysis (DRA)⁴ conducted by IMF and IDA staffs and the Somali authorities, following data reconciliation missions to Addis Ababa, Ethiopia, in August 2019.
2. **The DRA reveals that Somalia’s debt burden expressed as net present value (NPV) of debt-to-exports ratio, after traditional debt relief mechanisms are applied, is 328.9 percent at the end of December 2018—significantly above the HIPC Initiative threshold.**⁵ Possible HIPC debt relief at the end of December 2018 is estimated at US\$1.9 billion in NPV terms, with a common reduction factor (CRF) of 54.4 percent. Debt relief under the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI) would help accelerate progress toward the Sustainable Development Goals (SDG).
3. **This paper is organized as follows. Section II provides background information on Somalia’s eligibility for assistance under the HIPC Initiative, including the country’s recent progress in the political and economic areas, and governance.** Section III discusses the country’s medium- to long-term macroeconomic framework and its poverty reduction strategy. Section IV summarizes the DRA and presents the magnitude of HIPC assistance likely to accrue to the country, including through arrears clearance. Section V outlines reforms that will serve as Completion Point triggers. Section VI presents issues for discussion by Executive Directors.

BACKGROUND AND ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

A. PRGT and IDA Status

4. **Somalia is eligible for support from the IMF under the Poverty Reduction and Growth Trust and is an IDA-only country.**
5. **Somalia has demonstrated sustained commitment to implementing economic and financial reforms in the context of three consecutive Staff-Monitored Programs (SMPs).**

² The Federal Republic of Somalia is a federation of five states—South West State, Puntland, Jubbaland, Hirshabelle, Galmudug (excluding Somaliland)—with Mogadishu the capital. The Federal Government of Somalia was established on August 20, 2012. In 1991, Somaliland declared its independence, which is not recognized internationally.

³ “Enhanced HIPC Initiative” is hereafter referred to as “HIPC Initiative.”

⁴ Also known as HIPC-DSA (Debt Sustainability Analysis).

⁵ 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 services.

Satisfactory performance has been maintained under the fourth SMP, which was endorsed by IMF Executive Directors in May 2019 as meeting the standards of an Upper Credit Tranche arrangement. IMF members are mobilizing the financing resources to help clear Somalia's arrears and finance the IMF's costs of HIPC and beyond HIPC debt relief for Somalia, which are estimated at SDR 131.1 million (equivalent to US\$182.3 million) and SDR 109.9 million (equivalent to US\$153 million) in end-2018 NPV terms, respectively. This means Somalia could gain access to a new Fund-supported financing arrangement and reach the Decision Point under the HIPC Initiative in the near future. The expected Extended Credit Facility (ECF) and Extended Fund Facility (EFF) supported program will aim to support sustained growth, and further strengthen fiscal and financial institutions, and will draw on the priorities outlined in Somalia's Ninth National Development Plan (NDP9).

6. 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.⁷ The current CPF initiated IDA financing to Somalia for the first time since 1991 through exceptional pre-arrears clearance grants (PACGs) of US\$140 million per year in FY19 and FY20.⁸ The proposed Reengagement and Reform Development Policy Grant (DPG) would facilitate Somalia's arrears clearance, estimated to reach around US\$357 million by end-February 2020, and full normalization of relations with IDA. Funds from the IDA arrears clearance set-aside would be used to finance the reengagement grant. In addition, the proposed DPG would disburse US\$45 million directly to Somalia as budget support. In anticipation of arrears clearance and the HIPC Decision Point, staff are seeking funds from the IDA18 Turnaround Regime for the remainder of FY20 and an IDA19 Turnaround Allocation for FY21–FY23.

B. Background, and Political and Poverty Developments

7. 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

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.

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. Two additional PACGs are under preparation: Urban Resilience Project, Phase II (US\$50 million IDA) and the Integrated Statistics and Economic Planning Project (US\$25 million).

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). Meanwhile, African Union forces liberated the capital Mogadishu and other key strategic cities from Al Shabab. Since that time, the country has succeeded in rebuilding core state capabilities. Although much remains to be done to stabilize the country and secure lasting political settlement, the sustained political, economic and institutional reforms undertaken since 2016 supported by IMF Staff-Monitored Programs (SMPs), EU and World Bank financing, and extensive technical assistance, have succeeded in rebuilding core state capabilities.

8. 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.⁹ Poverty incidence is almost uniformly high in Somalia—poverty rates in Mogadishu, rural areas, internally displaced

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.

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.

9. In addition to monetary poverty, most 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.

⁹ 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 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.

11. Women and youth face particular 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.

12. 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 development of a social registry (a proposed Completion Point trigger), which will improve delivery of post-disaster assistance.¹⁰

C. Post-Conflict Macroeconomic and Structural Reform Track Record

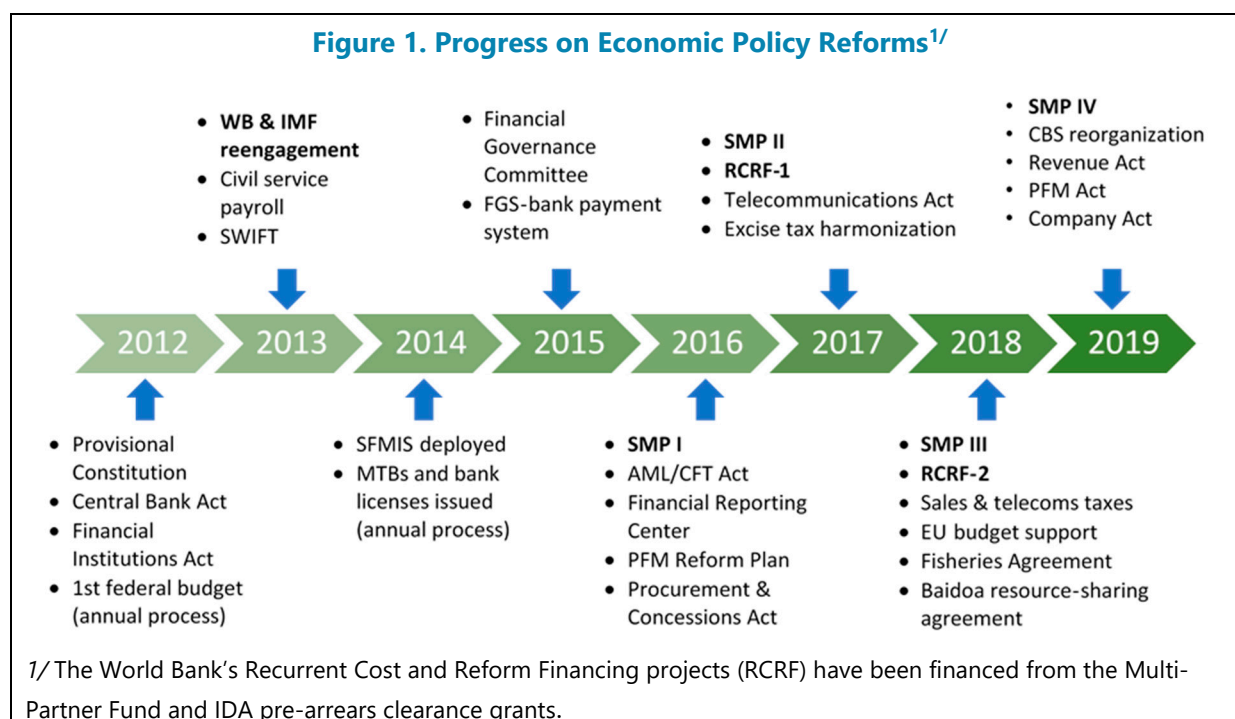
13. Despite the challenging environment, progress on reform and policy implementation has been good (Figure 1). Somalia has successfully completed three successive IMF SMPs, and sustained satisfactory performance under the current fourth SMP, further catalyzing donor support and improving confidence.

14. In addition to the coordinated support from the Bank and Fund, other development partners and creditors are intensively engaged with Somalia.¹¹ The African Development Bank (AfDB) has provided pre-arrears clearance grants and is expected to mobilize project-financing up to

¹⁰ 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.

¹¹ The IMF and the World Bank have provided coordinated support for reforms in all of the areas listed in these bullets through project and policy-based financing, technical assistance, capacity building, policy dialogue, and economic analysis.

about US\$86 million in 2020 (based on end-2019 exchange rate). The UK Department for International Development (DFID) has been actively supporting efforts to improve governance and strengthen institutions, particularly on public financial management (PFM) and customs modernization. The EU has an ongoing budget support program that focuses 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 Mutual Accountability Framework.¹²



15. With the support of the international community, the authorities' strong commitment to reforms and policy implementation are bearing fruit:

- Budget preparation and execution, and PFM.** Progress on budgeting and PFM are rapidly improving budget credibility and the fiscal framework. In 2015, the authorities established the offices of accountant general and auditor general to underpin financial governance. Accounting and reporting operations have improved with the implementation of the Somalia Financial Management Information System (SFMIS) in 2017, while PFM procedures and practices have

¹² The "Mutual Accountability Framework" agreed at was introduced in 2017 as part of the October 2019 Somalia New Partnership Forum for Somalia framework and sets out the critical reform priorities and objectives agreed between Somalia and its international partners for the period ahead. It is reviewed and updated at each Somalia Partnership Forum, with the latest version agreed in October 2019 and covering the period through 2020. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/613719/new-partnership-for-somalia-may-2017.pdf for more detail.

been institutionalized across the government. In 2018–19, significant progress was made on cash, arrears, and treasury management.

- **Revenue.** The significant increase in domestic revenue has been underpinned by reforms such as the introduction of sales tax, excise taxes on imported goods, and the establishment of a large-and-medium-taxpayers' office.
- **Fiscal federalism.** The authorities established the Intergovernmental Fiscal Forum (IGFF) in 2018, comprising Finance Ministers of the FGS and FMS, with the objective of developing a fiscal federalism model, and to help harmonize budget processes, PFM, accounting frameworks, and taxes. Under the IGFF, FGS and FMS have agreed on plans for the sharing of revenues, including those from natural resources and fisheries.
- **Monetary and financial reforms.** The CBS is in the process of establishing a more modern organizational structure, including strengthening its accounting, audit and governance processes. In addition, there has been significant progress in strengthening financial sector supervision, including deepening the licensing and inspections processes, and, more recently, by the extension of oversight to mobile money services providers. A financial sector roadmap has been developed to guide future progress.
- **Important steps have been taken to strengthen the AML/CFT regime since 2015.** In response to the withdrawal of correspondent banking relationship, the authorities launched a multi-agency task force and an advisory council to facilitate remittances. In 2017, they established a Financial Reporting Center to contribute to the protection of Somalia's financial system and banks and money-transfer businesses are submitting large and suspicious transactions reports. To comply with the AML/CFT framework, they enacted a new AML/CFT Law and have issued AML/CFT regulations that apply to all financial institutions.
- **Economic and financial data.** Efforts to rebuild statistical institutions are proceeding. In 2017, the authorities established the Somali National Bureau of Statistics and submitted the Statistical Law to Parliament. They began producing and publishing comprehensive monthly CPI data and reports in 2018. Progress is being made toward improving key macroeconomic statistics, including consumer prices, balance of payments, public debt, and national accounts.
- **The authorities have made significant strides in improving governance and adopting measures aimed at mitigating the risk of corruption.** Reforms implemented under consecutive SMPs have contributed to these efforts, including in the areas of public financial management (PFM), central bank governance and organization, financial regulation and supervision, and AML/CFT. Second, fiscal transparency has improved with Somalia now participating in the Open Budget Survey, publication of monthly revenue and expenditure reports, and the release of the audit report for 2018. In addition, a new Anti-Corruption Act was enacted in October 2019. These efforts will need to be sustained and deepened to reduce the perception of widespread corruption.

16. Reforms have translated into economic results. Although agriculture continues to be hit by adverse weather conditions, economic activity has been supported by strong activity in the telecom, trade, construction, and financial sectors, with GDP growth estimated at 2.8–2.9 percent in 2018–19.¹³ While inflation eased to 3.2 percent in 2018, further climate shocks in 2019 has seen it increase again to 4.0 percent in 2019, though still down from 6.1 percent in 2017. The trade deficit remains large, but it is largely financed by official grants and remittances. Within the context of consecutive IMF SMPs, domestic revenue mobilization has been strong—increasing by over 70 percent since 2016 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.

