Understanding Post-HIPC Public Sentiment: An Empirical Study of Economic Expectations and Fiscal Perception in Somalia

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ABSTRACT

In December 2023, Somalia attained the Completion Point under the Heavily Indebted Poor Countries (HIPC) Initiative, leading to $4.5 billion in debt relief and a decrease in foreign debt from over 64% of GDP in 2018 to under 6%. This fiscal milestone signifies a significant achievement in macroeconomic reform and international relations; nonetheless, the perceptions of Somali individuals regarding the effects of debt relief and their aspirations for the post-HIPC economic environment remain ambiguous. This study analyzes public perceptions of the debt relief process and explores how institutional trust, information accessibility, and political narratives influence household expectations on inflation, employment, domestic production, and investment. The research employed a cross-sectional survey methodology and collected data from 500 participants throughout Somalia's federal member states with a constructed questionnaire based on Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory. The data were examined employing various inferential statistical methods, including exploratory factor analysis (EFA), Pearson correlation, multiple linear regression, moderation analysis, independent samples t-tests, and one-way ANOVA to evaluate relationships, predictive power, and group disparities across significant demographic categories. The results indicate a disjointed and ambiguous impression of the HIPC accomplishment. Increased understanding of the debt relief process significantly correlates with economic optimism; however, this optimism is further amplified by prevalent misconceptions regarding public borrowing and overblown expectations of the effects of debt relief. Trust in government, while not a direct predictor, substantially influences the relationship between awareness and optimism. Political narrative influence exhibits a significant negative correlation with optimism, underscoring distrust regarding governmental communication. Regional differences are pronounced: educated and positive perspectives are prevalent in Puntland and Somaliland, but skepticism and risk perceptions prevail in Southwest and Hirshabelle. Policy proposals encompass the establishment of transparent fiscal accountability systems akin to Uganda's Virtual Poverty Fund, the initiation of targeted fiscal literacy initiatives, the depoliticization of economic communication, and the involvement of citizens in participatory government. These techniques are crucial for converting debt relief into concrete public trust and comprehensive recovery. Somalia's situation provides valuable insights for other post-HIPC nations, emphasizing the necessity of reinforcing economic advancements through trust cultivation, transparent communication, and fair reform execution.

Keywords: HIPC Initiative, Economic Expectations, Debt Perception, Fiscal Trust, Somalia
JEL Classifications: E62, H63, D84, O23

1. INTRODUCTION

In December 2023, Somalia achieved a notable economic milestone by fulfilling the criteria of the Heavily Indebted Poor Countries (HIPC) project and obtaining a $4.5 billion debt forgiveness from international creditors (IMF, 2023c; World Bank, 2024). This incident decreased the nation's external debt from over 64% of GDP in 2018 to around 6%, signifying a fiscal turning point and a significant challenge to public perception and institutional credibility in a vulnerable, post-conflict economy. This accomplishment results from years of policy alignment with the International Monetary Fund (IMF) and the World Bank, encompassing structural reforms, macroeconomic stability, and poverty alleviation strategies (Mustapha and Prizzon, 2015). While

the world society acknowledges Somalia's advancements, the local populace may possess a more intricate perspective, influenced by ongoing challenges such as unemployment, inflation, and ineffective administration. Comprehending Somali families' perceptions of this debt relief and their economic expectations thereafter is essential for successful policy formulation and public legitimacy.

The public's perspective is essential in the post-HIPC policy landscape. While debt reduction ostensibly generates fiscal room and enhances investor confidence (Radelet, 2005), it may also include austerity measures, elevated taxation, and amplified expectations that may not promptly manifest. In Somalia, initial indicators—such as the increase in payroll taxes and constrained state capacity—imply that economic changes may burden disadvantaged people. Consequently, it is crucial to examine whether individuals see these advances as beneficial advancement or financial encumbrance to reconcile the disparity between governmental narratives and popular feeling (Buchanan and Tullock, 1965; Oates and Schwab, 1988).

This research is grounded in three interconnected theoretical frameworks: Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory. Expectation Theory posits that humans generate economic predictions based on accessible information, the reliability of institutions, and empirical results (Muth, 1961; Blanchard, 2018). The Fiscal Illusion Theory emphasizes a prevalent inclination among individuals to miscalculate the actual expenses associated with public debt, frequently undervaluing long-term obligations while overvaluing immediate benefits (Oates and Schwab, 1988). Public Choice Theory elucidates the manner in which political actors construct economic narratives to sway public opinion (Torgler, 2022). The study evaluates Somali families' reactions to the debt relief accomplishment and examines the alignment of their economic expectations with policy objectives via these lenses.

The research examines four dependent variables—household expectations concerning inflation, employment, domestic production, and investment—while analyzing the influence of key independent factors: awareness of the HIPC process, trust in public financial management, and perception of government communication. The research examines regional disparities in perception, particularly between federally affiliated territories and those with more autonomy, including Puntland, Jubaland, and Somaliland.

This research has two primary aims. Initially, it seeks to assess Somali families' understanding and perspective about the HIPC debt relief procedure. Secondly, it aims to investigate their economic anticipations in the post-HIPC era and examine how they are influenced by institutional trust and access to reliable information. This work empirically examines these topics, therefore enhancing the modest yet expanding body of knowledge on post-HIPC governance and providing policy-relevant insights for fostering public trust in fragile economies (Radelet, 2005).

This question is particularly pertinent as Somalia shifts from financial crisis to fiscal reconstruction. The degree to which individuals comprehend and endorse post-HIPC reforms will profoundly affect the path of recovery. The research offers a foundational framework for understanding economic expectations within the wider context of debt relief, governmental legitimacy, and inclusive growth.

2. REVIEW OF LITERATURE

Governments worldwide frequently depend on both internal and external borrowing to address budget imbalances and advance developmental initiatives, including infrastructure construction, job creation, and poverty reduction. Nonetheless, the disadvantage of this technique is a growing debt load, which, in certain nations, may surpass sustainable limits and hinder long-term economic growth. In 2023, African states collectively had a debt load equivalent to 66% of their GDP (African Union, 2023). Somalia's debt trajectory started significantly before to the central government's fall in 1991, with its external debt recorded at $2.3 billion. The ensuing political instability, violence, and fragile fiscal institutions resulted in a debt escalation reaching $5.2 billion by 2023, or 64% of the nation's GDP (IMF, 2023a).

Acknowledging the untenability of this debt, Somalia sought assistance through the Highly Indebted Poor Countries (HIPC) Initiative, a collaborative program established by the IMF and World Bank in 1996. The HIPC effort aimed to alleviate the external debt loads of the world's most impoverished and heavily indebted nations to sustainable levels (World Bank, 2006). The HIPC process necessitates that countries adopt prudent macroeconomic policies, execute structural and social reforms, and have a history of effective governance and poverty alleviation initiatives.

The HIPC process is divided into two main phases: the decision point and the completion point. A nation qualifies for temporary relief at the decision point by demonstrating unsustainable debt levels, a credible history of reforms, and an inclusive strategy for poverty alleviation. Full debt forgiveness is awarded upon reaching the completion milestone, contingent upon the nation maintaining macroeconomic stability and implementing sustainable structural and governance reforms, particularly within the context of a Poverty Reduction Strategy Paper (PRSP) (IMF, 2023b).

Somalia's advancement under the HIPC framework exemplifies a significantly transformative yet institutionally complex trajectory. After almost a decade of structural adjustment, Somalia reached the HIPC completion point in December 2023, securing $4.5 billion in debt relief from bilateral and multilateral creditors. This accomplishment reduced the nation's foreign debt-to-GDP ratio from 64% in 2018 to below 6% in 2023 (IMF, 2023; World Bank, 2024). Voice of America (2023) reported that this milestone represents the culmination of years of fiscal discipline, reform, and international cooperation aimed at restoring macroeconomic credibility. Similarly, lessons from Zambia's debt relief efforts demonstrate that post-HIPC debt management remains a persistent challenge without continued structural vigilance (Voice of America, 2022). The strategy encompassed significant reforms, such as the modernization of the Central Bank of Somalia, advancements in public financial management,

and enhanced domestic revenue mobilization, evidenced by an increase in revenue from $248 million in 2022 to $283 million in 2023 (Ministry of Finance, 2023). The implementation of payroll taxes on entities such as colleges following debt relief has provoked social discontent, especially among low- and middle-income individuals, underscoring the tension between budgetary consolidation and popular sentiment.

