



## **PRESS RELEASE**

# **THE PARIS CLUB REACHES CONSENSUS ON A DEBT CANCELLATION FOR SOMALIA UNDER THE ENHANCED HEAVILY INDEBTED POOR COUNTRIES INITIATIVE**

The representatives of the Paris Club creditor countries met with representatives of the Government of the Federal Republic of Somalia on 13 March 2024 and reached consensus on a debt cancellation for the Federal Republic of Somalia following its Completion Point under the Enhanced Heavily Indebted Poor Countries (Enhanced HIPC) Initiative approval by the Executive Boards of the IMF and the World Bank in December 2023.

In order to contribute to restoring the debt sustainability of the Federal Republic of Somalia, Paris Club creditors committed to cancel USD 1.2 billion in nominal terms under the Enhanced HIPC Initiative framework. Creditors welcomed and supported the commitment of the Federal Republic of Somalia to seek a treatment at least as favourable from all its other official bilateral and external commercial creditors.

In addition, Paris Club creditors confirmed their willingness to grant additional debt cancellation on a voluntary and bilateral basis for an amount of USD 815 million.

The Paris Club consensus and the expected additional bilateral efforts would result in a reduction of more than USD 2.0 billion, representing 99% of the debt of the Federal Republic of Somalia owed to Paris Club members as of January 2023.

Paris Club creditors welcomed the Federal Republic of Somalia's determination to continue to implement a comprehensive poverty reduction strategy and an ambitious economic reform program to create the foundations for sustainable, inclusive economic growth.

The Federal Republic of Somalia committed to use the fiscal space provided by this debt treatment for priority expenditure areas (health, education and basic infrastructure) identified in the country's poverty reduction strategy.

### **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 representatives of 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 Governments of Australia, Austria, Brazil, Canada, Finland, Ireland, Israel, Sweden and Switzerland, as well as of the International Monetary Fund (IMF), the International Development Association (IDA), the African Development Bank, the European Commission and the Organisation for Economic Cooperation and Development (OECD). Saudi Arabia also observed this meeting.

3. The delegation of the Federal Republic of Somalia was headed by H.E. Bihi Iman Egeh, Minister of Finance. The meeting was chaired by Mr. Bertrand Dumont, Chairman of the Paris Club and Director General of the Treasury and Mr. William Roos, Co Chairman of the Paris Club, Assistant Secretary at the Directorate-General of the Treasury of the French Ministry of Economy, Finance and Industrial and Digital Sovereignty.

4. Launched in 1996, the Heavily Indebted Poor Countries (HIPC) initiative is a global effort to alleviate the debt burden of the world's poorest nations. As of January 2024, 36 out of 39 eligible countries had received USD 120 billion of debt relief from Paris Club creditors, other official creditors, commercial creditors and multilateral creditors under the initiative. Somalia will be the 37<sup>th</sup> country to receive a debt cancellation from the Paris Club under the HIPC Initiative.

### **Technical notes**

1. The Federal Republic of Somalia's economic program is supported by a 3-year arrangement under the Extended Credit Facility approved by the Executive Board of the IMF on 19 December 2023.

2. The Federal Republic of Somalia's public external debt was estimated to be USD 3.8 billion as of end-2022 (sources: IMF and IDA documents). The debt owed to Paris Club creditors was estimated to be USD 2.0 billion as of 1<sup>st</sup> January 2023 (source: Paris Club).

3. IDA-administered EU loans are included in this treatment.