



Debt Cancellation for Somalia:

The Road to Peace, Poverty Alleviation and Development

As a result of protracted conflict and devastating recurring droughts, Somalia is one of Sub-Saharan Africa's most troubled and underdeveloped countries. Following the collapse of the central government in 1991, the country has been plagued with violent conflict and insurgency, extreme and widespread poverty, acute food shortages, weak governance and political instability, economic underdevelopment, human rights abuses and recurring natural disasters such as droughts and floods. Somalis to date lack essential security services, healthcare, education, clean and safe drinking water and have very limited employment opportunities. The Federal Government of Somalia (FGS) has meagre resources to meet the country's pressing needs.

The parliamentary and presidential elections in 2012 led to renewed international recognition of the FGS and its constructive re-engagement with the international community. This, however, led to the inheritance of external debts accumulated by Somalia's former governments, leaving the country with the status of being a heavily indebted poor country that has sizeable arrears to bilateral and multilateral creditors and an external debt of US\$ 4.6 billion (as of end 2017). Consequently, the country's external debt overhang and a large stock of arrears restricts it from accessing critically needed financial resources from the international community, which are essential for reconstruction and development of Somalia.

Expedited, Full Debt Cancellation

To address Somalia's external debt overhang and provide the country with access to concessional resources, the country will need to:

- Clear arrears owed to the IMF, World Bank and African Development Bank;
- Complete the processes of the Heavily Indebted Poor Country (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI); and
- Obtain full debt cancellation from all of its external creditors.

For Somalia, it is vital that the debt relief process is accelerated to unlock new financial resources to be channelled for reconstruction and development and to encourage greater investments in the country. It is also crucial that Somalia receives full debt cancellation from its external creditors to avoid servicing external debts after obtaining debt relief through the HIPC Initiative, as servicing of debts will divert scarce resources away from development. This will require Somalia's external creditors to accelerate the debt relief process and grant the country full debt cancellation. Overall, an accelerated debt relief process and full debt cancellation will consolidate the restoration of peace and political stability and spur development, thereby reducing the risk of the country reverting back into conflict.

A diverse group of national and international civil society actors under the umbrella of the Somali NGO Consortium are offering their support to advocate and campaign for speedy and full debt cancellation. This group commissioned an advocacy and policy brief entitled *Debt Cancellation for Somalia: The Road to Peace, Poverty Alleviation and Development*. The policy brief contains:

- An outline of the technical processes for arrears clearance, HIPC, MDRI, and beyond-HIPC debt relief, including the progress made thus far by the Federal Government of Somalia;
- Logical and moral arguments for expedited debt cancellation; and
- Pragmatic recommendations for the Government, international financial institutions and bilateral creditor countries.

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