

رحلة الصومال نحو إلغاء الديون: الدروس المستفادة

Somalia's Journey to Debt
Cancellation: Lessons Learned

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Understanding the HIPC Initiative

- **HIPC Initiative:** A joint World Bank and IMF program launched in 1996, known as the Heavily Indebted Poor Countries (HIPC) Initiative, offering substantial debt relief to the world's poorest and most indebted countries.
- **Eligibility Criteria:** Participation requires a commitment to economic reforms and adherence to good governance practices.
- **Benefits of Debt Relief:** Provides debt reduction and rescheduling, freeing up resources for essential investments in health, education, and infrastructure.

Somalia Before HIPC

- **Economic Vulnerability:** Before engaging with the HIPC Initiative, Somalia grappled with extreme economic challenges, exacerbated by high levels of debt that strained national resources.
- **Debt Overburden:** The country faced unsustainable debt levels that hindered economic development and limited access to international financial markets.
- **Impact on Development:** Heavy indebtedness impeded public investment in crucial sectors like health, education, and infrastructure, delaying progress and development.
- **Post-Conflict Struggles:** As a struggling post-conflict area, political instability further complicated economic recovery and governance.

Navigating the Debt Cancellation Process

- **Initial Steps:** Somalia began the debt cancellation process by formally seeking relief under the HIPC Initiative, aligning with prescribed economic and governance reforms.
- **International Collaboration:** Extensive negotiations were held with international creditors and stakeholders, including the World Bank and IMF, to secure support and alignment.
- **Implementation of Reforms:** Critical economic reforms were implemented to meet the eligibility criteria for debt relief, focusing on enhancing transparency, governance, and fiscal management.
- **Securing Agreements:** The successful negotiation of debt relief agreements marked a significant achievement, setting the stage for sustainable economic recovery.

Milestones Achieved in Debt Relief

- **Decision Point Reached (March 2020):** Somalia reached the Decision Point under the HIPC Initiative in March 2020, qualifying for interim debt relief based on preliminary reforms.
- **Completion Point Achieved (March 2023):** Successfully met all requirements to reach the Completion Point in March 2023, unlocking substantial and irrevocable debt reduction.
- **Debt Forgiveness from Major Creditors:** Secured significant debt forgiveness from major bilateral creditors and multilateral institutions, including the World Bank, IMF, and African Development Bank, dramatically reducing the debt burden.
- **Enhanced Financial Stability:** The achieved debt relief milestones have contributed to enhanced fiscal space and financial stability, enabling greater investment in national development priorities.

Benefits of Debt Cancellation

- **Economic Growth:** Debt cancellation has spurred economic growth by freeing up resources previously directed towards debt servicing. This has allowed for increased investments in sectors critical to economic development.
- **Improved Public Services:** With reduced debt obligations, more funds are now available for public services. Significant improvements have been noted in healthcare, education, and infrastructure, directly benefiting the population.
- **Increased International Investment:** The successful reduction of debt and the stabilization of the economy have enhanced Somalia's creditworthiness. This has led to increased interest and investment from international investors, fostering further economic opportunities.
- **Poverty Reduction:** The reallocation of resources towards poverty alleviation programs has contributed to a decrease in poverty levels, with better access to basic services and opportunities for the underprivileged.

Lessons Learned

- **Importance of Governance:** Strong governance and transparent financial management were critical to achieving debt relief. Effective leadership ensured adherence to program conditions and fostered trust with international partners.
- **International Cooperation:** Collaboration with international bodies such as the IMF, World Bank, and bilateral partners proved essential. Sharing expertise and resources was vital for navigating the complex debt relief process.
- **Economic Reform Impact:** The implementation of economic reforms, as stipulated by the HIPC conditions, not only facilitated debt relief but also led to more sustainable economic practices, improving overall economic health.
- **Community Engagement:** Engaging local communities and stakeholders in the reform processes helped to ensure that the measures taken were relevant and beneficial, enhancing public support for necessary changes.

After Debt Relief

- **Continued Economic Challenges:** Despite significant debt relief, Somalia continues to face economic challenges, including the need for diversification and enhancement of revenue generation capabilities.
- **Prudent Borrowing Practices:** Emphasizes the importance of not incurring new debt unless it finances productive sectors that can generate sustainable returns, helping to prevent future debt distress.
- **Caution Against Debt Trap Diplomacy:** Stresses the importance of vigilance against debt trap diplomacy, where loans are used as a means of exerting political leverage rather than purely for economic benefit, as observed in some countries' engagements with China.
- **Ongoing Reforms and Development:** The journey does not end with debt cancellation; ongoing reforms in governance, economic management, and infrastructure development are crucial to sustaining progress.
- **Monitoring and Evaluation:** Continuous monitoring and evaluation are necessary to assess the impacts of the debt relief and ensure that the benefits are maximized and sustained.
- **International Support and Collaboration:** Maintaining strong relationships with international partners remains vital for accessing further financial support and technical assistance, crucial for long-term development.

HIPC Status Among ESCWA Members

- **Current or Recent HIPC Members:** Several ESCWA member countries have participated in the Heavily Indebted Poor Countries (HIPC) Initiative to reduce their debt burden.
- **Examples:** A few ESCWA member countries have participated in the HIPC Initiative. Some examples include Yemen, Mauritania, and Djibouti.
- **Debt Sustainability Challenges:** These ESCWA member countries often face challenges in achieving long-term debt sustainability due to various factors, such as political instability, economic vulnerability, and reliance on commodity exports.

Move forward as region

- **Enhanced Regional Cooperation:** Strengthen collaboration among ESCWA member states to boost economic resilience and regional integration.
- **Commitment to Sustainable Practices:** Focus on sustainable economic policies and practices that ensure long-term growth and stability across the region.
- **Preventive Measures Against Economic Vulnerabilities:** Implement strategies to protect against economic shocks and vulnerabilities, including those arising from global economic uncertainties.
- **Continuous Policy Innovation and Adaptation:** Encourage ongoing reforms and innovative policies to keep up with changing economic landscapes and opportunities within the region.
- **Regional Monitoring Mechanisms:** Develop and maintain robust regional monitoring mechanisms to track progress and challenges, ensuring adaptive responses to new economic conditions.
- **Strengthened International Partnerships:** Foster stronger international partnerships to secure technical and financial support essential for the region's development goals.



Thank YOU!