Three theoretical frameworks are crucial for analyzing Somali households' views of debt relief outcomes: Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory. Expectation Theory emphasizes the importance of information, credibility, and experience in shaping anticipatory economic perspectives (Muth, 1961; Blanchard, 2018). The Fiscal Illusion Theory asserts that individuals often miscalculate the long-term costs of public borrowing while overestimating its benefits, especially when these costs are deferred (Oates and Schwab, 1988). Public Choice Theory explains how governmental actors and elites construct political narratives about economic developments to shape public perception, particularly relevant in unstable and post-conflict environments like Somalia (Buchanan and Tullock, 1962). Recent evidence by Bremer and Bürgisser (2023) reinforces these ideas, revealing that citizens' attitudes toward government debt are heavily shaped by perceptions of fiscal responsibility, trust in government, and how debt is framed in public discourse.

These theoretical frameworks provide a thorough foundation for examining how Somali households interpret the nation's post-HIPC context concerning many crucial elements, including inflation expectations, employment prospects, and projected investment inflows. In this context, household trust in public financial management and the perceived transparency of government are particularly crucial. The government's augmentation of fiscal policies post-HIPC will depend on public understanding of the modifications and their alignment with real experiences, affecting the programs' efficacy or resistance.

The worldwide empirical research supports the need for calibrated optimism. Uganda, the inaugural nation to attain the HIPC completion threshold, instituted a Virtual Poverty Fund (VPF) to allocate savings from debt reduction for social initiatives. This resulted in quantifiable enhancements in education, health, and infrastructure (Williamson and Canagarajah, 2006; Muwanga-Zake and Ndhaye, 2001). The stringent institutional control measures in Uganda for transparent expenditure oversight enhanced public trust and donor assurance. Zambia exemplifies a cautionary case. Zambia reached the HIPC completion milestone in 2005; nevertheless, by the early 2020s, it had re-accumulated unsustainable debt, highlighting the risks associated with excessive borrowing, insufficient public financial management, and structural deficiencies (African Development Bank, 2005; Jones et al., 2024).

The varying paths underscore the importance of institutional quality, fiscal discipline, and political commitment in shaping post-HIPC outcomes. Mustapha and Prizzon (2014) note that in 11 of 13 post-HIPC countries with available long-term data, debt-to-GDP ratios worsened during a ten-year period. These trends were driven by a continual reliance on foreign aid, restricted export

bases, and unstable tax systems. The research highlights that public perception of debt relief and subsequent modifications is crucial in shaping political commitment to maintain discipline. In countries where reforms were poorly communicated or misaligned with public expectations, policy reversals and heightened debt accumulation occurred.

Moreover, additional empirical research suggests that the sustained effectiveness of HIPC support relies on how countries manage the balance between fiscal reform and inclusive development. Both Bolivia and Ghana benefited from HIPC; however, Bolivia invested significantly in social safety nets and transparent government, whereas Ghana had difficulties with decentralization and insufficient regional absorption capacity (Radelet, 2005). These incidents illustrate that, despite improvements in macroeconomic data, a divergence between public expectations and official actions can undermine the legitimacy and effectiveness of reform measures.

The IMF's Debt Sustainability Framework (DSF) emphasizes the need for practical financing strategies tailored to mitigate country-specific risks. Somalia's political fragmentation, susceptibility to climate disruptions, and dependence on remittances make it particularly vulnerable to external shocks. Thus, the DSF's stress-testing tools, which consider commodity volatility, contingent liabilities, and constrained tax capacity, are essential for Somalia's future debt management (IMF, 2020).

Methodologically, future research in this field should follow rigorous empirical design principles. As Dźwigoł (2020) emphasized, pilot testing enhances the reliability and validity of survey instruments, ensuring the questions effectively capture participants' perceptions and experiences. Similarly, Regmi et al. (2016) highlighted that properly designed online questionnaires can improve data accuracy and response rates, particularly when researching dispersed or post-conflict populations such as Somali households.

In Somalia, household perspectives are likely shaped by macroeconomic data and local political dynamics. Regions such as Puntland and Somaliland, which have greater administrative autonomy, may experience national debt relief uniquely due to their historical skepticism of federal fiscal participation. The effectiveness of post-HIPC policies depends not only on economic outcomes but also on the federal government's capacity to clearly communicate its objectives and include regional governments in economic planning.

In summary, although Somalia's achievement of HIPC completion is a significant milestone, its further trajectory will depend on the degree to which it implements reforms, refrains from imprudent borrowing, and aligns development initiatives with the expectations of its populace. This literature study has integrated international and domestic experiences, theoretical frameworks, and empirical insights, demonstrating that the primary issue of debt relief resides not in achieving the completion point, but in administering the subsequent phase through inclusive and sustainable governance.

3. MATERIALS AND METHODS

This study employed a descriptive and cross-sectional survey approach to investigate Somali households' perceptions of the national debt relief process and their economic aspirations in the post-HIPC setting. A structured questionnaire was created based on three theoretical frameworks—Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory—to inform variable design and item development. The survey instrument had demographic inquiries, multiple-choice questions regarding awareness and perceptions, and Likert-scale items assessing attitudes and expectations. The study's target demographic consists of Somali individuals aged 18 and older living in the country's principal federal member states regions: Banadir, Puntland, Somaliland, Jubaland, Galmudug, Southwest, and Hirshabelle. The emphasis was on participants possessing fundamental knowledge of national economic matters, namely the debt relief procedure and its anticipated consequences.

A total of 500 participants were chosen for the survey. The sample size was considered sufficient according to rules for multivariate statistical methods (e.g., factor analysis and regression), which need a minimum of 10-15 observations per variable. The 24 Likert-scale questions assessing latent components, along with 500 participants, yield adequate statistical power for dependable inference and subgroup analysis. A stratified random sampling method was utilized to guarantee proportional representation among Somalia's regions. The sample was allocated according to accessibility and regional political dynamics as follows: Banadir (24%), Puntland (18%), Somaliland (16%), Jubaland (14%), Galmudug (12%), Southwest (10%), and Hirshabelle (6%). These proportions indicate both the population size and the anticipated degree of involvement in national economic discussions. Random selection of respondents within each stratum was enabled using digital platforms and field coordination via local connections.

Data was gathered using an online questionnaire conducted in both Somali and English. The instrument was created in English and subsequently translated by bilingual specialists to guarantee language and conceptual parity. Prior to formal deployment, the questionnaire underwent evaluation by Somali language experts and economic academics to ensure clarity, relevance, and internal consistency. Pilot research involving 30 participants was executed to evaluate the tool's framework, rationale, and technological compatibility.

This work complied with recognized research ethical guidelines. Participants were apprised of the study's objective, their entitlement to voluntary involvement, and their prerogative to withdraw at any moment. Informed consent was acquired online. No identifying information was gathered to maintain anonymity, and replies were securely saved. The initial page of the questionnaire contained details on the researcher, data confidentiality, and the prospective academic application of the data.