17. Although progress has been significant, further work remains in all of these areas. Critical work will continue in fiscal federalism, fiscal 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.

MEDIUM-TO LONG-TERM STRATEGY AND PROSPECTS

A. Macroeconomic Outlook

18. 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.

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,¹⁴ with per-capita growth to reach about 2 percent over the long-run. 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

¹³ 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.

¹⁴ A pickup in growth following the Decision Point is consistent with the experience of other HIPC countries. 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.

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.

19. 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 arrears.

20. Risks to the outlook are significant and reflect the drivers of Somalia’s fragility—weak security, political tensions, and vulnerability to climate shocks.¹⁵ However, these risks are mitigated by strong international support, together with the authorities’ drive to build resilience, and enhance political dialogue. In addition, the authorities’ demonstrated capacity of implementing difficult reforms in the context of four successive SMPs mitigates overall risks to program implementation.

B. The Interim Poverty Reduction Strategy

21. 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.

22. 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. The resulting document transparently incorporates input received during consultation rounds.

23. 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. In particular, NDP9 presents a comprehensive strategy to reduce poverty.

¹⁵ 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.

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

25. The authorities submitted NDP9 to IDA and the IMF on October 15, 2019, to fulfill the HIPC Initiative’s poverty reduction strategy requirement. Staff are currently preparing the Joint Staff Advisory Note on NDP9.

DEBT RELIEF AND POSSIBLE HIPC AND MDRI ASSISTANCE

A. Debt Reconciliation Status

26. The preliminary DRA below is based on a provisional reconciliation of public and publicly-guaranteed external debt data at end-2018 provided by the authorities and creditors.¹⁶ 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.¹⁷ According to the information provided by Somalia’s authorities, no commercial debt is outstanding.

B. Structure of External Debt

27. At end-2018, the public and publicly guaranteed external debt of the FGS was estimated at US\$5.3 billion, in nominal terms (Table 2). 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 AMF (5.4 percent), and AFESD (3.5 percent). IFAD, OFID and 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 57.9 percent of total nominal debt at end-2018. Non-Paris Club official creditors are Algeria, Bulgaria, Iraq, Kuwait Fund for Arab Economic Development, Libya, Romania, Saudi Fund for

¹⁶ 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.

¹⁷ 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.

Development, Serbia, and United Arab Emirates, accounting for an estimated 13.2 percent of total external debt.¹⁸

28. 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 2. 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	5,262.4	100.0	5,042.0	100.0	5,234.9	100.0	3,501.5	100.0
Multilateral	1,520.3	28.9	1,324.7	26.3	1,494.3	28.5	1,494.3	42.7
World Bank	501.0	9.5	341.2	6.8	478.9	9.1	478.9	13.7
IMF	335.1	6.4	335.1	6.6	335.1	6.4	335.1	9.6
AfDB Group	137.2	2.6	106.4	2.1	134.0	2.6	134.0	3.8
AMF	285.7	5.4	285.7	5.7	285.7	5.5	285.7	8.2
Others 4/	261.3	5.0	256.4	5.1	260.6	5.0	260.6	7.4
Bilateral	3,742.1	71.1	3,717.3	73.7	3,740.6	71.5	2,007.2	57.3
Paris Club 5/	3,045.1	57.9	3,023.6	60.0	3,044.5	58.2	1,501.2	42.9
Other official Bilateral	696.9	13.2	693.7	13.8	696.2	13.3	506.0	14.4

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.

¹⁸ 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 preliminary debt relief analysis, the loan is included in the HIPC-eligible debt stock, with outright cancellation by the creditor assumed.

C. Possible Assistance Under the HIPC Initiative

29. 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.¹⁹ After full application of traditional debt relief mechanisms, the country’s NPV of debt is estimated at US\$3.5 billion at end-2018, equivalent to 328.9 percent of exports of goods and services.²⁰

30. 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\$1.9 billion in end-2018 NPV terms. This implies a common reduction factor (CRF) of 54.4 percent. Based on proportional burden sharing, multilateral creditors’ assistance would amount to US\$0.8 billion, and bilateral and commercial creditors’ assistance to US\$1.1 billion (in NPV terms) (Table 3, Figure 3).

Table 3. HIPC Initiative Assistance under a Proportional Burden Sharing Approach
(in millions of US\$, unless otherwise indicated)

	NPV of Debt (end-2018) (A) 1/	NPV of Debt Post-HIPC (B)	Reduction of the NPV of Debt due to HIPC (A-B)
Total	3,501.5	1,596.9	1,904.6
(as percent of exports)	328.9	150.0	178.9
of which			
Multilaterals	1,494.3	681.5	812.8
Bilateral	2,007.2	915.4	1,091.8
Memorandum Items			
Common reduction factor (percent)	54.4		
Exports 2/	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).

¹⁹ 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 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 ID/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.

²⁰ 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).

31. 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).²¹

- **IDA** assistance under the HIPC Initiative and the MDRI would amount to US\$439.8 million in end-2018 NPV terms, which is equivalent to a reduction of 91.8 percent of the NPV of debt to IDA at end-2018.²² It is expected the IDA would deliver 71.2 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.²³ Through the clearance of arrears, IDA would have delivered its full share of HIPC debt relief and would 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 end-2018 anticipated assistance in nominal values are provided in Table 10. The remaining relief would be provided through MDRI relief at Completion Point.
- **IMF** HIPC assistance would amount to US\$182.3 million in end-2018 NPV terms, of which US\$9.8 million would represent the cost of the subsidization of PRGT interest.²⁴ 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 ECF 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 11).²⁵
- **AfDB Group's** assistance would amount to US\$72.9 million in end-2018 NPV terms and would be entirely delivered through an arrears clearance operation.

²¹ The Completion Point will be achieved once all Completion Point triggers approved at the Decision Point have been achieved. A preliminary set of Completion Point triggers—for feedback from Executive Directors—is presented in Box 3.

²² 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.

²³ See Section D for a description of the modalities of arrears clearance and accounting of the concessionality of arrears clearance as part of the delivery of HIPC debt relief for multilateral creditors.

²⁴ 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.

²⁵ 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's 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\$297.2 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.
- **Paris Club** creditors are assumed to provide their share of HIPC debt relief through a Cologne flow operation (i.e., a 90 percent NPV reduction on non-ODA debt and a 100 percent rescheduling on highly concessional terms on ODA debt) after Somalia reaches its Decision Point,²⁶ with the remaining HIPC assistance delivered through a stock of debt operation at the Completion Point. The HIPC assistance is estimated at US\$816.56 million in end-2018 NPV terms.
- 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.²⁷ The HIPC assistance allocated to these creditors is estimated at US\$275.2 million in end-2018 NPV terms.

D. External Arrears Clearance Strategy

32. 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. Details for clearing arrears to major multilateral creditors are in advanced stage of preparation. Most of the arrears are expected to be cleared through concessional arrears clearance or concessional rescheduling operations and Somalia has already secured preliminary offers of debt relief from some key non-Paris Club creditors; these negotiations are expected to advance and expand once Paris Club terms have been confirmed. 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.²⁸

33. Somalia's arrears to IDA are expected to be cleared early March 2020 through a bridge loan provided by a bilateral donor. Somalia will then use up to US\$375 million of the proceeds of a Development Policy Grant (DPG) to repay the bridge loan. The amount of the DPG used to repay the bridge loan is financed with an exceptional allocation from the IDA arrears clearance set-aside,

²⁶ In the interim period, the arrears of pre-cutoff non-ODA debt would receive a stock of debt reduction under Naples terms (i.e. 67 percent), while a Cologne flow operation would be applied to the remaining 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 (Table 5).

²⁷ Paris Club terms will be confirmed once the Agreed Minute of the meeting to agree terms has been issued.

²⁸ See "HIPC Debt Initiative: The Chairman's Summary of the Multilateral Development Banks' Meeting," March 6, 1998, IDA/Sec M98-90.

provided on grant terms, and in accordance with IDA's systematic approach to the clearance of arrears.²⁹

34. Arrears to the IMF are expected to be cleared in early-2020 through a bridge loan obtained from a bilateral donor. This will place the IMF in a position to approve new financing for Somalia, which is expected to be provided under a blend of financing from the ECF and EFF. The new Fund arrangement will be front-loaded given the large upfront balance of payments need; the authorities plan to use the proceeds to repay the bridge loan.

35. Arrears to the AfDB Group are expected to be cleared in February 2020 through an operation under the framework of the Transition Support Facility (TSF). Under this framework, the cost for clearing arrears is generally shared by the country, donors, and the TSF with the proportion of the cost covered by each participant determined on a case by case basis.³⁰

36. The authorities have made progress in discussions on clearance of arrears with other multilateral creditors. The AMF and AFESD, which are owed a large share of remaining arrears to multilateral creditors, are expected to clear arrears through rescheduling at highly concessional terms, as in previous HIPC cases. The authorities have also approached the remaining three smaller creditors (IFAD, IsDB and OFID). All remaining multilateral creditors are assumed to clear arrears at the Completion Point on terms consistent with Somalia's limited repayment capacity. Following the Boards' discussion on the Preliminary HIPC document, staffs of the Bank and Fund will communicate the outcome of the DRA and calculated CRF to all other multilateral creditors confirm the IMF and IDA intention to provide debt relief, and request confirmation of their plans to deliver debt relief consistent with that.

37. Somalia is expected to be accorded an exceptional debt restructuring treatment by the Paris Club. In the context of the adoption of an ECF-supported program in early 2020, Paris Club creditors would agree to provide an exceptional debt treatment to Somalia, beyond the standard Naples terms. Somalia will seek comparable treatment from all its non-Paris Club bilateral creditors.

38. Based on these assumptions, 100 percent of the HIPC debt relief due from multilateral creditors (US\$812.8 million in NPV terms) would be provided through financing in support of clearance of Somalia's arrears.³¹ As a result of arrears clearance operations, Somalia's future debt service payments due to multilaterals would increase cumulatively from US\$206.0 million before arrears clearance to US\$695.74 million after arrears clearance. The repayment of the IMF arrangement would also induce a sharp increase in the debt service in 2025 (there will be no principal obligations falling due for the first 4½ years after the Decision Point). However, most of

²⁹ This approach is described in IDA, "Further Elaboration of a Systematic Approach to Arrears Clearance," June 2007.

³⁰ AfDB is expected to define the modalities of the arrears clearance operation in January 2020.

³¹ 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.

this increase would be netted out by beyond-HIPC relief provided by the IMF at the Completion Point.

39. Following the Decision Point, IDA will provide strong support to Somalia consistent with its risk of debt distress and the IDA grant allocation framework. Somalia's annual debt service during the interim period to IDA, IFAD, AfDB is estimated to average US\$17.6 million or 7.4 percent of projected fiscal revenues. It is expected that IDA will maintain strongly positive net flows to Somalia, including through support included in DPOs.³² Similarly, the AfDB is expected to provide additional grant financing.

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

40. On reaching the Completion Point, Somalia would qualify for MDRI debt relief from IDA and the AfDB and for beyond-HIPC assistance from the IMF. 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 end-2022, preliminary estimates indicate that MDRI debt relief could amount to US\$116.6 million in 2022 NPV terms. Of this amount, US\$96.8 million would be provided by IDA, and US\$19.8 million by the AfDB Group (Table 7).

41. The country has no debt eligible for MDRI relief from the IMF.³³ 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 debt relief under the HIPC initiative. This would include any Fund 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.³⁴

42. Some Paris Club official creditors would provide debt relief under bilateral initiatives beyond the HIPC Initiative. Pending Somalia's successful implementation of the HIPC Initiative process, some 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 12). This additional assistance would amount to US\$719 million in end-2022 NPV terms.

³² The proposed IDA DPG would include US\$45 million of budget support, which would ensure positive net-flows to Somalia during the interim period.

³³ 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.

³⁴ 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. Consequently, beyond-HIPC relief would also apply to the first disbursement of this additional access.

