



## **PRESS RELEASE**

### **THE PARIS CLUB CREDITORS PROVIDE DEBT RELIEF TO SOMALIA**

The representatives of the Paris Club creditor countries agreed on 31 March 2020 with the Government of the Federal Republic of Somalia to restructure its external public debt. This was the first ever “virtual” negotiating meeting of the Paris Club. The Paris Club congratulates Somalia for having reached its Decision Point under the enhanced initiative for the Heavily Indebted Poor Countries (enhanced HIPC Initiative) in March 2020.

This agreement was concluded under the so called “Cologne terms” designed by the Paris Club to provide interim debt relief as part of the HIPC Initiative. This leads to the immediate non-ODA debt cancellation of US\$ 1.4 billion in debt owed by Somalia to Paris Club creditors.

Somalia is expected to reach its HIPC Completion Point by 31<sup>st</sup> March 2023 or earlier and receive the remainder of the debt reduction envisioned under the enhanced HIPC Initiative already endorsed by the international community in 1999. On an exceptional basis, considering Somalia’s very limited capacity of payment, and provided that it continues to implement satisfactorily an IMF supported program, no payments are expected from Somalia until at least 31<sup>st</sup> March 2024.

Several creditors intend on a bilateral basis to grant additional debt relief to Somalia beyond the terms set today in the Paris Club agreement.

Somalia is committed to devote the resources that otherwise would have gone to Paris Club creditors to priority investments, as identified in its ninth National Development Plan (NDP-9). Somalia is also committed to seek comparable debt relief from non-Paris Club creditors.

Representatives from Kuwait Fund for Development, Saudi Fund for Development and the Abu Dhabi Fund for Development also attended the meeting as observers. They expressed their support to the terms of the agreement between the Paris Club and the Government of Somalia and indicated their willingness to provide to Somalia comparable terms under the framework of Enhanced HIPC Initiative and in accordance with terms and conditions adopted by their respective Boards of Directors.

The representatives of the Paris Club members expressed their commitment to implement the final component of debt relief contemplated under the enhanced HIPC Initiative as soon as Somalia meets the conditions to reach the Completion. The IMF and the World Bank currently estimate that those creditors will then have delivered total debt relief of approximately US\$ 1.7 billion (in net present value terms). This amount does not include additional efforts that Paris Club members intend to provide at completion point.

### **Background notes**

1. The Paris Club was formed in 1956. It is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by borrower countries.

2. The members of the Paris Club which participated in the reorganization of the Federal Republic of Somalia's debt were the governments of Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, the Russian Federation, Spain, the United Kingdom and the United States of America.

Observers at the meeting were representatives of the government of the Brazil, Canada, Finland, Korea, Sweden and Switzerland, as well as the International Monetary Fund, the International Development Association, the African Development Bank, the European Commission and the Secretariat of the UNCTAD. Kuwait, the Saudi Arabia and the United Arab Emirates also observed this reorganization

3. The delegation of Somalia was headed by Dr. Abdirahman D. BEILEH, Minister of Finance. The meeting was chaired by Mr. Guillaume CHABERT, Co Chairman of the Paris Club, Assistant Secretary at the Directorate-General of the Treasury of the French Ministry of Economy and Finance.

### **Technical notes**

1. Somalia's economic program is supported by a three year arrangement under the Poverty Reduction and Growth Facility and an Extended Fund Facility, both approved by the Board of the International Monetary Fund on 24 March 2020. Somalia reached the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in March 2020.

2. The stock of debt owed to Paris Club creditors and to participating non-Paris Club creditors as of 31<sup>st</sup> October 2019 was estimated to be more than US\$ 3.0 billion in nominal terms, of which more than 99% consisted of arrears and late interest.

3. The cut-off date (1<sup>st</sup> October 1984 for Somalia) is defined when a debtor country first meets with Paris Club creditors. It is not changed in subsequent Paris Club treatments. In accordance with Paris Club rules, credits granted after this cut-off date are not subject to rescheduling or cancellation. In this case, on an exceptional basis, all these amounts were deferred until after 2024. The cut-off date is designed to protect credits granted by Paris Club creditors after this date. It therefore helps restore access to credit for debtor countries after a Paris Club treatment.

4. This agreement consolidates around US\$ 2.7 billion, most of which is composed of arrears and late interests. It cancels a total of US\$ 1.4 billion and reschedules around US\$ 1.3 billion. These rescheduled amounts will be addressed for debt relief when Somalia reaches Completion Point.

5. On an exceptional basis, creditors have also agreed to defer until after 2024 the repayment of arrears accumulated by Somalia on short term and post cut-off date debts, the maturities falling due during the consolidation period under the post cut-off date debts as well as all moratorium interest due during the consolidation period on the rescheduled and deferred amounts.