The data were encoded, sanitized, and analyzed utilizing SPSS version 26. Descriptive statistics were employed to encapsulate demographic features and essential factors. The study utilized reliability analysis (Cronbach's alpha) to assess the internal consistency of multi-item scales, ANOVA and independent samples

Table 1: Demographic characteristics of participants (n=500)

Variable	Category	n	%
Age	Below 25	134	26.8
	26-30 years old	142	28.4
	31-40 years old	90	18.0
	Above 41 years old	134	26.8
Gender	Male	351	70.2
	Female	149	29.8
Employment Status	Employed	209	41.8
	Unemployed	291	58.2
Education Level	No formal education	39	7.8
	Primary school	46	9.2
	Secondary school	127	25.4
	University or higher	288	57.6
Field of Study	Economics/Business/Finance	243	48.6
	Public Administration	257	51.4
Region of Residence	Banadir	120	24.0
	Puntland	90	18.0
	Somaliland	80	16.0
	Jubbaland	70	14.0
	Galmudug	60	12.0
	South West	50	10.0
	Hirshabelle	30	6.0

Table 2: Awareness, perceptions, and opinions on debt relief and new loans

Item	Response category	n	%
Awareness of Debt	<1 year ago	90	18.0
	1-5 years ago	117	23.4
	6-10 years ago	96	19.2
	More than 10 years ago	197	39.4
Level o Engagement with Debt Relief News	Very closely	97	19.4
	Closely	115	23.0
	Somewhat closely	103	20.6
	Not very closely	86	17.2
	Not at all	99	19.8
Perceived Success of Debt Relief (Dec 2023)	Very successful	105	21.0
	Somewhat successful	98	19.6
	Neutral	98	19.6
	Not successful	104	20.8
	Very unsuccessful	95	19.0
Opinion on New Loans Post-Relief	Strongly support	108	21.6
	Support	116	23.2
	Neutral	87	17.4
	Oppose	98	19.6
	Strongly oppose	91	18.2

t-tests for group comparisons, multiple linear regression to evaluate the impact of independent variables (e.g., trust, awareness, narrative influence) on economic expectations, and exploratory factor analysis (EFA) to confirm the theoretical dimensions of the questionnaire. The findings were analyzed concerning the theoretical framework and regional political environment, especially the varying degrees of institutional trust among federal member states.

4. DATA ANALYSIS AND RESULTS

The demographic characteristics (as shown in Table 1) of the sample provide crucial context for interpreting public sentiment

in post-HIPC Somalia. Age distribution was relatively balanced, with the largest groups being individuals aged 26-30 years (28.4%) and those above 41 years (26.8%), while the youngest group (below 25 years) also made up 26.8%, suggesting broad generational representation. Gender distribution was skewed, with males constituting 70.2% of the sample, reflecting male-dominated participation likely influenced by sociocultural norms. Employment data showed that 58.2% of respondents were unemployed, pointing to persistent labor market challenges that likely shape economic perceptions. Educational attainment was relatively high, with 57.6% holding university degrees or higher, suggesting a well-informed sample, although 42.4% had secondary education or less. Nearly equal representation from Economics/Business/Finance (48.6%) and Public Administration (51.4%) backgrounds indicates that most participants had academic exposure to governance or economic systems. Regionally, participants were drawn from across all federal member states, with Banadir (24.0%), Puntland (18.0%), and Somaliland (16.0%) being the most represented, highlighting diverse regional perspectives in the sample.

As shown in Table 2; The results indicate that most participants (39.4%) became aware of Somalia's debt over 10 years ago, reflecting long-standing public familiarity with the issue. Engagement with debt relief news was mixed, with only 19.4% reporting clear engagement and the rest spread across unspecified categories, showing varied levels of awareness. Perceptions of the 2023 debt relief outcome were evenly split: about one-fifth each viewed it as very successful, unsuccessful, or neutral, indicating widespread ambivalence. Opinions on new loans post-relief were similarly divided, with 44.8% in support and 37.8% opposed, revealing no strong consensus on future borrowing.

4.1. Research Question

What are the expectations of households regarding inflation, employment, domestic production, and investment in the post-HIPC period?

Table 3: Household expectations on key economic indicators in the post-HIPC period

Indicator	Category	n	%
Expected Inflation	Increase significantly	122	24.4
	Increase slightly	96	19.2
	Stay the same	98	19.6
	Decrease slightly	92	18.4
	Decrease significantly	92	18.4
Expected Employment Levels	Increase significantly	119	23.8
	Increase slightly	92	18.4
	Stay the same	95	19.0
	Decrease slightly	84	16.8
	Decrease significantly	110	22.0
Expected Domestic Production (e.g., farming, livestock, etc.)	Increase significantly	96	19.2
	Increase slightly	103	20.6
	Stay the same	106	21.2
	Decrease slightly	97	19.4
	Decrease significantly	98	19.6
Expected Investment Inflows	Increase significantly	87	17.4
	Increase slightly	88	17.6
	Stay the same	98	19.6
	Decrease slightly	101	20.2
	Decrease significantly	126	25.2

The results from Table 3 illustrate a fragmented and uncertain outlook among Somali households regarding key economic indicators in the post-HIPC period. Expectations about inflation are notably dispersed, with 24.4% anticipating an increase, while 19.6% expect a decrease and 19.2% believe it will remain the same. This division reflects uncertainty in the perceived effectiveness of post-HIPC monetary policy and the public's limited confidence in price stability.

Expectations for employment also show mixed sentiments. While 23.8% anticipate job growth, 19.0% foresee a decline, and 18.4% expect stability. These results likely reflect ongoing structural challenges in employment generation and the uncertain capacity of the post-HIPC economy to deliver job opportunities.

Perceptions about domestic production, particularly in key sectors such as farming and livestock, were similarly divided. Only 19.2% expect growth, while a slightly higher proportion (21.2%) anticipate a decline, and 20.6% predict no change. This spread suggests skepticism about the potential for agricultural revitalization and reflects a cautious public mood regarding productive sector recovery.

Expectations regarding investment inflows were the most pessimistic. Only 17.4% believe investment will increase, while 19.6% expect a decline and 17.6% predict no change. This indicates limited public confidence in Somalia's ability to attract new capital post-HIPC.

## 4.2. Factor Analysis Results for Somalia Debt Relief Perception Variables (EFA)

The Exploratory Factor Analysis (EFA) results for Somalia's debt relief perception variables provide a robust validation of the underlying theoretical constructs derived from Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory. The analysis was conducted on newly developed items designed to assess public perceptions regarding Somalia's debt relief process. The EFA findings confirm that each theoretical construct formed a unidimensional structure, with all items within each construct loading highly on a single factor and accounting for a substantial proportion of the variance. This suggests strong internal consistency and construct validity across the instrument.

Table 4: Kaiser-Meyer-Olkin (KMO) measures and Bartlett's test results for all constructs

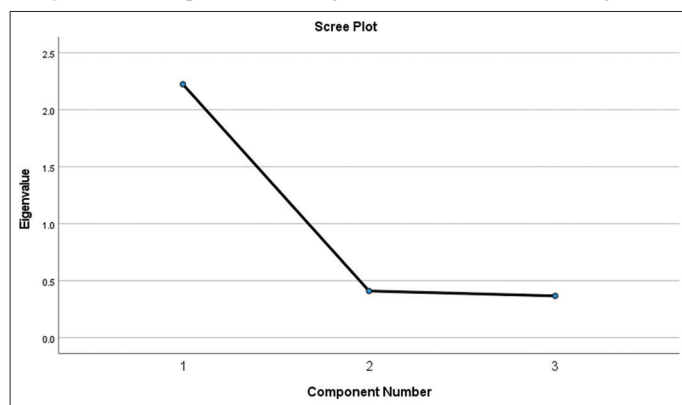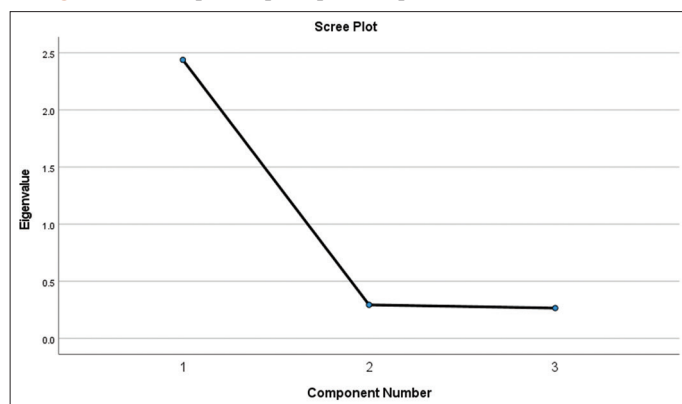| Construct	KMO measure	Bartlett's test
1. Debt Relief Awareness	0.758	$\chi^2 (3)=1112.369, P<0.001$
2. Expectation Formation Based on Information	0.761	$\chi^2 (3)=1134.270, P<0.001$
3. Economic Optimism/ Expectations	0.747	$\chi^2 (3)=969.632, P<0.001$
4. Misconception about Borrowing	0.749	$\chi^2 (3)=947.109, P<0.001$
5. Overestimation of Debt Relief Impact	0.770	$\chi^2 (3)=1329.611, P<0.001$
6. Perception of Debt Risk	0.717	$\chi^2 (3)=545.469, P<0.001$
7. Trust in Government Economic Management	0.721	$\chi^2 (3)=545.478, P<0.001$
8. Perception of Political Narrative Influence	0.746	$\chi^2 (3)=821.553, P<0.001$