F. Expected Impact of Debt Relief and Sensitivity Analysis

43. Simulations under a baseline and two alternative scenarios, lower export and lower growth, were conducted to test the sustainability of Somalia’s external debt after the provision of debt relief (Table 9, 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 1. Under this scenario, Somalia’s NPV of debt-to-exports ratio gradually declines to 57 percent in 2027, and then drops further to 41.5 percent in 2038. The debt service-to-exports ratio initially increases slightly after the expected Completion Point, peaking at 2.5 percent in 2027, but then decreasing gradually to 1.9 percent in 2038, its long-run average.³⁵
- **First alternative scenario.** This scenario highlights the sensitivity of debt indicators to the 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 22 percentage points just before the assumed Completion Point. The deterioration then narrows to around 10 percentage points through to 2029, before declining to 7.5 percentage points in the long term. At this point, the NPV of debt-to-exports ratio has dropped to around 49 percent.
- **Second alternative 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, and, on average, about 27 percentage points higher over the long-term, and on an increasing trend.

THE DECISION AND FLOATING COMPLETION POINTS

A. Possible Decision Point Timing

44. Somalia could reach the HIPC Decision Point by the end of March 2020—at the time of IMF Board consideration of the proposed financing program under the ECF/EFF. This is based on the assumption that the authorities have maintained satisfactory performance under the SMP and that Somalia has cleared its arrears to IDA, the IMF, and the AfDB. It further assumes that

³⁵ 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.

Somalia has completed the prior actions for the proposed IDA DPG and that satisfactory financing assurances have been secured to cover the IMF's portion of Somalia's debt relief.

Box 1. 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.

B. Possible Triggers for the Floating Completion Point

45. **IMF and IDA staffs have discussed a preliminary set of Completion Point triggers with the authorities (Box 2); these will be finalized in the Decision Point document, taking into account feedback from IMF and IDA Executive Directors.** In addition to the standard Completion Point triggers on implementation of the poverty reduction strategy and maintenance of macroeconomic stability, Somalia's possible triggers include actions 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. The proposed triggers have been carefully calibrated to take account of reforms achieved to date, as well as the authorities' likely capacity to deliver given ongoing and planned capacity building support from the IMF, World Bank, and other development partners. The triggers also complement the likely reform objectives to be outlined in the new IMF ECF-supported arrangement and WB DPG. The policy anchors for the new Fund arrangement are likely to involve strengthening PFM, including debt management; domestic revenue mobilization; continued deepening of CBS capacity; and, enhancing governance (including AML-CFT). The World Bank is expected to support the FGS and FMS implement reforms in health and education, and adopt the social registry.

46. The proposed Completion Point triggers are critical for enhancing growth, improving fiscal sustainability, and reducing poverty. They will also support the authorities' state-building efforts. For instance, the adoption and application of a single import duty tariff will enhance fiscal sustainability by supporting higher domestic revenue mobilization; it will also support higher growth by facilitating trade integration. Those triggers that target public financial and expenditure management together with those aimed at governance and anti-corruption, will help ensure the effective management of scarce financial resources, while enhancing the legitimacy of the state. Debt management reforms will help enhance debt transparency, institutions, and capacity. The triggers supporting private sector development are expected to support growth through increased FDIs, which will help create jobs and thus sustainably support poverty reduction. Implementation of the poverty reduction strategy—most notably measures in NDP9's Human Development Pillar aimed at improving maternal and child health; increasing access to services in rural areas; and boosting youth employment—is critical for poverty reduction. The triggers requiring inter-governmental agreements on education and health would enhance these measures by promoting greater coherence across FGS and FMS service delivery and reducing the fragmentation of programs arising from off-budget programs. Finally, the establishment of the social registry is expected to provide the cornerstone for future social programs by enhancing the targeting of services and speeding up the provision of post-disaster assistance.

47. 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.

C. Monitoring Public Spending Following Provision of HIPC Assistance

48. Securing the effective use of public spending for poverty reduction and inclusive growth is a key objective of the HIPC Initiative. 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.

Box 2. Triggers for the Floating Completion Point

Poverty reduction strategy implementation

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

Macroeconomic stability

- Maintain macroeconomic stability as evidenced by satisfactory implementation of the 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 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"

49. While the FGS does not have a budget classification by program or a fully functional budget classification, there are mechanisms in place that can be used to monitor the use of resources made available by the HIPC Initiative. 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.

50. 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\$16.7 million annually during calendar years 2020-22 (roughly the interim period) in a scenario of enhanced HIPC assistance and multilateral arrears clearance (Table 6). While this 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.

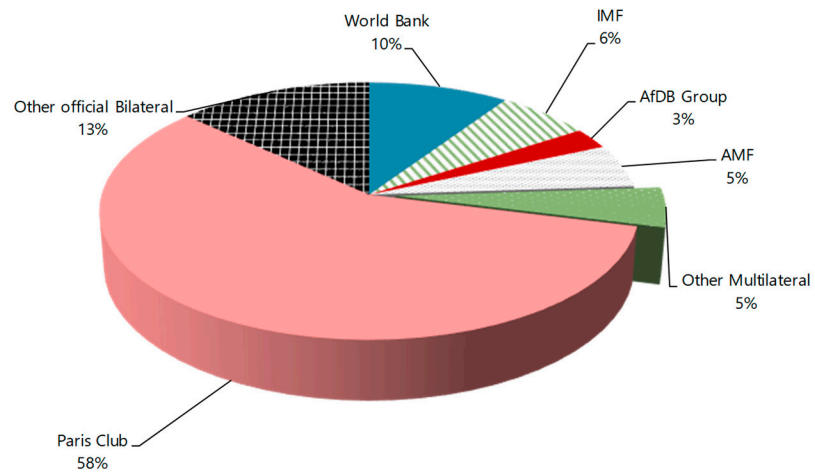
ISSUES FOR DISCUSSION

51. This paper presents a preliminary assessment of Somalia's eligibility for assistance under the enhanced HIPC Initiative. Executive Directors' views and guidance are sought in particular on the following issues:

- **Eligibility:** Do Executive Directors agree that Somalia is eligible for assistance under the enhanced HIPC Initiative?
- **Timing of the Decision Point:** Do Directors agree with the staffs' recommendation that Somalia could reach its Decision Point by end-March 2020, together with the approval of a ECF arrangement by the IMF Board, provided that (i) Somalia has a current six month track record of satisfactory performance under a program of upper-credit tranche policy conditionality with the IMF; (ii) satisfactory financing assurances have been secured to cover the IMF's share of debt relief; (iii) Somalia clears its arrears to its multilateral creditors or agrees on a strategy to clear them; and (iv) Somalia agrees on appropriate Completion Point triggers?
- **Floating Completion Point:** What are the Executive Directors' views on possible key policy measures ("triggers" against which satisfactory performance would have to be measured) linked to the floating Completion Point?

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

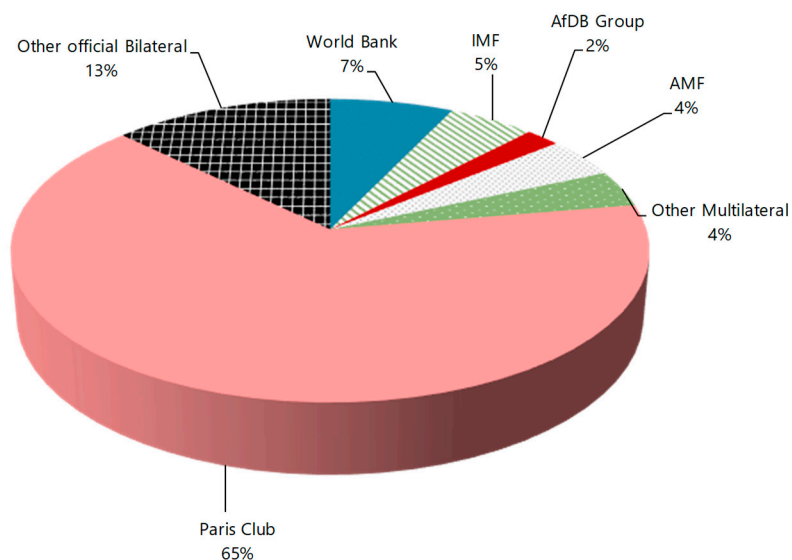
Nominal Stock: US\$ 5,262.4 million



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

Figure 3. Somalia: Potential Costs of the HIPC Initiative by Creditor ^{1/}

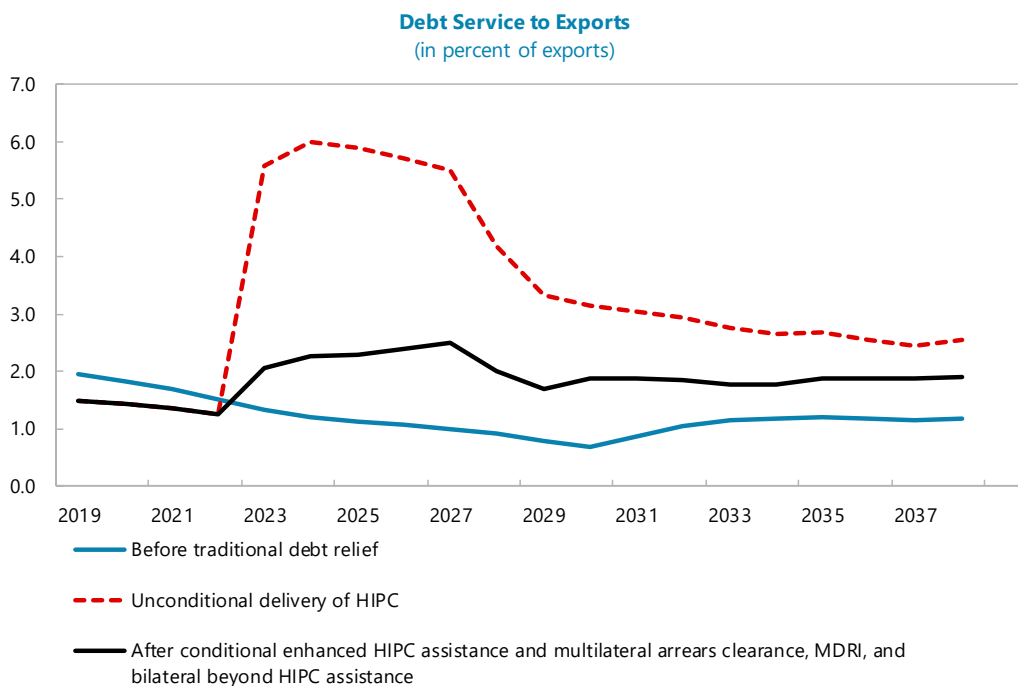
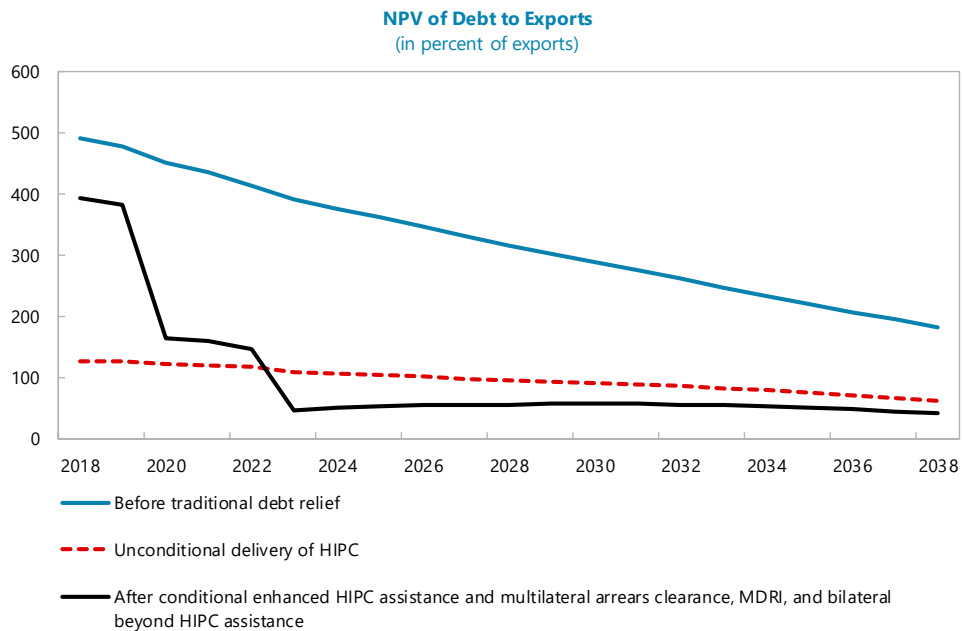
NPV as of end 2018: US \$3,638.03 million



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

^{1/} Excluding the costs of the delivery of traditional debt relief by bilateral creditors.

