Tackling sovereign issues in Somalia

With the assistance of the African Legal Support Facility (ALSF), Paris Club creditors agreed to cancel USD 1.4 Billion of Somali debt, leading the Federal Republic of Somalia to the enhanced Highly Indebted Poor Countries (HIPC) Initiative Decision Point. In preparation for the Decision and Completion Points for the HIPC initiative, the IMF and the World Bank required the Government to re-negotiate and restructure its debt with its current creditors, including members of the Paris Club, which accounts for approximately 58% of the country’s debt.

The Government requested technical and financial assistance from the ALSF, which engaged technical and financial advisors to support the Government in negotiations with the country’s Paris Club creditors. Somalia and its Paris Club creditors successfully conducted and concluded the first ever virtual Paris Club negotiations on 31 March 2020. These negotiations resulted in Somalia receiving debt relief in the amount of USD 1.4 Billion. The relief took the form of the cancellation of approximately 67% of the country’s Paris Club debt. Following the negotiations, it is expected that Somalia will receive further debt relief on a bilateral basis, eventually leading to 100% debt cancellation and bringing the country closer to the HIPC Initiative Completion Point.

Building capacities to develop debt management strategies in the Gambia

The Government of The Gambia (“GoG”) sought capacity building assistance with respect to: (i) negotiations with The Gambia’s creditors with a view towards obtaining debt relief and (ii) development of a prudent and sustainable debt restructuring strategy, in each case to assist it to meet a precondition to an International Monetary Fund (“IMF”) financing programme. The GoG also requested support in the development of a media strategy. Finally, the GoG requested capacity building training on sovereign debt.

The ALSF’s assistance resulted in: confirmation from creditors regarding their commitment to restructure The Gambia’s debt, and to the extent possible restructuring agreements and/or similar arrangements between the GoG and its creditors; comprehensive restructuring plan derived from negotiations with creditors; development of a media strategy that conveyed a sound and positive narrative around the restructuring plan; and
capacity building for public debt managers and selected members of the Ministry of Finance and Economic Affairs.

Through the Project, with the assistance of the advisors, the GoG succeeded in obtaining the financing assurances from the vast majority of creditors who agreed to restructure their claims. As of 31 December 2019, 70.1% of all participating creditors had either produced new debt schedules or agreed on a detailed loan-by-loan treatment of their Gambian debt profile. Approval of a financing programme by the IMF is expected in the first quarter of 2020.

For more information regarding the work of the ALSF, please visit our website, www.aflsf.org. For queries regarding this sector and/or to submit a formal request for assistance please contact: alsf@afdb.org.

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