Table 4a: Variance explained and eigenvalues for each construct

Construct	Initial eigenvalue	% of variance explained
1. Debt Relief Awareness	2.589	86.311
2. Expectation Formation Based on Information	2.601	86.693
3. Economic Optimism/Expectations	2.517	83.916
4. Misconception about Borrowing	2.507	83.571
5. Overestimation of Debt Relief Impact	2.678	89.268
6. Perception of Debt Risk	2.220	73.994
7. Trust in Government Economic Management	2.224	74.132
8. Perception of Political Narrative Influence	2.439	81.291

Figure 1: Scree plot of debt relief awareness
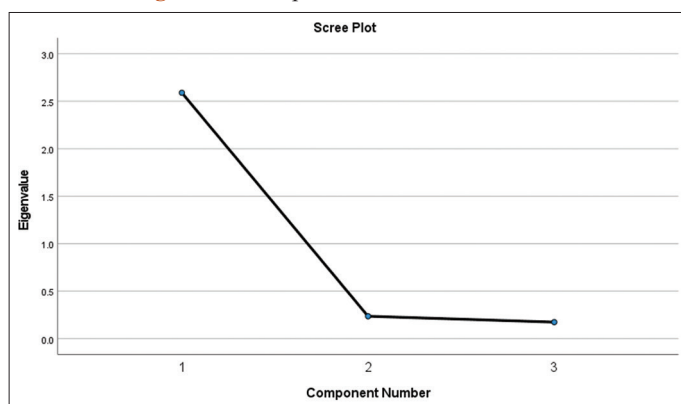
Figure 2: Scree plot of expectation formation based on information
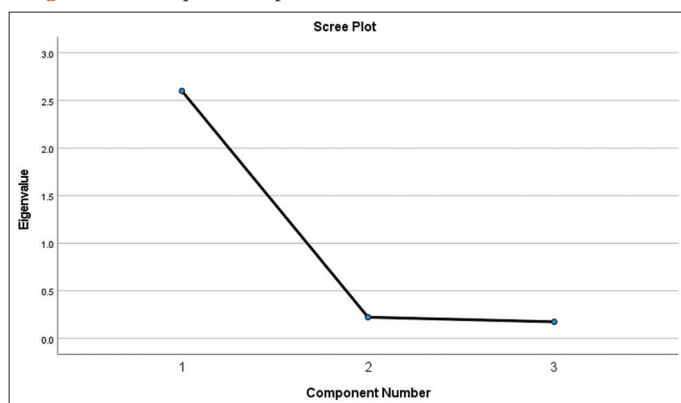
Figure 3: Scree plot of economic optimism/expectations
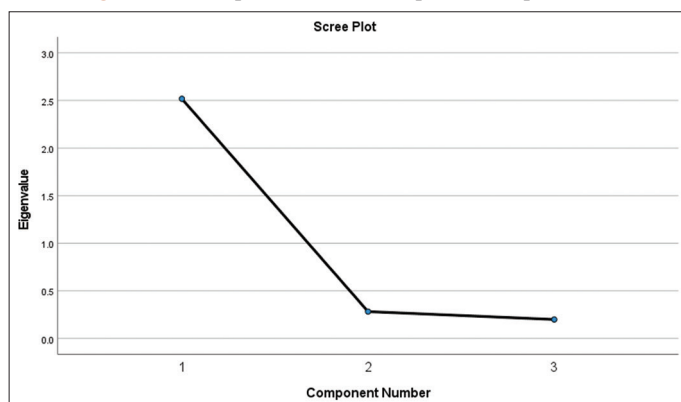
Figure 4: Scree plot of misconception about borrowing
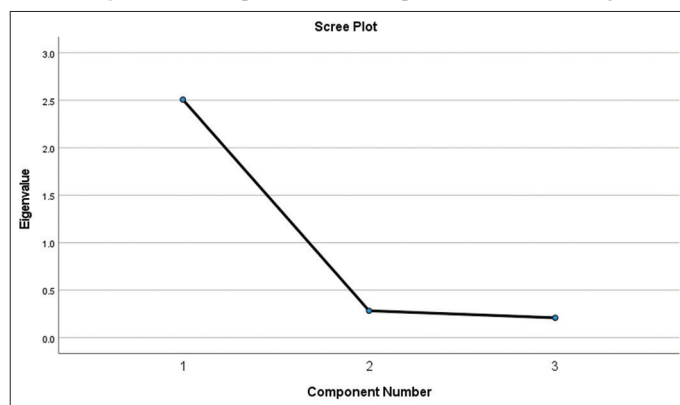
Figure 5: Scree plot of overestimation of debt relief impact
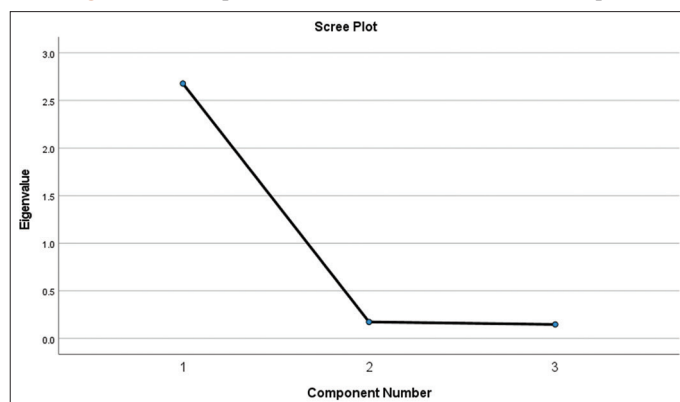
Figure 6: Scree plot of perception of debt risk
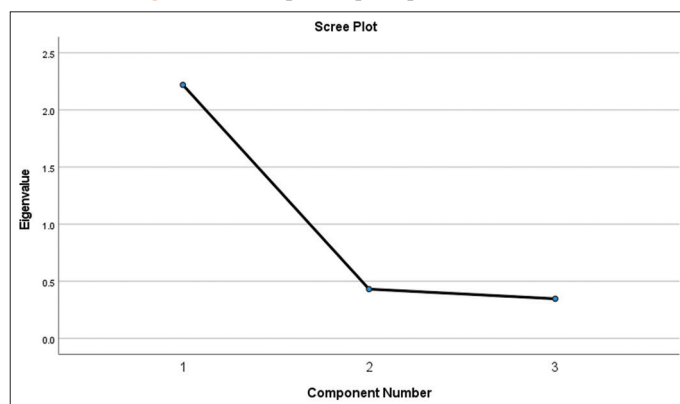
4.3. Sampling Adequacy and Factorability

Table 4 presents the Kaiser-Meyer-Olkin (KMO) measures and Bartlett's Test of Sphericity for each construct. All KMO values exceed the recommended threshold of 0.70, ranging from 0.717 to 0.770, indicating sampling adequacy for each variable group. Additionally, the results of Bartlett's test are highly significant (P<0.001 for all constructs), which confirms that the correlations between items within each construct are sufficient for factor analysis. These findings suggest the data is well-suited for structure detection through principal component analysis.

Figure 7: Scree plot of trust in government economic management

Figure 8: Scree plot of perception of political narrative influence

4.4. Variance Explained and Factor Structure

As shown in Table 4a, each construct yielded a single-factor solution as shown in scree plots (Figures 1-8), with eigenvalues exceeding 2.2 and explaining between 73.99% and 89.27% of the total variance. The highest variance was explained by the "Overestimation of Debt Relief Impact" construct (89.27%), while the lowest was seen in "Perception of Debt Risk" (73.99%). These high percentages indicate that the newly developed items within each construct are strongly correlated and effectively measure their respective latent concepts.