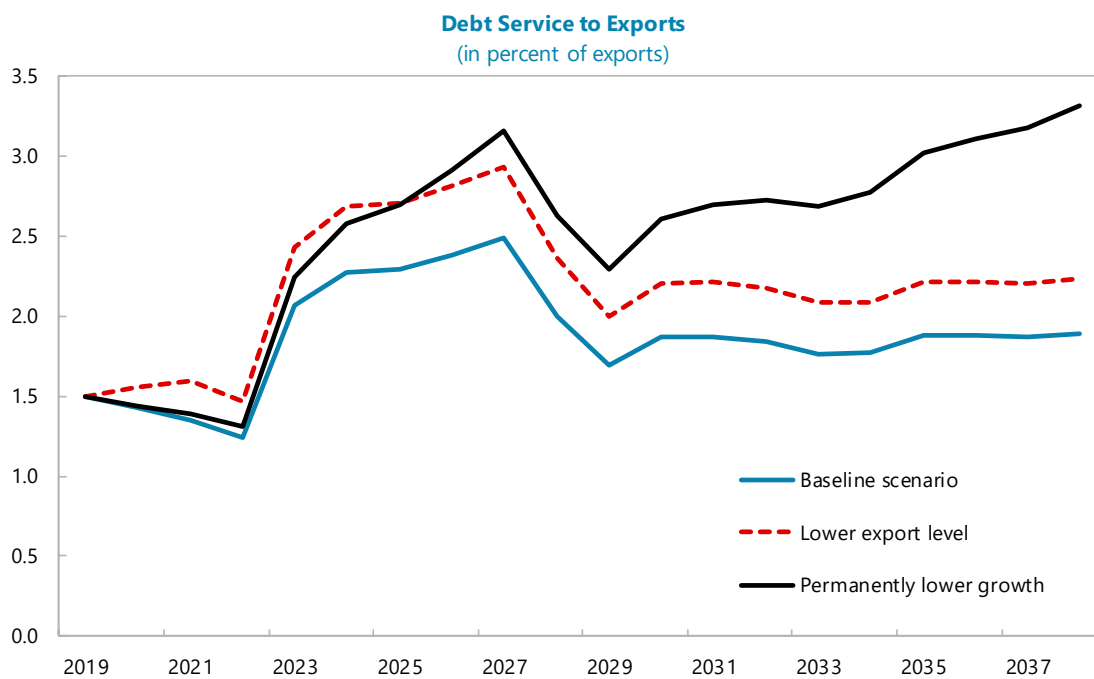
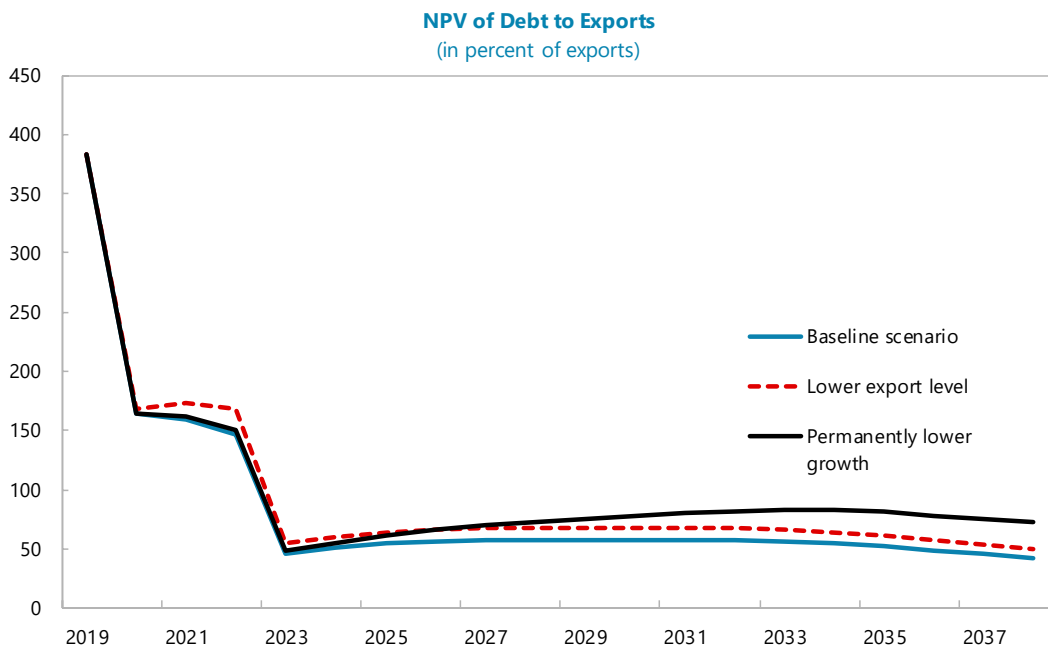
Figure 4. External Debt Sustainability Indicators, 2018-38



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 4. 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/		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	5,262.4	100.0	5,042.0	100.0	5,234.9	100.0	3,501.5	100.0
Multilateral	1,520.3	28.9	1,324.7	26.3	1,494.3	28.5	1,494.3	42.7
World Bank	501.0	9.5	341.2	6.8	478.9	9.1	478.9	13.7
IMF	335.1	6.4	335.1	6.6	335.1	6.4	335.1	9.6
AfDB Group	137.2	2.6	106.4	2.1	134.0	2.6	134.0	3.8
AFESD	181.9	3.5	181.9	3.6	181.9	3.5	181.9	5.2
AMF	285.7	5.4	285.7	5.7	285.7	5.5	285.7	8.2
IFAD	30.9	0.6	25.9	0.5	30.2	0.6	30.2	0.9
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	3,742.1	71.1	3,717.3	73.7	3,740.6	71.5	2,007.2	57.3
Paris Club 4/	3,045.1	57.9	3,023.6	60.0	3,044.5	58.2	1,501.2	42.9
Post-cutoff date	72.4	1.4	72.4	1.4	72.4	1.4	71.5	2.0
ODA	39.5	0.8	39.5	0.8	39.5	0.8	39.0	1.1
Non-ODA	32.9	0.6	32.9	0.7	32.9	0.6	32.5	0.9
Pre-cutoff date	2,972.7	56.5	2,951.2	58.5	2,972.0	56.8	1,429.7	40.8
ODA	734.8	14.0	713.3	14.1	734.1	14.0	682.3	19.5
Non-ODA	2,237.9	42.5	2,237.9	44.4	2,237.9	42.7	747.4	21.3
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	0.1
France	417.8	7.9	417.8	8.3	417.8	8.0	143.1	4.1
Italy	615.2	11.7	615.2	12.2	615.2	11.8	410.6	11.7
Japan	118.6	2.3	118.6	2.4	118.6	2.3	118.3	3.4
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	686.1	13.0	686.1	13.6	686.1	13.1	230.0	6.6
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	0.8
United States	1,065.4	20.2	1,044.3	20.7	1,064.7	20.3	515.4	14.7
Other official bilateral	696.9	13.2	693.7	13.8	696.2	13.3	506.0	14.4
Post-cutoff date	23.9	0.5	23.9	0.5	23.9	0.5	23.6	0.7
Pre-cutoff date	673.0	12.8	669.8	13.3	672.3	12.8	482.4	13.8
ODA	468.8	8.9	465.6	9.2	468.1	8.9	415.5	11.9
Non-ODA	204.2	3.9	204.2	4.1	204.2	3.9	66.8	1.9
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	180.9	3.4	180.9	3.6	180.9	3.5	59.2	1.7
Kuwait	118.9	2.3	118.9	2.4	118.9	2.3	87.5	2.5
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	2.4
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	6.9

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 bilateral loans for which IDA acts as administrative agent. As of November 1, 2005, all Paris Club SAC creditors (Belgium, Denmark, Germany, France, The Netherlands and the United-Kingdom) have decided to classify these credits as bilateral creditor loans and cancel their them at Completion

Table 5. 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 6. 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	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	83.4	83.3	83.2	106.0	104.7	103.3	105.8	108.3	87.4	90.4	92.8	95.0	104.4	114.7	124.0	132.5	155.0	164.4	175.0	187.7	95.6	134.6
Existing debt	83.4	83.3	83.2	106.0	104.7	103.3	104.7	105.9	84.0	86.2	87.8	89.2	92.9	97.2	101.7	105.9	125.0	130.7	137.7	146.8	94.5	111.5
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/	66.3	66.3	66.4	89.6	88.8	88.0	89.7	91.4	70.4	73.7	77.3	81.1	85.5	90.1	95.3	100.9	120.6	128.4	137.2	146.6	79.1	106.3
Paris Club	48.3	48.4	48.4	66.9	66.3	65.7	67.3	69.1	52.7	55.7	59.0	62.5	66.5	70.8	75.6	80.7	94.8	101.7	109.4	117.8	58.9	83.9
Other official Bilateral	18.0	18.0	18.0	22.7	22.5	22.3	22.3	17.7	18.0	18.3	18.6	18.9	19.3	19.8	20.2	25.8	26.7	27.8	28.8	20.2	22.4	
Debt service to exports ratio	7.3	7.0	6.7	8.1	7.5	7.0	6.8	6.5	5.0	4.9	4.7	4.5	4.7	4.8	4.9	4.9	5.4	5.3	5.3	5.4	6.7	5.0
Debt service to revenue ratio	42.5	35.6	31.2	34.8	29.1	24.0	20.5	17.6	12.4	11.3	10.8	10.4	10.9	10.9	10.8	10.6	11.3	11.0	11.0	11.1	25.9	10.9
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	17.1	17.0	16.8	16.4	16.4	16.4	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
Existing debt	17.1	17.0	16.8	16.4	16.4	16.4	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
Multilateral	17.1	17.0	16.8	16.4	16.4	16.4	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
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 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	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	0.0	0.0	0.0	0.0	54.9	65.9	68.8	67.5	65.3	43.4	31.2	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	31.6	27.6
Paris Club	0.0	0.0	0.0	0.0	41.3	49.6	51.3	50.2	48.4	31.3	22.1	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	22.5	19.5
Other official Bilateral	0.0	0.0	0.0	0.0	13.6	16.4	17.5	17.3	16.9	12.1	9.1	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	9.1	9.4	8.1
Debt service to exports ratio	1.5	1.4	1.4	1.2	5.6	6.0	5.9	5.7	5.5	4.2	3.3	3.1	3.0	2.9	2.8	2.6	2.7	2.6	2.5	2.5	3.8	2.8
Debt service to revenue ratio	8.7	7.2	6.3	5.4	21.6	20.6	17.9	15.3	13.6	9.7	7.6	7.3	7.1	6.6	6.1	5.7	5.7	5.3	5.1	5.2	12.6	6.2
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 6. 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	2029 - 2038		
IV. Debt Service after HIPC and MDRI Assistance																								
Total	17.1	17.0	16.8	16.4	62.5	73.5	77.5	80.4	83.0	65.9	55.3	57.9	60.7	62.6	63.5	66.7	73.0	76.5	79.9	88.5	51.0	68.5		
Existing debt	17.1	17.0	16.8	16.4	62.5	73.5	76.3	78.0	79.7	61.6	50.3	52.1	49.1	45.2	41.2	40.1	43.0	42.8	42.6	47.5	49.9	45.4		
Multilateral	17.1	17.0	16.8	16.4	7.6	7.6	7.6	10.5	14.3	18.2	19.1	25.5	22.5	18.6	14.6	13.5	16.3	16.2	16.1	15.9	13.3	17.8		
World Bank	14.1	14.0	13.8	13.4	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	5.5	0.0		
IMF 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.8	10.6	11.6	11.6	8.7	4.8	1.0	0.0	0.0	0.0	0.0	0.0	2.0	3.8		
AfDB Group	2.5	2.5	2.5	2.5	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	1.0	0.0		
Others 3/	0.5	0.5	0.5	0.5	7.6	7.6	7.6	7.6	7.6	7.6	7.5	13.9	13.8	13.7	13.6	13.5	16.3	16.2	16.1	15.9	4.7	14.1		
Bilateral	0.0	0.0	0.0	0.0	54.9	65.9	68.8	67.5	65.3	43.4	31.2	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6	31.6	27.6		
Paris Club	0.0	0.0	0.0	0.0	41.3	49.6	51.3	50.2	48.4	31.3	22.1	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	22.5	19.5		
Other official Bilateral	0.0	0.0	0.0	0.0	13.6	16.4	17.5	17.3	16.9	12.1	9.1	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	9.1	8.1		
Debt service to exports ratio	1.5	1.4	1.4	1.2	4.5	5.0	5.0	4.9	4.7	3.5	2.8	2.8	2.7	2.6	2.5	2.5	2.5	2.4	2.5	2.4	3.3	2.6		
Debt service to revenue ratio	8.7	7.2	6.3	5.4	17.4	17.1	15.0	13.0	11.8	8.2	6.4	6.4	6.3	5.9	5.5	5.3	5.3	5.1	5.0	5.2	11.0	5.7		
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	17.1	17.0	16.8	16.4	28.7	33.5	35.8	39.4	43.5	37.2	33.4	39.1	41.9	43.9	44.8	47.9	54.2	57.8	61.2	66.0	28.5	49.0		
Existing debt	17.1	17.0	16.8	16.4	28.7	33.5	34.6	37.0	40.1	32.9	28.4	33.4	30.4	26.4	22.4	21.4	24.2	24.0	23.9	25.0	27.4	25.9		
Multilateral	17.1	17.0	16.8	16.4	7.6	7.6	7.6	10.5	14.3	18.2	19.1	25.5	22.5	18.6	14.6	13.5	16.3	16.2	16.1	15.9	13.3	17.8		
World Bank	14.1	14.0	13.8	13.4	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	5.5	0.0		
IMF 8/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.8	10.6	11.6	11.6	8.7	4.8	1.0	0.0	0.0	0.0	0.0	0.0	2.0	3.8		
AfDB Group	2.5	2.5	2.5	2.5	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	1.0	0.0		
Others 3/	0.5	0.5	0.5	0.5	7.6	7.6	7.6	7.6	7.6	7.6	7.5	13.9	13.8	13.7	13.6	13.5	16.3	16.2	16.1	15.9	4.7	14.1		
Bilateral	0.0	0.0	0.0	0.0	21.1	26.0	27.0	26.5	25.7	14.7	9.4	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	9.1	14.1		
Paris Club 9/	0.0	0.0	0.0	0.0	7.6	9.6	9.5	9.2	8.9	2.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.7	0.0		
Other official Bilateral	0.0	0.0	0.0	0.0	13.6	16.4	17.5	17.3	16.9	12.1	9.1	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	9.1	9.4		
Debt service to exports ratio	1.5	1.4	1.4	1.2	2.1	2.3	2.3	2.4	2.5	2.0	1.7	1.9	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.8		
Debt service to revenue ratio	8.7	7.2	6.3	5.4	8.0	7.8	6.9	6.4	6.2	4.6	3.9	4.3	4.4	4.2	3.9	3.8	4.0	3.9	3.8	3.9	6.8	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 result of																								
Traditional debt relief mechanisms	-61.0	-61.5	-62.3	-86.1	-86.1	-85.6	-88.3	-90.5	-70.1	-73.5	-77.1	-80.9	-85.3	-89.9	-95.1	-100.8	-120.4	-128.2	-137.1	-146.6	-76.5	-106.1		
HIPC initiative assistance and multilateral arrears clearance	5.3	4.8	4.1	3.5	-59.3	-70.7	-74.5	-76.6	-78.9	-60.9	-49.7	-51.9	-48.9	-45.0	-41.0	-40.0	-42.8	-42.6	-42.5	-47.5	-40.3	-45.2		
Additional MDRI assistance	0.0	0.0	0.0	0.0	15.4	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	8.4	5.2		
Additional bilateral beyond HIPC assistance	0.0	0.0	0.0	0.0	33.8	40.0	41.8	41.0	39.6	28.7	21.9	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	22.5	22.5	19.5		
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 end-December 2022).