4.5. Factor Loadings and Item Validity

Table 4b details the factor loadings for all items across the eight constructs. All items demonstrated very high loadings, ranging from 0.840 to 0.950, which far exceed the conventional cutoff of 0.40 for significance. For instance, items under Debt Relief Awareness had loadings between 0.918 and 0.938, affirming that respondents clearly distinguished and understood the debt relief process, including the role of international institutions such as the IMF and World Bank. Similarly, Expectation Formation Based on Information showed high loadings (0.924-0.940), supporting the construct's validity in capturing the role of factual versus rumor-based economic perception.

In the domain of Economic Optimism, a dependent variable under Expectation Theory, items showed strong loadings (0.903-0.931), reflecting respondents' forward-looking expectations about national and household economic conditions. Constructs based on Fiscal Illusion Theory such as Misconception about

Table 4b: Factor loadings for all constructs

Item	Statement	Factor loading
Debt relief awareness items		
BRAW1	I was regularly informed about the HIPC debt relief process	0.938
BRAW2	I know the steps Somalia took to qualify for debt relief	0.931
BRAW3	I understand the role of IMF and World Bank in Somalia's debt relief	0.918
Expectation formation based on information items		
EFBOI1	I base my economic views on facts, not media opinions	0.929
EFBOI2	My expectations are shaped by official sources, not rumors	0.924
EFBOI3	I critically evaluate economic information before forming opinions	0.940
Economic optimism/expectations items		
EO1	I expect Somalia's economy to improve over the next 3 years	0.931
EO2	I expect my household's economic conditions to improve	0.903
EO3	I believe Somalia is moving toward economic stability	0.914
Misconception about borrowing items		
MB1	Government borrowing is an easy way to solve problems	0.921
MB2	Loans do not affect citizens directly	0.899
MB3	Public borrowing creates benefits without major risks	0.923
Overestimation of debt relief impact items		
ODRB1	Debt relief will solve most of Somalia's economic issues	0.941
ODRB2	Somalia won't need other reforms now that debt is gone	0.950
ODRB3	Debt relief will automatically lead to large-scale investment	0.943
Perception of debt risk items		
DRB1	Taking new loans will likely cause another debt crisis	0.871
DRB2	Somalia may repeat the mistakes that caused debt in the past	0.869
DRB3	Loans today mean higher taxes tomorrow	0.840
Trust in government economic management items		
TGEM1	I trust the government to use public funds responsibly	0.862
TGEM2	The government manages economic policies well	0.869
TGEM3	The Ministry of Finance is transparent with budget decisions	0.851
Perception of political narrative influence items		
IPN1	Politicians exaggerate the benefits of debt relief	0.896
IPN2	Public opinion on debt is shaped more by politics than facts	0.903
IPN3	Media coverage on debt issues is driven by political agendas	0.906

Borrowing and Overestimation of Debt Relief Impact also had high loadings (0.899-0.950), suggesting that many individuals may hold simplified or overly optimistic views about the benefits of debt relief and the risks of public borrowing.

Under Public Choice Theory, Trust in Government Economic Management and Perception of Political Narrative Influence also

Table 4c: Communalities range for each construct

Construct	Minimum	Maximum
1. Debt Relief Awareness	0.842	0.880
2. Expectation Formation Based on Information	0.854	0.883
3. Economic Optimism/Expectations	0.815	0.867
4. Misconception about Borrowing	0.808	0.851
5. Overestimation of Debt Relief Impact	0.886	0.902
6. Perception of Debt Risk	0.705	0.759
7. Trust in Government Economic Management	0.725	0.755
8. Perception of Political Narrative Influence	0.802	0.820

Extraction Method: Principal Component Analysis. All constructs resulted in a unidimensional structure with a single factor explaining more than 73% of the variance in each case

Table 5: Reliability and descriptive statistics for key study constructs (n=3 items each)

Construct	α	M	SD
Debt Relief Awareness	0.920	10.88	2.975
Expectation Formation Based on Information	0.923	10.67	2.720
Economic Optimism/Expectations	0.903	10.56	2.807
Misconception about Borrowing	0.901	11.02	2.735
Overestimation of Debt Relief Impact	0.938	10.63	2.940
Perception of Debt Risk	0.824	8.98	1.656
Trust in Government Economic Management	0.825	9.19	1.575
Perception of Political Narrative Influence	0.884	8.94	2.057

α=Cronbach's Alpha, M=Mean, SD=Standard deviation

showed solid factor structure, with item loadings between 0.851 and 0.906, indicating that political communication and perceptions of government transparency play a strong role in shaping public opinion on economic matters.

4.6. Communalities and Item Contribution

Table 4c outlines the communalities, which reflect the proportion of variance in each item explained by the factor. All constructs had communalities well above the 0.70 threshold, with Debt Relief Awareness and Overestimation of Debt Relief Impact showing particularly high ranges (0.842-0.880 and 0.886-0.902, respectively), indicating that these items are highly representative of their underlying constructs. The lowest communalities were observed in the Perception of Debt Risk construct (0.705-0.759), though still well within acceptable ranges.

4.7. Theoretical Implications

These findings strongly support the multidimensional conceptual model grounded in the three theoretical frameworks:

1. Expectation Theory is validated through strong factor structure and internal consistency in constructs such as Debt Relief Awareness, Expectation Formation Based on Information, and Economic Optimism. These constructs collectively capture how information and awareness influence expectations about economic recovery.
2. Fiscal Illusion Theory is effectively operationalized through the constructs Misconception about Borrowing, Overestimation of Debt Relief Impact, and Perception of Debt Risk. The results indicate that many individuals may misjudge the implications of public borrowing and debt relief, aligning with the theory's core proposition that fiscal understanding is often obscured in the public mindset.
3. Public Choice Theory is reflected in the constructs Trust in Government Economic Management and Perception of Political Narrative Influence, with findings indicating that political framing and government performance perception significantly shape public attitudes toward economic policies.

In sum, the EFA results provide strong empirical support for the proposed constructs and the theoretical model. The high KMO values, significant Bartlett's tests, high eigenvalues, strong factor loadings, and communalities collectively confirm that each construct is valid, reliable, and distinct. This provides a solid foundation for subsequent analyses, including structural equation modeling or regression analysis, to examine causal relationships among these constructs and their influence on public economic expectations in Somalia.

Table 5 shows that all constructs demonstrated high internal consistency, with Cronbach's alpha values ranging from 0.824 to 0.938, well above the acceptable threshold of 0.70. This indicates that each scale reliably measures its intended concept. The mean scores suggest moderate levels of endorsement across constructs, with the highest average reported for Misconception about Borrowing (M = 11.02, SD = 2.735) and the lowest for Perception of Political Narrative Influence (M = 8.94, SD = 2.057). These findings confirm that the constructs are both psychometrically sound and meaningfully distributed across respondents.

Table 6 reveals significant intercorrelations among the debt relief perception variables. Debt Relief Awareness was strongly and positively correlated with Economic Optimism (r = 0.98, P < 0.01), Trust in Government (r = 0.65, P < 0.01), and Misconception about Borrowing (r = 0.98, P < 0.01), indicating that higher awareness is linked with greater optimism and trust, but also with some misunderstandings about borrowing. Similarly, Misconception about Borrowing had strong positive correlations with Economic Optimism (r = 0.98, P < 0.01) and Trust in Government (r = 0.65, P < 0.01), suggesting that overly simplistic views on borrowing may inflate expectations and confidence in governance. In contrast, Perception of Political Narrative Influence was negatively associated with all major variables, especially Economic Optimism (r = −0.88, P < 0.01) and Trust in Government (r = −0.76, P < 0.01), reflecting widespread skepticism among those who view debt relief messaging as politically driven. These patterns suggest that optimism and trust are closely tied to awareness but may be undermined by perceptions of political manipulation and misunderstanding of fiscal realities.

H_1. Higher levels of debt relief awareness, misconceptions about borrowing, and perception of debt risk significantly predict greater economic optimism among Somali respondents.
H_2. Stronger reliance on expectation formation based on information, overestimation of debt relief, trust in government, and perceptions of political narrative influence negatively predict economic optimism.