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 7. 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	2028 - 2038
I. Before traditional debt relief and multilateral arrears clearance																							
NPV of total debt	5,234.9	5,218.3	5,201.7	5,185.4	5,169.7	5,154.8	5,247.6	5,346.5	5,426.7	5,499.5	5,560.0	5,632.1	5,712.4	5,791.3	5,862.3	5,920.8	5,970.2	6,002.7	6,008.7	6,014.2	6,017.9	5,268.5	5,863.0
NPV of outstanding debt	5,234.9	5,218.3	5,201.7	5,185.4	5,169.7	5,154.8	5,140.2	5,126.6	5,113.6	5,101.7	5,090.6	5,081.2	5,073.9	5,067.1	5,060.5	5,054.4	5,049.6	5,045.2	5,042.8	5,042.3	5,042.1	5,164.7	5,059.1
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	1,324.8	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	3,740.6	3,736.3	3,732.2	3,728.6	3,725.5	3,723.2	3,721.0	3,719.8	3,719.0	3,718.8	3,718.6	3,718.5	3,718.5	3,718.2	3,718.0	3,717.9	3,717.7	3,717.5	3,717.4	3,717.3	3,717.3	3,717.3	3,717.3
Paris Club	3,044.5	3,040.2	3,036.2	3,032.8	3,029.8	3,027.5	3,025.5	3,024.4	3,023.7	3,023.7	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,023.6	3,030.8	3,023.6
Other official Bilateral	696.2	696.1	696.0	695.9	695.7	695.6	695.5	695.4	695.2	695.1	695.0	694.8	694.7	694.6	694.4	694.3	694.1	693.9	693.8	693.7	693.7	693.7	693.7
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	3,501.5	3,490.3	3,478.9	3,467.5	3,432.9	3,398.5	3,471.6	3,547.6	3,601.8	3,668.1	3,718.6	3,776.7	3,838.8	3,894.5	3,936.9	3,960.6	3,968.4	3,938.4	3,872.1	3,794.0	3,701.8	3,505.9	3,854.6
NPV of outstanding debt	3,501.5	3,490.3	3,478.9	3,467.5	3,432.9	3,398.5	3,364.3	3,327.7	3,288.7	3,270.3	3,249.2	3,225.8	3,200.3	3,170.3	3,135.1	3,094.2	3,047.8	2,981.0	2,906.3	2,822.1	2,726.0	3,402.1	3,050.7
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	1,324.8	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	2,007.2	2,008.3	2,009.5	2,010.7	1,988.7	1,966.9	1,945.1	1,920.9	1,894.1	1,887.4	1,877.2	1,863.1	1,844.7	1,821.4	1,792.6	1,757.7	1,715.9	1,653.3	1,580.8	1,497.1	1,401.2	1,963.9	1,709.5
Paris Club	1,501.2	1,501.5	1,501.8	1,502.1	1,484.0	1,465.9	1,447.8	1,427.5	1,404.7	1,397.7	1,387.4	1,373.5	1,355.6	1,333.2	1,305.7	1,272.6	1,233.2	1,178.6	1,115.4	1,042.4	958.6	1,463.4	1,232.4
Other official Bilateral	506.0	506.8	507.7	508.6	504.8	501.0	497.3	493.4	489.3	489.7	489.8	489.6	489.1	488.2	486.9	485.1	482.7	474.7	465.4	454.7	442.6	500.4	477.2
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	4,188.4	4,184.8	4,187.5	4,190.2	4,196.4	4,137.3	4,501.4	4,566.8	4,610.2	4,642.6	4,679.3	4,738.0	4,802.3	4,867.7	4,928.9	4,981.3	5,025.5	5,049.9	5,047.6	5,044.9	5,035.1	4,186.8	4,927.3
NPV of outstanding debt	4,188.4	4,184.8	4,187.5	4,190.2	4,196.4	4,137.3	4,394.1	4,346.9	4,297.1	4,244.7	4,209.9	4,187.0	4,163.8	4,143.6	4,127.1	4,114.9	4,104.9	4,092.4	4,081.8	4,073.0	4,059.4	4,082.9	4,123.4
Multilateral	447.8	443.3	438.8	434.4	430.2	419.2	408.5	397.8	384.4	367.6	347.7	328.1	303.6	282.1	264.3	250.7	239.2	225.2	213.0	202.4	192.0	417.2	259.0
World Bank	137.7	127.7	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	92.2	13.5
IMF	42.8	44.0	45.2	46.4	47.7	49.0	50.4	51.7	50.3	44.9	35.5	24.8	13.9	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	47.2	7.3
AfDB Group	27.6	25.7	23.8	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	18.7	2.9
Others 2/	239.6	245.9	252.4	259.0	265.8	265.8	265.7	265.6	265.5	265.3	265.2	265.3	258.8	252.3	245.7	238.9	232.1	222.3	212.3	202.2	191.9	259.1	235.2
Bilateral	3,740.6	3,741.5	3,748.7	3,746.8	3,746.3	3,718.1	4,097.3	4,169.9	4,213.0	4,247.9	4,281.6	4,315.3	4,349.0	4,382.7	4,416.4	4,450.1	4,483.8	4,517.5	4,551.2	4,584.9	4,618.6	4,652.3	4,686.0
Paris Club	3,044.4	3,045.3	3,046.2	3,047.1	3,048.0	3,048.9	3,049.8	3,050.7	3,051.6	3,052.5	3,053.4	3,054.3	3,055.2	3,056.1	3,057.0	3,057.9	3,058.8	3,059.7	3,060.6	3,061.5	3,062.4	3,063.3	3,064.2
Other official Bilateral	696.2	696.3	696.4	696.5	696.6	696.7	696.8	696.9	697.0	697.1	697.2	697.3	697.4	697.5	697.6	697.7	697.8	697.9	698.0	698.1	698.2	698.3	698.4
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 remaining 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 7. 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	2028 - 2038
IV. After unconditional delivery of enhanced HIPC assistance and multilateral arrears clearance 5/																							
NPV of total debt	1,365.1	1,390.1	1,414.2	1,441.4	1,469.0	1,437.3	1,501.4	1,566.8	1,610.2	1,642.6	1,679.3	1,738.0	1,802.3	1,867.7	1,928.9	1,981.3	2,025.5	2,049.9	2,047.6	2,044.9	2,035.1	1,483.8	1,927.3
NPV of outstanding debt	1,365.1	1,390.1	1,414.2	1,441.4	1,469.0	1,437.3	1,394.1	1,346.9	1,297.1	1,244.7	1,209.9	1,187.0	1,163.8	1,143.6	1,127.1	1,114.9	1,104.9	1,092.4	1,081.8	1,073.0	1,059.4	1,380.0	1,123.4
Multilateral	447.8	443.3	438.8	434.4	430.2	419.2	408.5	397.8	384.4	367.6	347.7	328.1	303.6	282.1	264.3	250.7	239.2	225.2	213.0	202.4	192.0	417.2	259.0
World Bank	137.7	127.7	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	92.2	13.5
IMF	42.8	44.0	45.2	46.4	47.7	49.0	50.4	51.7	50.3	44.9	35.5	24.8	13.9	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	47.2	7.3
AfDB Group	27.6	25.7	23.8	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	18.7	2.9
Others 2/	239.6	245.9	252.4	259.0	265.8	265.8	265.7	265.6	265.5	265.3	265.2	265.3	258.8	252.3	245.7	238.9	232.1	222.3	212.3	202.2	191.9	259.1	235.2
Bilateral	917.3	946.8	975.4	1,007.0	1,038.8	1,018.1	985.6	949.2	912.7	877.1	862.2	859.0	860.2	861.5	862.8	864.2	865.7	867.2	868.8	870.5	867.4	962.8	864.5
Paris Club	686.3	707.3	727.2	749.7	772.3	755.3	729.4	701.0	672.7	645.2	633.9	631.4	632.1	632.9	633.7	634.5	635.5	636.4	637.4	638.5	636.0	714.6	634.7
Other official Bilateral	231.0	239.5	248.2	257.4	266.5	262.8	256.2	248.1	240.0	232.0	228.4	227.6	228.1	228.6	229.1	229.6	230.2	230.8	231.4	232.0	231.4	248.2	229.7
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	4,188.4	4,184.8	1,887.5	1,902.1	1,829.8	1,332.8	1,408.9	1,486.4	1,541.6	1,585.2	1,632.3	1,700.0	1,771.4	1,843.5	1,911.2	1,969.5	2,018.4	2,046.9	2,046.9	2,044.6	2,035.0	2,134.8	1,910.9
NPV of outstanding debt	4,188.4	4,184.8	1,887.5	1,902.1	1,829.8	1,332.8	1,301.6	1,266.5	1,228.4	1,187.4	1,162.9	1,149.1	1,132.9	1,119.3	1,109.4	1,103.1	1,097.8	1,089.5	1,081.1	1,072.7	1,059.3	2,030.9	1,107.0
Multilateral	447.8	443.3	438.8	434.4	313.6	314.8	316.0	317.3	315.7	310.2	300.7	290.1	272.7	257.9	246.6	238.9	232.1	222.3	212.3	202.2	191.9	365.2	242.5
World Bank	137.7	127.7	117.5	107.1	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	0.0	0.0	0.0	0.0	49.0	0.0
IMF	42.8	44.0	45.2	46.4	47.7	49.0	50.4	51.7	50.3	44.9	35.5	24.8	13.9	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	47.2	7.3
AfDB Group	27.6	25.7	23.8	21.8	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	0.0	9.9	0.0
Others 2/	239.6	245.9	252.4	259.0	265.8	265.8	265.7	265.6	265.5	265.3	265.2	265.3	258.8	252.3	245.7	238.9	232.1	222.3	212.3	202.2	191.9	259.1	235.2
Bilateral	3,740.6	3,741.5	1,448.7	1,467.8	1,516.3	1,018.1	985.6	949.2	912.7	877.1	862.2	859.0	860.2	861.5	862.8	864.2	865.7	867.2	868.8	870.5	867.4	1,665.8	864.5
Paris Club	3,044.4	3,045.3	991.9	1,003.6	1,035.2	755.3	729.4	701.0	672.7	645.2	633.9	631.4	632.1	632.9	633.7	634.5	635.5	636.4	637.4	638.5	636.0	1,262.4	634.7
Other official Bilateral	696.2	696.3	456.8	464.2	481.1	262.8	256.2	248.1	240.0	232.0	228.4	227.6	228.1	228.6	229.1	229.6	230.2	230.8	231.4	232.0	231.4	403.4	229.7
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	4,188.4	4,184.8	1,887.5	1,902.1	1,829.8	613.8	707.5	804.9	880.0	942.7	998.7	1,068.6	1,139.3	1,210.6	1,277.5	1,334.9	1,382.9	1,410.5	1,409.5	1,406.1	1,399.0	1,794.2	1,276.2
NPV of outstanding debt	4,188.4	4,184.8	1,887.5	1,902.1	1,829.8	613.8	600.2	585.0	566.8	544.9	529.3	517.7	500.8	486.5	475.7	468.6	462.3	453.1	443.7	434.2	423.3	1,690.3	472.3
Multilateral	447.8	443.3	438.8	434.4	313.6	314.8	316.0	317.3	315.7	310.2	300.7	290.1	272.7	257.9	246.6	238.9	232.1	222.3	212.3	202.2	191.9	365.2	242.5
World Bank	137.7	127.7	117.5	107.1	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	0.0	0.0	0.0	0.0	49.0	0.0
IMF 6/	42.8	44.0	45.2	46.4	47.7	49.0	50.4	51.7	50.3	44.9	35.5	24.8	13.9	5.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	47.2	7.3
AfDB Group	27.6	25.7	23.8	21.8	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	0.0	9.9	0.0
Others 2/	239.6	245.9	252.4	259.0	265.8	265.8	265.7	265.6	265.5	265.3	265.2	265.3	258.8	252.3	245.7	238.9	232.1	222.3	212.3	202.2	191.9	259.1	235.2
Bilateral	3,740.6	3,741.5	1,448.7	1,467.8	1,516.3	299.0	284.2	267.7	251.1	234.7	228.6	227.6	228.1	228.6	229.1	229.6	230.2	230.8	231.4	232.0	231.4	1,325.2	229.8
Paris Club 7/	3,044.4	3,045.3	991.9	1,003.6	1,035.2	36.2	28.0	19.6	11.1	2.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	921.8	0.0
Other official Bilateral	696.2	696.3	456.8	464.2	481.1	262.8	256.2	248.1	240.0	232.0	228.4	227.6	228.1	228.6	229.1	229.6	230.2	230.8	231.4	232.0	231.4	403.4	229.7
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 January 2023). Details on the modalities of the delivery are presented in Table A10.

Table 8. 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 - 2028 -	2027 - 2038	
I. Before traditional debt relief																								
NPV of debt-to-GDP ratio	110.9	105.2	99.7	94.2	88.7	83.4	79.9	76.2	72.2	68.1	64.1	60.6	57.4	54.5	51.7	48.9	46.1	43.4	40.7	38.1	35.7	85.3	49.2	
NPV of debt-to-exports ratio 2/	491.7	477.6	452.5	435.7	414.2	391.6	376.2	361.9	347.0	332.3	317.0	302.6	288.9	275.4	261.9	248.3	234.9	221.5	207.8	195.1	183.3	398.8	248.8	
NPV of debt-to-revenue ratio 4/	2,854.1	2,658.7	2,219.4	1,942.9	1,696.5	1,432.3	1,221.1	1,037.7	880.6	778.8	694.4	657.0	627.8	602.5	555.6	514.0	477.4	439.4	403.6	378.2	354.4	1,540.9	518.6	
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	74.2	70.4	66.7	63.0	58.9	55.0	52.8	50.6	47.9	45.4	42.9	40.6	38.6	36.7	34.7	32.7	30.7	28.5	26.2	24.1	22.0	56.7	32.5	
NPV of debt-to-exports ratio 2/	328.9	319.5	302.6	291.4	275.0	258.1	248.9	240.1	230.3	221.7	212.0	202.9	194.1	185.2	175.9	166.1	156.1	145.3	133.9	123.1	112.8	265.3	164.3	
NPV of debt-to-revenue ratio 4/	1,909.0	1,778.3	1,484.4	1,299.2	1,126.5	944.3	807.8	688.5	584.5	519.4	464.4	440.6	421.9	405.2	373.1	343.8	317.3	288.3	260.1	238.6	218.0	1,025.9	342.8	
Debt service-to-exports ratio	...	7.3	7.0	6.7	6.1	5.6	5.1	4.7	4.3	4.0	3.7	3.4	3.1	3.0	2.9	2.8	2.7	2.6	2.5	2.4	2.4	6.9	5.0	
Debt service-to-revenue ratio 4/	...	42.5	35.6	31.2	27.1	23.6	20.4	17.6	15.1	12.9	11.3	10.0	9.0	8.2	7.6	7.1	6.6	6.1	5.7	5.3	5.1	11.1	27.5	
III. After conditional delivery of enhanced HIPC assistance and multilateral arrears clearance																								
NPV of debt-to-GDP ratio	88.7	84.4	36.2	34.5	33.4	23.3	22.9	22.3	21.4	20.3	19.4	18.7	18.1	17.6	17.0	16.3	15.6	14.8	13.9	13.0	12.1	33.2	16.0	
NPV of debt-to-exports ratio 2/	393.4	383.0	164.2	159.8	155.9	109.2	107.6	106.1	103.0	99.3	95.8	93.4	91.1	88.8	86.2	83.1	79.7	75.6	70.8	66.3	62.0	154.2	81.2	
NPV of debt-to-revenue ratio 4/	2,283.5	2,132.2	805.3	712.7	638.7	399.4	349.4	304.1	261.3	232.6	209.7	202.7	198.1	194.3	182.8	172.0	162.0	150.0	137.5	128.6	119.8	648.4	168.9	
Debt service-to-exports ratio	...	1.5	1.4	1.4	1.2	5.6	6.0	5.9	5.7	5.5	4.2	3.3	3.1	3.0	2.9	2.8	2.6	2.7	2.6	2.5	2.5	3.8	2.9	
Debt service-to-revenue ratio 4/	...	8.7	7.2	6.3	5.4	21.6	20.6	17.9	15.3	13.6	9.7	7.6	7.3	7.1	6.6	6.1	5.7	5.7	5.3	5.1	5.2	13.0	6.5	
IV. After unconditional delivery of enhanced HIPC assistance and multilateral arrears clearance 6/																								
NPV of debt-to-GDP ratio	28.9	28.0	27.1	26.2	25.2	23.3	22.9	22.3	21.4	20.3	19.4	18.7	18.1	17.6	17.0	16.3	15.6	14.8	13.9	13.0	12.1	24.1	16.0	
NPV of debt-to-exports ratio 2/	128.2	127.2	123.0	121.1	117.7	109.2	107.6	106.1	103.0	99.3	95.8	93.4	91.1	88.8	86.2	83.1	79.7	75.6	70.8	66.3	62.0	112.7	81.2	
NPV of debt-to-revenue ratio 4/	744.2	708.3	603.4	540.1	482.1	399.4	349.4	304.1	261.3	232.6	209.7	202.7	198.1	194.3	182.8	172.0	162.0	150.0	137.5	128.6	119.8	431.2	168.9	
Debt service-to-exports ratio	...	1.5	1.4	1.4	1.2	5.6	6.0	5.9	5.7	5.5	4.2	3.3	3.1	3.0	2.9	2.8	2.6	2.7	2.6	2.5	2.5	3.8	2.9	
Debt service-to-revenue ratio 4/	...	8.7	7.2	6.3	5.4	21.6	20.6	17.9	15.3	13.6	9.7	7.6	7.3	7.1	6.6	6.1	5.7	5.7	5.3	5.1	5.2	13.0	6.5	
V. After conditional delivery of enhanced HIPC assistance and multilateral arrears clearance, and MDRI assistance																								
NPV of debt-to-GDP ratio	88.7	84.4	36.2	34.5	31.4	21.6	21.4	21.2	20.5	19.6	18.8	18.3	17.8	17.4	16.8	16.3	15.6	14.8	13.9	13.0	12.1	32.3	15.9	
NPV of debt-to-exports ratio 2/	393.4	383.0	164.2	159.8	146.6	101.2	101.0	100.6	98.6	95.8	93.1	91.3	89.6	87.7	85.4	82.6	79.4	75.5	70.8	66.3	62.0	150.1	80.3	
NPV of debt-to-revenue ratio 4/	2,283.5	2,132.2	805.3	712.7	600.5	370.3	327.9	288.5	250.1	224.5	203.9	198.3	194.7	191.8	181.1	171.0	161.4	149.8	137.5	128.6	119.8	634.7	167.1	
Debt service-to-exports ratio	...	1.5	1.4	1.4	1.2	4.5	5.0	5.0	4.9	4.7	3.5	2.8	2.8	2.7	2.6	2.5	2.5	2.5	2.5	2.4	2.5	3.3	2.7	
Debt service-to-revenue ratio 4/	...	8.7	7.2	6.3	5.4	17.4	17.1	15.0	13.0	11.8	8.2	6.4	6.4	6.3	5.9	5.5	5.3	5.3	5.1	5.0	5.2	11.3	5.9	
VI. After conditional enhanced HIPC assistance and multilateral arrears clearance, MDRI, and bilateral beyond HIPC assistance																								
NPV of debt-to-GDP ratio	88.7	84.4	36.2	34.5	31.4	9.9	10.8	11.5	11.7	11.7	11.5	11.5	11.5	11.4	11.3	11.0	10.7	10.2	9.5	8.9	8.3	26.9	10.5	
NPV of debt-to-exports ratio 2/	393.4	383.0	164.2	159.8	146.6	46.6	50.7	54.5	56.3	57.0	56.9	57.4	57.6	57.6	57.1	56.0	54.4	52.0	48.7	45.6	42.6	124.3	53.3	
NPV of debt-to-revenue ratio 4/	2,283.5	2,132.2	805.3	712.7	600.5	170.5	164.6	156.2	142.8	133.5	124.7	124.7	125.2	125.9	121.1	115.9	110.6	103.2	94.7	88.4	82.4	557.6	110.6	
Debt service-to-exports ratio	...	1.5	1.4	1.4	1.2	2.1	2.3	2.3	2.4	2.5	2.0	1.7	1.9	1.9	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.8	
Debt service-to-revenue ratio 4/	...	8.7	7.2	6.3	5.4	8.0	7.8	6.9	6.4	6.2	4.6	3.9	4.3	4.4	4.2	3.9	3.8	4.0	3.9	3.8	3.9	7.0	4.1	

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 9. External Debt Indicators and Sensitivity Analysis, 2019-2038 ^{1/}