The regression results in Table 7 show that higher levels of debt relief awareness (β = 0.59, P < 0.001), misconceptions about borrowing (β = 0.35, P < 0.001), and perception of debt risk (β = 0.02, P = 0.034) significantly predict greater economic optimism among Somali respondents. Conversely, stronger reliance on expectation formation based on factual information (β = −0.05, P < 0.001), overestimation of debt relief impact

Table 6: Intercorrelations among debt relief perception variables

Variable	1	2	3	4	5	6	7	8
1. Debt relief awareness	—							
2. Expectation formation	0.17**	—						
3. Misconception about borrowing	0.98**	0.11*	—					
4. Overestimation of debt relief	0.33**	−0.08	0.34**	—				
5. Trust in government	0.65**	0.06	0.65**	0.30**	—			
6. Narrative influence	−0.86**	−0.08	−0.87**	−0.33**	−0.76**	—		
7. Perception of debt risk	−0.69**	−0.10*	−0.67**	−0.26**	−0.53**	0.67**	—	
8. Economic optimism	0.98**	0.10*	0.98**	0.32**	0.66**	−0.88**	−0.67**	—

All decimal values rounded to two places
*$P < 0.05$. **$P < 0.01$

Table 7: Multiple regression analysis predicting economic optimism from debt relief perception variables

Variable	B	SE	β	t	P-value
Constant	2.53	0.47	—	5.42	<0.001
Debt relief awareness	0.56	0.03	0.59	16.20	<0.001
Expectation Formation	−0.05	0.01	−0.05	−5.87	<0.001
Misconception about Borrowing	0.36	0.04	0.35	9.80	<0.001
Overestimation of Debt Relief	−0.02	0.01	−0.02	−2.68	0.008
Trust in Government	−0.03	0.02	−0.02	−1.42	0.157
Narrative Influence	−0.14	0.02	−0.11	−6.10	<0.001
Perception of Debt Risk	0.03	0.01	0.02	2.12	0.034

$R = 0.99$, $R^2 = 0.97$, Adjusted $R^2 = 0.97$, $F_{(7, 492)} = 2656.31$, $P < 0.001$. All decimal values rounded to two places

Table 8: Moderation analysis of trust in government on the relationship between debt relief awareness and economic optimism

Predictor variable	β	SE	t	P	95% CI
Model: Debt relief awareness×trust in government→economic optimism					
Constant	1.20	0.39	3.09	<0.001	(0.44, 1.96)
Debt relief awareness	0.82	0.04	21.98	<0.001	(0.74, 0.89)
Trust in government	−0.07	0.05	−1.40	0.16	(−0.16, 0.03)
Debt relief awareness×trust in government	0.01	0.00	2.62	0.01	(0.00, 0.02)

$R^2 = 0.96$, $F_{(3, 496)} = 4209.08$, $P < 0.001$
$N = 500$. CI = Confidence interval. The model tested the moderating effect of trust in government on the relationship between the predictor variable and economic optimism

($β = −0.02$, $P = 0.008$), and perception of political narrative influence ($β = −0.11$, $P < 0.001$) significantly predict lower economic optimism. Trust in government economic management did not significantly predict economic optimism ($β = −0.02$, $P = 0.157$). Overall, the model explains 97% of the variance in economic optimism ($R^2 = 0.97$), indicating a very strong predictive relationship between these debt relief perception variables and economic optimism in the post-HIPC Somali context.

H_3. Trust in Government moderates the relationship between Debt Relief Awareness and Economic Optimism.

The moderation analysis results presented in Table 8 indicate that Trust in Government significantly moderates the relationship between Debt Relief Awareness and Economic Optimism. Specifically, the interaction term between Debt Relief Awareness and Trust in Government is positive and significant ($β = 0.01$, $P = 0.01$), suggesting that the positive association between Debt Relief Awareness and Economic Optimism

becomes stronger as Trust in Government increases. While Trust in Government alone does not significantly predict Economic Optimism ($β = −0.07$, $P = 0.16$), its moderating role highlights that individuals who have both high awareness of debt relief and greater trust in the government tend to exhibit higher economic optimism. The model explains 96% of the variance in Economic Optimism ($R^2 = 0.96$), confirming a robust overall fit. This finding supports the hypothesis that Trust in Government enhances the impact of Debt Relief Awareness on Economic Optimism among Somali respondents.

H_4. All study variables differ significantly by age groups, gender, educational level, Field of Study, employment status, and region of residence.

The analysis of variance (ANOVA) and t-test results in Tables 9-14 provide a detailed examination of how debt perception variables vary across key demographic and socio-economic factors. The findings largely support hypothesis H_4.

4.8. Age Group Differences (Table 9)
Significant differences by age were found for most variables except Expectation Formation and Overestimation of Debt Relief, where no significant differences emerged ($P > 0.05$). Older age groups consistently reported higher mean scores on variables such as Debt Relief Awareness, Misconception about Borrowing, Trust in Government, and Economic Optimism with medium to large effect sizes ($η^2$ ranging from 0.085 to 0.247). Conversely, Narrative Influence and Perception of Debt Risk showed decreasing means with increasing age, indicating younger individuals are more influenced by narratives and perceive higher debt risk. These results suggest that age significantly shapes perceptions and attitudes towards debt, with older individuals demonstrating greater awareness and optimism but lower narrative susceptibility and risk perception.

4.9. Gender Differences (Table 10)
Gender differences were less widespread. Significant gender differences emerged for Trust in Government (higher in males), Narrative Influence (higher in females), and Economic Optimism (slightly higher in males), with small effect sizes (d between 0.19 and 0.32). Other variables such as Debt Relief Awareness and Misconception about Borrowing showed non-significant trends favoring males but did not reach significance. This suggests gender plays a role in specific aspects of debt perception, particularly trust and optimism, but overall differences are modest.

Table 9: Descriptive statistics and ANOVA results for age differences in debt perception variables

Variable	Below 25 M (SD)	26-30 years old M (SD)	31-40 years old M (SD)	Above 41 years old M (SD)	F	P	η²
Debt Relief Awareness	9.47 (3.44)	10.42 (2.67)	11.37 (2.31)	12.46 (2.30)	28.68**	0.000	0.148
Expectation Formation	10.51 (2.64)	10.85 (2.55)	10.72 (2.87)	10.61 (2.88)	0.39	0.762	0.002
Misconception about Borrowing	9.63 (3.27)	10.65 (2.36)	11.52 (2.11)	12.48 (2.02)	30.82**	0.000	0.157
Overestimation of Debt Relief	9.62 (2.81)	9.45 (2.66)	10.06 (2.74)	10.21 (3.31)	1.98	0.116	0.012
Trust in Government	8.62 (1.57)	8.85 (1.08)	9.38 (1.59)	10.35 (1.79)	34.60**	0.000	0.173
Narrative Influence	10.07 (1.76)	9.46 (1.30)	8.69 (1.88)	7.43 (2.16)	54.33**	0.000	0.247
Perception of Debt Risk	9.63 (1.86)	9.60 (1.89)	9.10 (2.04)	8.25 (1.92)	15.39**	0.000	0.085
Economic Optimism	9.13 (3.29)	10.16 (2.51)	11.08 (2.17)	12.07 (2.05)	31.14**	0.000	0.158

Values represent means with standard deviations in parentheses. **$P<0.001$

Table 10: Gender differences in debt perception variables

Variable	Male M (SD)	Female M (SD)	t	P	d
Debt relief awareness	11.05 (2.94)	10.50 (3.02)	1.87	0.062	0.18
Expectation formation	10.67 (2.77)	10.69 (2.61)	−0.09	0.926	−0.01
Misconception about borrowing	11.16 (2.70)	10.71 (2.79)	1.67	0.096	0.16
Overestimation of debt relief	9.84 (2.95)	9.74 (2.81)	0.35	0.727	0.03
Trust in government	9.44 (1.71)	8.92 (1.50)	3.22**	0.001	0.32
Narrative influence	8.78 (2.17)	9.32 (1.72)	−2.72**	0.007	−0.27
Perception of debt risk	9.16 (1.96)	9.15 (2.10)	0.01	0.990	0.00
Economic optimism	10.72 (2.78)	10.18 (2.85)	1.98*	0.048	0.19

Values represent means with standard deviations in parentheses. *$P<0.05$, **$P<0.01$

Table 11: Employment status differences in debt perception variables

Variable	Employed M (SD)	Unemployed M (SD)	t	P	d
Debt Relief Awareness	11.59 (2.59)	10.37 (3.13)	4.61***	0.000	0.42
Expectation Formation	10.39 (2.81)	10.88 (2.64)	−1.97*	0.050	−0.18
Misconception about Borrowing	11.69 (2.32)	10.54 (2.91)	4.74***	0.000	0.43
Overestimation of Debt Relief	10.23 (2.97)	9.50 (2.83)	2.80**	0.005	0.25
Trust in Government	9.66 (1.91)	9.02 (1.41)	4.30***	0.000	0.39
Narrative Influence	8.26 (2.18)	9.43 (1.82)	−6.49***	0.000	−0.59
Perception of Debt Risk	8.87 (2.04)	9.36 (1.94)	−2.72**	0.007	−0.25
Economic Optimism	11.26 (2.39)	10.06 (2.97)	4.84***	0.000	0.44

Values represent means with standard deviations in parentheses. *$P<0.05$, **$P<0.01$, ***$P<0.001$

Table 12: Debt perception by education level

Variable	No formal education M (SD)	Primary school M (SD)	Secondary school M (SD)	University or higher M (SD)	F	P	η²
Debt relief awareness	6.95 (4.01)	10.63 (2.85)	11.32 (2.50)	11.27 (2.63)	29.71	0.000	0.152
Expectation formation	10.79 (2.52)	10.59 (2.96)	10.57 (2.82)	10.72 (2.67)	0.13	0.941	0.001
Misconception about borrowing	7.23 (4.09)	10.91 (2.51)	11.44 (2.24)	11.37 (2.33)	32.85	0.000	0.166
Overestimation of debt relief	8.79 (2.39)	10.07 (2.78)	9.85 (3.12)	9.89 (2.89)	1.78	0.150	0.011
Trust in government	9.03 (2.16)	9.20 (1.51)	9.26 (1.60)	9.34 (1.65)	0.49	0.692	0.003
Narrative influence	11.13 (2.71)	9.00 (1.90)	8.72 (1.87)	8.73 (1.89)	17.83	0.000	0.097
Perception of debt risk	10.64 (2.15)	8.85 (2.35)	8.91 (1.90)	9.11 (1.88)	8.63	0.000	0.050
Economic optimism	6.56 (3.98)	10.28 (2.66)	11.02 (2.36)	10.95 (2.37)	35.55	0.000	0.177

Table 13: Debt perception by field of study

Variable	Economics/Business/Finance M (SD)	Public administration M (SD)	F	P	η²
Debt Relief Awareness	10.72 (3.00)	11.04 (2.95)	1.44	0.232	0.003
Expectation Formation	10.49 (2.73)	10.84 (2.71)	2.08	0.150	0.004
Misconception about Borrowing	10.86 (2.71)	11.18 (2.75)	1.62	0.204	0.003
Overestimation of Debt Relief	9.50 (2.92)	10.10 (2.87)	5.27	0.022*	0.010
Trust in Government	9.15 (1.51)	9.41 (1.79)	2.97	0.086	0.006
Narrative Influence	9.12 (1.95)	8.77 (2.14)	3.61	0.058	0.007
Perception of Debt Risk	9.26 (1.97)	9.05 (2.02)	1.37	0.243	0.003
Economic Optimism	10.44 (2.83)	10.68 (2.78)	0.95	0.330	0.002

*$P<0.05$

Table 14: Debt perception by region

Variable	Banadir M (SD)	Puntland M (SD)	Somaliland M (SD)	Jubaland M (SD)	Galmudug M (SD)	South_West M (SD)	Hirshabelle M (SD)	F	P	η^2
Debt Relief Awareness	10.91 (3.12)	12.22 (0.90)	12.33 (1.29)	12.36 (1.39)	9.70 (3.04)	8.38 (3.24)	6.03 (3.09)	45.88	0.000	0.358
Expectation Formation	11.12 (3.24)	10.17 (3.19)	10.98 (2.33)	12.53 (0.86)	9.95 (2.61)	9.22 (1.52)	9.17 (1.21)	12.87	0.000	0.135
Misconception about Borrowing	11.09 (3.02)	12.36 (0.92)	12.29 (1.01)	12.13 (0.96)	10.23 (2.53)	8.62 (3.04)	6.40 (2.98)	46.10	0.000	0.359
Overestimation of Debt Relief	10.91 (2.43)	11.61 (2.12)	8.15 (3.24)	8.63 (3.32)	9.70 (2.54)	9.16 (1.94)	8.47 (2.19)	20.11	0.000	0.197
Trust in Government	9.43 (1.96)	9.62 (1.31)	9.78 (1.17)	9.64 (0.92)	8.98 (1.57)	7.90 (1.88)	8.43 (2.11)	11.04	0.000	0.118
Narrative Influence	8.85 (2.43)	8.48 (1.21)	8.08 (1.39)	8.27 (1.41)	9.47 (2.04)	10.32 (1.96)	11.20 (2.46)	17.82	0.000	0.178
Perception of Debt Risk	8.80 (2.40)	8.38 (1.53)	8.71 (1.32)	8.79 (1.33)	10.57 (2.02)	10.02 (2.09)	10.70 (1.42)	15.92	0.000	0.162
Economic Optimism	10.48 (3.05)	11.91 (0.88)	12.11 (1.10)	11.83 (1.29)	9.55 (2.57)	8.06 (2.85)	5.93 (3.08)	49.92	0.000	0.378

Effect size interpretation: $\eta^2<0.01$ (Negligible), $0.01 \leq \eta^2<0.06$ (Small), $0.06\leq\eta^2<0.14$ (Medium), $\eta^2\geq0.14$ (Large)

4.10. Employment Status Differences (Table 11)

Employment status showed significant differences across most variables except Expectation Formation (marginally significant) and with moderate effect sizes (d ranging from 0.25 to 0.59). Employed individuals reported higher Debt Relief Awareness, Misconception about Borrowing, Trust in Government, and Economic Optimism, while unemployed individuals exhibited higher Narrative Influence and Perception of Debt Risk. These patterns indicate employment may enhance financial awareness and optimism, whereas unemployment is associated with greater susceptibility to narratives and perceived risks regarding debt.

4.11. Educational Level Differences (Table 12)

Education level differences were significant for several variables, including Debt Relief Awareness, Misconception about Borrowing, Narrative Influence, Perception of Debt Risk, and Economic Optimism, with medium to large effect sizes (η^2 from 0.050 to 0.177). Notably, individuals with no formal education scored lowest on awareness and economic optimism but highest on narrative influence and risk perception, highlighting how educational attainment is linked to more nuanced and optimistic debt perceptions. Variables like Expectation Formation and Trust in Government did not differ significantly by education.

4.12. Field of Study Differences (Table 13)

Differences between those studying Economics/Business/Finance and Public Administration were limited. Only Overestimation of Debt Relief differed significantly, with Public Administration students scoring higher (P = 0.022, η^2 = 0.010), though effect size was small. Other variables showed no significant differences, indicating field of study has a minor role in shaping debt perceptions compared to other demographics.

4.13. Regional Differences (Table 14)

Region of residence showed the most pronounced differences across all debt perception variables, all significant with large effect sizes (η^2 ranging from 0.118 to 0.378). Regions such as Puntland, Somaliland, and Jubaland showed higher scores on Debt Relief Awareness, Misconception about Borrowing, and Economic Optimism, while regions like Southwest and Hirshabelle had lower scores. Conversely, Narrative Influence and Perception of Debt Risk were higher in Southwest and Hirshabelle, indicating more substantial narrative effects and risk perception in these areas. These substantial regional variations underscore the importance of geographic context in shaping debt-related attitudes.