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Average	
											2019 - 2029	2030 - 2038
I. Baseline Scenario 2/												
NPV of debt-to-GDP ratio	84.4	36.2	34.5	31.4	9.9	10.8	11.5	11.7	11.7	8.3	24.1	10.3
NPV of debt-to-exports ratio 3/4/	383.0	164.2	159.8	146.6	46.6	50.7	54.5	56.3	57.0	42.6	112.1	52.4
NPV of debt-to-revenue ratio 5/	2132.2	805.3	712.7	600.5	170.5	164.6	156.2	142.8	133.5	82.4	478.9	107.5
Debt service-to-exports ratio	1.5	1.4	1.4	1.2	2.1	2.3	2.3	2.4	2.5	1.9	1.9	1.8
Debt service-to-revenue ratio	8.7	7.2	6.3	5.4	8.0	7.8	6.9	6.4	6.2	3.9	6.5	4.0
II. Sensitivity Analysis												
Lower export level scenario												
NPV of debt-to-GDP ratio	84.4	37.9	38.1	34.6	11.0	11.9	12.7	12.9	12.9	9.2	25.6	11.4
NPV of debt-to-exports ratio	383.0	168.8	173.6	168.4	55.1	59.9	64.3	66.4	67.3	50.3	122.0	61.9
NPV of debt-to-revenue ratio	2132.2	805.3	712.7	600.5	177.8	180.5	183.8	179.1	168.7	76.9	495.3	111.9
Debt service-to-exports ratio	1.5	1.6	1.6	1.5	2.4	2.7	2.7	2.8	2.9	2.2	2.2	2.2
Debt service-to-revenue ratio	8.7	7.2	6.3	5.4	8.3	8.6	8.2	8.0	7.8	3.6	7.2	4.2
Permanently lower growth												
NPV of debt-to-GDP ratio	84.4	36.5	35.4	33.0	10.8	12.2	13.5	14.3	14.8	14.6	26.0	16.0
NPV of debt-to-exports ratio	383.0	164.7	161.7	150.9	49.2	55.4	61.8	66.4	69.8	72.7	119.1	79.4
NPV of debt-to-revenue ratio	2132.2	812.3	731.4	631.8	252.7	262.0	273.5	272.7	261.6	149.3	556.3	197.6
Debt service-to-exports ratio	1.5	1.4	1.4	1.3	2.2	2.6	2.7	2.9	3.2	3.3	2.2	2.9
Debt service-to-revenue ratio	8.7	7.3	6.5	5.7	11.8	12.4	12.2	12.2	12.1	7.0	9.6	7.4

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 in

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

Table 10. 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	
														2023-2034	2019-2053
I. Relief under the Enhanced HIPC Initiative															
Debt service before HIPC assistance 1/	14.1	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	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	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/	14.1	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	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	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
Savings on debt service to IDA	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
of which principal	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
of which interest	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
I. Relief under MDRI															
Projected stock of IDA credits outstanding at implementation date					108.6										
Remaining IDA credits after MDRI					0.0										
Debt stock reduction on eligible credits 2/3/					108.6										
Due to HIPC relief					0.0										
Due to MDRI					108.6										
Debt service due after HIPC relief and the MDRI					0.0	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) 4/					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) 4/					100.0	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					12.9	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/ Stock of debt and debt service denominated in SDRs are converted in U.S. dollar by applying the end-2018 exchange rate.

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

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

Table 11. 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 rates of January 10, 2020	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
I. Debt relief under the HIPC Initiative only															
Projected debt service due on IMF obligations before debt relief 2/	0.0	0.7	0.8	1.0	1.0	5.6	39.1	70.9	74.6	78.3	79.1	45.3	8.7	4.8	1.0
Principal	0.0	0.0	0.0	0.0	0.0	4.6	38.2	70.2	74.0	77.9	78.9	45.2	8.7	4.8	1.0
EFF (24.3 percent of quota)	0.0	0.0	0.0	0.0	0.0	4.6	9.1	9.1	9.1	9.1	9.1	4.6	0.0	0.0	0.0
ECF (155 percent of quota)	0.0	0.0	0.0	0.0	0.0	0.0	29.1	61.1	64.9	68.8	69.8	40.7	8.7	4.8	1.0
Interest and charges	0.0	0.7	0.8	1.0	1.0	1.0	0.9	0.8	0.6	0.4	0.2	0.1	0.0	0.0	0.0
EFF 3/	0.0	0.7	0.8	1.0	1.0	1.0	0.9	0.8	0.6	0.4	0.2	0.1	0.0	0.0	0.0
ECF (155 percent of quota)	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
Total HIPC-eligible debt	0.0	1.1	0.8	1.0	1.0	5.6	39.1	68.0	67.9	67.7	67.5	33.7	0.0	0.0	0.0
Principal	0.0	0.0	0.0	0.0	0.0	4.6	38.2	67.3	67.3	67.3	67.3	33.6	0.0	0.0	0.0
Interest and charges	0.0	1.1	0.8	1.0	1.0	1.0	0.9	0.8	0.6	0.4	0.2	0.1	0.0	0.0	0.0
IMF assistance--deposits into Somalia's Umbrella Account															
Interim assistance	0.0	0.7	0.8	1.0											
Completion point assistance 4/						175.7									
Completion point interest 5/						7.4									
Interest earning on interim assistance deposited in Umbrella Account 5/						0.0									
Total Umbrella Account balance at the completion point						183.2									
II. Debt relief provided after Completion Point (on stock basis in cash terms) 6/						346.1									
HIPC assistance						183.2									
Beyond-HIPC						163.0									
III. Debt service due to the IMF after HIPC and beyond-HIPC debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.8	10.6	11.6	11.6	8.7	4.8	1.0
Memorandum items:															
Debt service due on IMF obligations at end-December 2018 (in millions of U.S. dollars)	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
Debt service due on current IMF obligations after IMF assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.8	10.6	11.6	11.6	8.7	4.8	1.0
(in percent of current year exports of goods and nonfactor services)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.6	0.6	0.6	0.4	0.2	0.0
(in percent of total debt service after HIPC assistance and multilateral arrears clearance)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6	8.1	16.1	21.0	20.0	14.3	7.7	1.5

Source: Fund staff estimates and projections.

1/ Total IMF assistance under the HIPC Initiative is estimated at SDR 136.26 million in end-December 2018 NPV terms. Of this amount, SDR 7.1 million represents the concessional element associated with subsidization of PRGT Interest during interim period. The remaining balance of SDR 129.22 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/ GRA charges are based on assumed SDR interest rate (gradually rising to 1.44 percent in 2029 and beyond) plus 100 basis points and 0.003 adjustment for deferred charges.

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

5/ The projected interest earnings are estimated based on assumed SDR interest rates which are gradually rising to 1.44 percent in 2029 and beyond; actual interest earnings may be higher or lower.

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

Table 12. 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 13. HIPC Initiative: Status of Country Cases Considered Under the Initiative, December 2019

Country	Decision Point	Completion Point	Target		Assistance Levels ¹				Percentage Reduction in NPV of Debt ^{1/}	
			NPV of Debt-to-		(In millions of U.S. dollars, present value)					
			Exports	Gov. revenue	Total	commercial	Total	IMF		World Bank
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	
<i>original framework</i>	Sep. 97	Sep. 98	225		448	157	291	29	54	14
<i>enhanced framework</i>	Feb. 00	Jun. 01	150		854	268	585	55	140	30
Burkina Faso					553	83	469	57	231	
<i>original framework</i>	Sep. 97	Jul. 00	205		229	32	196	22	91	27
<i>enhanced framework</i>	Jul. 00	Apr. 02	150		195	35	161	22	79	30
<i>topping-up</i>	...	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	
<i>enhanced framework</i>	Nov. 01	Apr. 04	150		1,275	482	763	34	463	47
<i>topping-up</i>	...	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	
<i>enhanced framework</i>	Dec. 00	Dec. 10	150		422	218	204	12	93	86
<i>topping-up</i>	...	Dec. 10	150		133	61	71	-	46	40
Guyana					591	223	367	75	68	
<i>original framework</i>	Dec. 97	May 99	107	280	256	91	165	35	27	24
<i>enhanced framework</i>	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	
<i>enhanced framework</i>	Dec. 00	Aug. 06	150		646	164	482	30	333	44
<i>topping-up</i>	...	Aug. 06	150		411	7	404	15	289	35
Mali					539	169	370	59	185	
<i>original framework</i>	Sep. 98	Sep. 00	200		121	37	84	14	43	9
<i>enhanced framework</i>	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	
<i>original framework</i>	Apr. 98	Jun. 99	200		1,717	1,076	641	125	381	63
<i>enhanced framework</i>	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	
<i>enhanced framework</i>	Dec. 00	Apr. 04	150		521	211	309	28	170	53
<i>topping-up</i>	...	Apr. 04	150		143	23	119	14	70	25
Rwanda					696	65	631	63	383	
<i>enhanced framework</i>	Dec. 00	Apr. 05	150		452	56	397	44	228	71
<i>topping-up</i>	...	Apr. 05	150		243	9	235	20	154	53
São Tomé and Príncipe					124	31	93	1	47	128
<i>enhanced framework</i>	Dec. 00	Mar. 07	150		99	29	70	-	24	83
<i>topping-up</i>	...	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	
<i>original framework</i>	Apr. 97	Apr. 98	202		347	73	274	69	160	20
<i>enhanced framework</i>	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

Annex I. Discount Rate for Chinese Yuan and SDR

This Annex presents a proposed methodology to introduce a currency-specific discount rate for the calculation of the present value of loans denominated in Chinese yuan and the calculation of the SDR discount rate in HIPC debt reduction analysis.

The HIPC Initiative uses currency-specific discount rates for the present value (PV) calculation of the debt. Currency-specific discount rates are based on commercial interest reference rates (CIRR). OECD announces monthly the CIRR for all major currencies. For currencies where a CIRR is not available, either the SDR CIRR should be used; or the U.S. dollar CIRR in cases where the currency is pegged to the U.S. dollar.

The composition of the SDR basket has been modified effective October 1, 2016 with the introduction of the Chinese yuan. Following this modification, no HIPC case has been considered by the Boards of the IMF and the World Bank.¹ Therefore, in all past HIPC cases, loans denominated in Chinese yuan were discounted using the SDR CIRRs, which did not include the Chinese yuan. For HIPC cases after October 2016, the PV of debt for loans denominated in SDR should use a discount rate that incorporates CIRR rates of Chinese yuan.

As of today, there is no established CIRR rate for the Chinese yuan. An OECD or non-OECD member can request the estimation of CIRR rate for a currency, according to a defined methodology (see Box A1). While the process of determining the CIRR rate for the yuan could be initiated by China or any other member country, the process of determining a CIRRs for the Chinese yuan could delay the approval of new HIPC cases. To avoid any delay, the IMF and the World Bank could agree on a methodology to estimate a discount rate for the yuan akin to that used by the OECD. The estimated yuan discount rate would be used in the calculation of the PV of debt in new HIPC cases until an official CIRR for the Chinese yuan is adopted.

CIRRs are determined typically based on the secondary market yield of government bonds with a residual maturity of 3, 5, and 7 years (Box A1). For example, the reference for Euro bond yields is the previous month average of the relevant daily spot rates for triple-A government bonds in the Euro-area, where the five latest observations getting a double weight (see www.oecd.org/trade/topics/export-credits/documents/cirrs.pdf).

The interest rate of the yuan-denominated financial instrument in the SDR basket is the three-month benchmark yield for China Treasury bonds (Chinabond) as published by China Central Depository and Clearing Co (CCDC). It is possible to use the same yield curve, which is published daily on http://yield.chinabond.com.cn/cbweb-pbc-web/pbc/more?locale=en_US, to determine the yuan-specific discount rate. The Chinabond yield curve reports daily values for several maturities,

¹ The Completion Point of Chad under the HIPC Initiative in June 2015 was the last HIPC case

including those at 7 years, which is the maturity used to determine the yield used as discount rates for the calculation of the PV of debt.

It is proposed to determine the yuan's discount rate as the interest rate on the Chinabond yield curve for bonds with a 7-year maturity plus a margin of 100 basis point, as for the standard CIRR methodology reported in Box A1.

The SDR discount rate for the calculation of the PV of debt would then be calculated as the SDR CIRR using as base interest rates: (i) the CIRRs for the U.S. dollar, the euro, the Japanese yen, and the British pound and (ii) the Chinese yuan discount rate as proposed above.

Box A1: Construction of CIRRs^{1/}

The following steps are followed to establish a CIRR:

- a) Each Participant wishing to establish a CIRR shall initially select one of the following two base rate systems for its national currency:
 1. three-year government bond yields for a repayment term of up to and including five years; five-year government bond yields for over five and up to and including eight and a half years; and seven-year government bond yields for over eight and a half years; or
 2. five-year government bond yields for all maturities.