Overall, the results support hypothesis H$_4$, with significant differences found in most debt perception variables across age, gender, education, employment, and region, although the field of study showed limited effects. Age, region, and employment status strongly affected perceptions such as awareness, misconceptions, trust, narrative influence, and optimism. Gender differences were significant but limited to certain variables with small effect sizes. Education influenced cognitive and emotional responses to debt, with less educated groups showing more vulnerability to narratives and risk perception. These findings suggest that demographic and contextual factors are important in understanding how households perceive and respond to debt relief policies and economic conditions.

5. DISCUSSION OF THE RESULTS

This study's findings provide essential insights into the intricate and sometimes conflicting public perceptions of debt relief and economic aspirations in post-HIPC Somalia. Notwithstanding the structural importance of achieving the HIPC Completion Point and securing $4.5 billion in debt relief, the empirical evidence indicates a disjointed economic sentiment, characterized by informational asymmetries, regional mistrust, and cognitive biases—factors reflected in the post-HIPC paths of other developing nations.

A key finding is the robust positive correlation between awareness of debt relief and economic optimism, corroborating the fundamental principles of Expectation Theory (Muth, 1961; Blanchard, 2018). Households possessing a deeper understanding of the HIPC procedure exhibited heightened optimism over future economic prospects. This outcome strongly corresponds with the Ugandan experience, where public trust markedly increased during HIPC, mostly due to clear communication and the safeguarding of debt alleviation benefits through the Virtual Poverty Fund (Williamson and Canagarajah, 2003). Uganda's intentional approach of associating debt relief with tangible social investment cultivated popular confidence, a method that Somalia's federal government should replicate by clearly connecting budgetary relief to local development results.

Nonetheless, the Somali situation markedly differs from that of Uganda in one crucial regard—the prevalence of fiscal illusions and cognitive biases. The research revealed that misunderstandings regarding borrowing and an exaggerated perception of debt relief effects substantially affect economic expectations, aligning with

Fiscal Illusion Theory (Oates and Schwab, 1988). Elevated scores on statements such as "loans do not directly impact citizens" or "debt relief resolves the majority of economic issues" indicate widespread misconceptions on fiscal sustainability. This tendency closely mirrors the Zambian situation, where early confidence after HIPC completion in 2005 lacked a foundation in budgetary discipline. Under political pressure, the Zambian government began aggressive borrowing, resulting in significant debt problems by the early 2020s (Jones et al., 2024). These analogies highlight the danger of cultivating unreasonable public expectations without adequate fiscal education and discipline.

The effect of political narratives exacerbates these beliefs, exhibiting a substantial negative correlation with economic optimism. This underscores the significance of Public Choice Theory (Buchanan and Tullock, 1962), indicating that in precarious political contexts, narratives shaped by elites can skew economic anticipations. Respondents who regarded debt messaging as politically driven exhibited diminished optimism regarding Somalia's economic prospects. This is especially concerning in a federalized and ethnopolitically fractured environment such as Somalia, where differing political objectives may readily polarize public opinion and disrupt national agreement on budgetary policy. A same situation occurred in Ghana, where, despite macroeconomic improvements associated with HIPC, the lack of decentralization of fiscal advantages resulted in localized dissatisfaction and a subsequent decline in public confidence in government-led reforms (Radelet, 2005).

Notably, Trust in Government, while not a direct predictor of optimism, substantially attenuated the correlation between debt relief awareness and optimism. This indicates that trust functions as a confidence enhancer: when citizens have faith in institutions, the impact of awareness on optimism is intensified. This discovery reflects the situation in Bolivia, where confidence was established through transparent fiscal policies and participatory governance models after HIPC, resulting in a virtuous circle of policy legitimacy and popular endorsement (Mustapha and Prizzon, 2015). In Somalia, this suggests that awareness campaigns may be inadequate without simultaneous initiatives to restore institutional confidence.

Demographic and geographic analysis further underscore variations in perception. Respondents who were older, more educated, and employed—especially from Puntland and Somaliland—exhibited increased optimism and enhanced faith in governmental economic management. Conversely, young people, the jobless, and residents of areas such as Hirshabelle and South West demonstrated increased vulnerability to narrative impact and heightened danger perceptions. This fragmentation reflects post-HIPC results in nations characterized by significant regional disparity or inadequate federal coordination. In Ghana, regional competence deficiencies resulted in inconsistent execution of HIPC-related projects, fostering discontent and hindering national development objectives (Radelet, 2005).

The Somali example underscores the dual character of debt reduction in weak governments. Although it generates budgetary capacity and signifies a departure from previous economic mismanagement, it simultaneously elevates public expectations that, if inadequately managed and inequitably handled, may result in disillusionment, skepticism, and recurrent instability. The empirical evidence supporting Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory in this context is both analytically sound and practically important.

6. CONCLUSION AND POLICY IMPLICATION

This study investigated Somali households' views on national debt alleviation and their economic anticipations following Somalia's 2023 HIPC Completion Point. The study, through a rigorous empirical analysis grounded in Expectation Theory, Fiscal Illusion Theory, and Public Choice Theory, uncovers a complex reality: although awareness of debt relief fosters economic optimism, this optimism is simultaneously influenced by cognitive biases and diminished by political narratives.

The public's comprehension of the HIPC process is markedly inconsistent, varying by area, age, education, and work position. Awareness and optimism are significantly elevated among older, employed, and educated inhabitants in more autonomous territories such as Puntland and Somaliland. Conversely, skepticism, pessimism, and susceptibility to fiscal illusions prevail among less educated, unemployed young in remote areas like Southwest and Hirshabelle. These trends illustrate a post-HIPC world characterized by economic uncertainty as well as political and social stratification.

Significantly, faith in governmental institutions, while not a direct determinant of optimism, serves as a vital moderator. The potential to amplify the beneficial impacts of knowledge highlights the crucial importance of institutional credibility in the longevity of post-HIPC changes.

The results demonstrate that although HIPC completion is a significant budgetary achievement, it does not ensure favorable public opinion or equitable economic anticipations. In the absence of intentional investments in public communication, openness, and fiscal literacy, the Somali government jeopardizes the possibility of replicating the errors witnessed in other post-HIPC nations like Zambia and Ghana.

6.1. Policy Implications

This study's findings highlight the pressing necessity for a strategic and inclusive post-HIPC policy in Somalia. Primarily, boosting institutional transparency is essential. By learning from Uganda's successful post-HIPC experience, especially its implementation of a Virtual Poverty Fund, Somalia could allocate debt relief savings to tangible and socially significant investments in education, health, and infrastructure. Implementing these investments in a real and measurable manner via public spending tracking methods helps bridge the divide between national reforms and popular perception.

Equally significant is the necessity to confront pervasive monetary misconceptions within the populace. A significant number of respondents possessed too simplified or erroneous perceptions

about public borrowing and its ramifications, underscoring the imperative for comprehensive national financial literacy initiatives. These efforts must be culturally and linguistically customized, and use radio, television, and local forums to elucidate the intricacies of debt sustainability and fiscal responsibility.

The politics of economic narratives have become a significant impediment to trust and optimism. To address this, economic communication must be devoid of political influence and based on verifiable data. The government needs to engage collaboratively with independent media, academic institutions, and civil society to foster impartial and evidence-based dialogue. Establishing this civic infrastructure is crucial for improving economic comprehension and restoring the legitimacy of public institutions among a doubtful populace.

Furthermore, promoting participatory government is essential for rebuilding confidence and alleviating regional attitude imbalances. The Somali federal government ought to implement frameworks that include individuals and regional administrations in the formulation and oversight of post-HIPC budgetary strategies. Participatory budgeting, community meetings, and open procurement processes help cultivate a feeling of collective ownership and diminish the idea that debt relief advantages are monopolized by political elites.

The Somali government must be watchful against the potential of post-HIPC debt traps, as observed in Zambia. Fortifying domestic income generation, adhering to judicious borrowing strategies, and improving public expenditure efficiency are critical measures for achieving fiscal stability. By establishing reform initiatives inside a credible, inclusive, and transparent framework, Somalia may transform the symbolic achievement of HIPC completion into a basis for enduring economic stability and public confidence.

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