Exceptions to the base rate system shall be agreed by the Participants.
- b) CIRRs shall be set at a fixed margin of 100 basis points above each Participant's base rate unless Participants have agreed otherwise.
- c) Other Participants shall use the CIRR set for a particular currency should they decide to finance in that currency.
- d) A Participant may change its base-rate system after giving six months' advance notice and with the counsel of the Participants
- e) A Participant or a non-Participant may request that a CIRR be established for the currency of a non-Participant. In consultation with the interested non-Participant, a Participant or the Secretariat on behalf of that non-Participant may make a proposal for the construction of the CIRR in that currency using Common Line procedures in accordance with Articles 58 to 63.

¹ From "Trade and Agriculture Directorate Participants to the Arrangements on Officially Supported Export Credits", TAD/PG(2019)1, January 2, 2019.

Statement by the Staff Representative on Recent Developments in Somalia
Board Meeting
February 12, 2020

This statement provides an update on recent developments in Somalia, including the outcome of the mission for the second review of Somalia's Staff-Monitored Program and request for a new financing arrangement. The staff report for the second review and request for a new arrangement will be discussed with the Executive Board at the HIPC Decision Point.

I. RECENT DEVELOPMENTS AND PERFORMANCE UNDER SMP IV

1. **Macroeconomic conditions are stable.** Given the mitigating effects of the humanitarian response, real growth in 2019 is expected at 2.9 percent, despite Spring drought conditions and higher-than-normal rainfall in Autumn. However, these conditions have led to a slight deterioration of the current account deficit, with food imports increasing and agricultural exports declining. Inflation in Mogadishu for 2019 came in lower than projected at 3.1 percent, as increased food production in the latter part of the year, together with a reduction in food transportation costs as security conditions improved, reduced food prices. Looking ahead, staff project a slight recovery in growth in 2020 to 3.2 percent, in part reflecting stronger harvests.
2. **Fiscal conditions continue to strengthen.** Data for 2019 show a continued strong fiscal performance, with cumulative domestic revenue for the FGS reaching US\$229.7 million (relative to the indicative target of US\$196.3 million), a 25 percent increase over 2018. This reflected both an increase in tax revenues (of US\$15.9 million or 11 percent), and a sharper increase in non-tax revenues (US\$30.4 million or 68 percent), mostly due to the commencement of payments by International Air Transport Association of over-flight fees. Expenditures came in below projections (US\$325 million relative to US\$340.5 million), resulting in an estimated fiscal surplus for 2019 of US\$13.3 million.
3. **Quarterly reporting of fiscal outcomes across the FMS has begun and been sustained.** While further work is needed to improve the quality, these preliminary figures suggest that domestic revenues for the FGS and FMS together could represent about 6 percent of GDP in 2019, relative to a projected 4 percent for the FGS alone.
4. **The broader momentum on fiscal federalism is being maintained.** Finance Ministers of the Federal Government (FGS) and Federal Member States (FMS) have met on two further occasions since September, while technical cooperation on customs modernization and public financing management has also strengthened. This has helped build consensus on some key fiscal issues, including principles governing inter-governmental transfers, the need for a common customs tariff, and the need to harmonize fiscal processes to enhance the quality of fiscal reporting. The fiscal federalism chapter of the Constitutional Review has also been discussed.

5. **The mission reached a staff-level agreement on the completion of the 2nd review of the current Staff-Monitored Program (SMP).** All structural benchmarks and ITs for September and October were met. In addition to the commencement of regular quarterly reporting of fiscal operations across FGS and FMS, the *Revenue Act* was enacted, and Finance Ministers of the FGS and FMS agreed some preliminary expenditure assignment guidelines on the allocation of “shared revenue”. These initial guidelines are primarily focused on the sharing of budget support grants—which comprise the largest portion of the current base of “shared revenues”. The guidelines are expected to evolve as the FGS begins to implement the *Revenue Act* and the base of “shared revenues” expands; they will hold until the formal model of fiscal federalism is confirmed in the updated Constitution.

6. **All December 2019 ITs have been met and the outlook for the SBs is positive; February 2020 SBs are on track.** Staff can confirm that the December SB on including goods inspection in the automated customs’ processes has been met. The review on the use of commitment controls, is ongoing preliminary analysis suggests the SB will have been met or almost met, subject to final clarifications from the authorities. With respect to February 2020 SBs, amendments to the *Procurement* and *Statistics Acts* have been passed by the Senate and are now awaiting Presidential signature, and draft implementing regulations on procurement are ready to be issued. Progress on issuing licenses to mobile money operators is also well advanced.

7. **Other critical reforms are progressing.**

a. **Legislation.** In addition to the *Revenue Law*, the *Public Financial Management Law*, *Companies Law* (on corporate registration and governance) and *Anti-Corruption Law* were enacted.

b. **Central Bank of Somalia (CBS).** The CBS continues to make progress on its modernization agenda. The new organizational structure was approved by the CBS Board and work to recruit key staff (human resources manager, change management adviser, legal adviser) is progressing well. In addition, plans to recruit new executive directors to support the new functional organization are advancing. To support the implementation of the mobile money licensing and regulation regime, the CBS has strengthened its supervisory capacity. An IMF safeguards assessment was undertaken in the last week of January.

c. **AML-CFT.** AML-CFT regulations have been issued that cover all financial institutions and their incorporation into the annual re-licensing processes will support improved compliance. Although capacity remains low, the Financial Reporting Center’s technical and physical infrastructure is building, and interagency cooperation is deepening through the operation of the National Anti-Money Laundering Committee (NAMLC).

d. Governance and anti-corruption. The *Audit Bill* has passed the House of the People and is now in the Senate. The process for selecting the nine Commissioners for the Anti-corruption Commission is underway. In parallel, and the authorities are well advanced in developing a National Anti-Corruption Strategy and a program has been agreed with the UNDP to help operationalize it. Outreach is underway to raise public awareness on the importance of fighting and reporting corruption.

II. NEW 3-YEAR EXTENDED CREDIT (ECF) AND EXTENDED FUND FACILITY (EFF)

8. **A staff-level agreement on a new financing arrangement has been reached.** Just prior to the HIPC Decision Point, the authorities will request Board approval of a new three-year SDR 291 million (178 percent of quota) blended ECF/EFF Fund arrangement.¹ Access under the new arrangement will be heavily front-loaded, given the large up-front balance of payments needs. Staff understands that the authorities intend to use the proceeds of the first disbursement to repay the bridge financing required to clear Somalia's arrears to the IMF, while the additional access envisioned under the program is intended to be used to strengthen the central bank's reserves.²

9. **The program is intended to guide reforms during the interim period between the HIPC Decision (DP) and Completion points (CP).** These will be anchored on further strengthening PFM, improving domestic revenue mobilization, continued deepening of central bank capacity, and enhancing governance. Reform commitments under the new program have been designed to complement the preliminary set of floating Completion Point triggers as discussed with the authorities.

10. **May 2020 SBs will be carried forward into the new Fund arrangement, with some adjustment.** Specifically, although work is advancing well, technical and capacity challenges are likely to lead to a short delay in implementation of HS codes and completion of work on modelling ad valorem tariffs. Enacting the *Targeted Financial Sanctions Law*³ will be more challenging, especially given the 2020 parliamentary schedule will likely be shortened by election preparations.

¹ Assuming that Somalia pays its quota increase under the 14th General Review and that Somalia clears its arrears to the Fund.

² SDR 242 million would be needed to repay the bridge financing needed for arrears clearance. All GRA access will be disbursed upfront and therefore subject to full debt relief at the HIPC Completion Point.

³ These laws are related to the prevention and suppression of terrorism and terrorist financing that many countries adopt as part of their AML-CFT regimes and recommended by Financial Action Task Force and UN resolutions.

11. **Risks around the outlook remain to the downside reflecting continuing security, political, and climate vulnerabilities.** These risks are mitigated by national efforts and international support.

III. OTHER DEVELOPMENTS

12. **Work is ongoing to prepare for the HIPC Decision Point.** These include ongoing efforts to mobilize adequate assurances to finance the Fund's share of debt relief. Efforts are also ongoing on clarifying specific details around select claims in order to finalize the debt reconciliation.⁴ Any new information will be integrated into the debt relief analysis presented in the Decision Point document, but staff do not envisage any substantive changes. Staff is also planning, together with World Bank colleagues, to provide some debt management capacity building ahead of the expected negotiations on debt relief.

⁴ About 99.9 percent of the total value of debt has been fully reconciled, and staff is following-up on claims from two creditors worth about \$6.5 million.

**Statement by Dumisani H. Mahlinza, Executive Director for Somalia
and Abdulqafar Abdullahi, Advisor to Executive Director
February 12, 2020**

Our Somali authorities thank staff for the constructive engagement and continued support in their efforts towards debt relief. They value Fund advice as well as the support from the international community and believe that reforms are key to the achievement of their national development goals.

Somalia has continued to make significant progress in efforts to rebuild key political, and economic institutions that are critical in efforts to place the economy onto a sustainable growth path. Despite the progress, the country remains fragile, constrained by low growth outcomes alongside widespread poverty. As a result, 69 percent of the population is estimated to live on less than \$1.90 per day with deeper poverty levels among rural and internally displaced populations.

To tackle the social and economic challenges, the authorities launched an extensively consulted Ninth National Development Plan (NDP9) on September 2019. The plan, which outlines a comprehensive interim poverty reduction strategy, will guide the government's reform agenda. The NDP9 aims to promote inclusive and accountable politics, improve security and rule of law, enhance inclusive growth and social development.

Reform Implementation

Since the formation of the permanent government in 2012, Somalia has steadfastly implemented, transformative reforms with the support of international development partners. The comprehensive reforms were aimed at restoring macroeconomic stability, rebuilding policy and institutional infrastructure and improving security conditions. As a result, public finance management has improved together with the supervisory capacity of the Central Bank of Somalia (CBS). The financial sector continues to strengthen on the back of an enhanced regulatory regime and capacity to implement AMF/CFT framework.

Going forward, the authorities will remain steadfast in the implementation of reforms, in line with their development plan and the IMF supported program. They view reforms as essential to delivering long term growth and lifting citizens out of poverty. In this respect, they will further strengthen budget preparation and public finance management, significantly increase domestic revenue by expanding the tax base, restructure the central bank and strengthen its operational capacity, and improve compliance with AML/CFT framework. The authorities will also continue to put in place the building blocks for a workable and functional fiscal federalism framework through dialogue and cooperation with all federal member states.

Performance under the 4th UCT Staff Monitored Program

The authorities continue to post solid performance under the program. All indicative targets and structural benchmarks under the second review were met for the September/October 2019 test date. The program remains firmly on-track relative to the December 2019 and February 2020 targets. Accordingly, Somalia has established the six months track record of satisfactory performance under the UCT SMPIV, required for the HIPC Decision Point.

Eligibility for Assistance under enhanced HIPC Initiative

As noted by staff, Somalia's external public debt stood US\$5.3 billion at end-2018 of which 95 percent was in arrears with no outstanding commercial debts. With an estimated NPV of debt to exports exceeding the benchmark of 150 percent, Somalia qualifies for debt relief under the HIPC Initiative's export window.

The authorities therefore seek the support of the Executive Directors in confirming Somalia's eligibility for assistance under the enhanced HIPC Initiative. The country is in a position to fulfill the conditions for arrears clearance required for the Decision Point. In addition to the NPV measure, the country has established the six months performance track record and has completed an interim poverty reduction strategy.

In addition, the country's key multilateral creditors, World Bank and African Development Bank, have committed to clear Somalia's arrears by end-March 2020. Further, Paris Club is expected to provide their share of debt relief. Meanwhile, the authorities have also secured a preliminary offer of debt relief from some key non-Paris Club creditors, while efforts continue to reach out to the full set of non-Paris Club bilateral creditors.

Floating Completion Points

The authorities broadly agree with the proposed floating completion point triggers and believe that they are well balanced, structured, and aligned with reforms already underway. They view timely technical assistances from the Fund and other development partners as essential for the successful implementation of the triggers.

Conclusion

The authorities reaffirm their continued commitment to reforms and meeting the triggers for the floating completion points in a timely manner. They view implementation of the reforms as necessary for emergence from fragility and uplifting the living standards of the population. In this regard, they look forward to continued support from the international community, including the Fund.