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December 21, 1992

To: Members of the Executive Board

From: The Acting Secretary

Subject: Somalia - Overdue Financial Obligations to the Fund -
Status Report to the Executive Board

There is attached for the information of Executive Directors a status report on Somalia's overdue financial obligations to the Fund.

Mr. Byrne (ext. 38391) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Somalia - Overdue Financial Obligations to the Fund -
Status Report to the Executive Board

Prepared by the Treasurer's, African and Legal Departments
(In consultation with the Policy Development and Review Department)

Approved by David Williams, Mamoudou Touré, and François Gianviti

December 18, 1992

1. On September 11, 1992, in the light of the continued highly unsettled conditions in Somalia, the Executive Board decided to postpone the eighth post-ineligibility review of Somalia's overdue financial obligations to the Fund to a date when there is once again a basis for evaluating Somalia's financial and economic situation and its cooperation with the Fund, and in any event not later than March 20, 1993. 1/ The staff reports regularly to the Executive Board on developments in Somalia by means of periodic status reports, the last of which was issued on September 9, 1992. 2/ The present such report updates the situation of Somalia's overdue obligations to the Fund, and describes recent developments in Somalia.

2. Somalia has been in continuous arrears to the Fund since July 1987. A declaration of ineligibility was issued in respect of Somalia on May 6, 1988. The decision adopted at the last post-ineligibility review of Somalia's overdue obligations to the Fund on October 26, 1990 provided that if Somalia had not resumed active cooperation with the Fund in seeking a solution to the problem of its overdue obligations to the Fund, at the time of the next review the Fund might give consideration to a declaration of noncooperation concerning Somalia. 3/ In September 1992, the Chairman of the Board of Governors decided to deny the credentials of all delegations for Somalia at the 1992 Fund-Bank Annual Meetings. This development reflected the conclusion that there had been a discontinuation of effective government operating in the country with which the Fund, following its established practice, could deal. 4/ The absence of an effective government in Somalia is continuing even now. Communications with Somalia by cable, telex or other means, which have been difficult for some time, are now suspended.

1/ Executive Board Decision No. 10138-(92/117), adopted September 11, 1992, appears in Attachment I.

2/ EBS/92/150 (9/9/92)

3/ Executive Board Decision No. 9575-(90/154), adopted October 26, 1990 appears in Attachment II.

4/ General Counsel's Statement to the Executive Board of October 30, 1992, which is contained in BUFF/92/139 (12/1/92), provides a discussion of this issue.

Somalia has made no payments to the Fund since December 7, 1990. Arrears to the Fund totalled SDR 149.6 million on September 1, 1992, as reported in the previous status report. Since then, additional obligations totalling SDR 2.1 million have fallen due. As a result, Somalia's overdue obligations to the Fund amounted to SDR 151.7 million as of December 14, 1992 (Attachment III). As of the same date, Somalia's estimated forthcoming obligations to the Fund through 1996 amounted to SDR 42.4 million (Attachment IV). Forthcoming obligations are composed of repurchases, SAF repayments, and interest and charges, including a small amount of assessments. Deferred income resulting from Somalia's overdue charges subject to burden sharing amounted to SDR 42.4 million as of October 31, 1992. Somalia's arrears to the Fund of SDR 151.7 million are equivalent to 343.3 percent of its present quota and 135.5 percent of Fund credit outstanding to Somalia. ^{1/} Of Somalia's total arrears to the Fund, SDR 99.7 million represents overdue principal, which accounts for 65.7 percent of arrears, and SDR 52.1 million represents overdue charges and interest, which account for 34.3 percent of arrears. Somalia has overdue service payments to the International Development Association (IDA) totalling US\$ 10.3 million as of December 1, 1992, and is in nonaccrual status with IDA.

3. Although the economic and financial situation in Somalia remains extremely difficult, concerted international decisions of recent weeks have resulted in international efforts that could markedly stabilize the security situation. A UN force of 500 personnel that was deployed to Somalia to ensure the rapid and orderly distribution of relief supplies arrived in Mogadishu by end-September 1992. However, given the force's limited number and the fact that it was primarily located at the Mogadishu airport, the looting of relief supplies and widespread lawlessness at the port of Mogadishu and at many relief supply centers around the country continued. On December 3, 1992, the UN Security Council authorized the use of a multilateral military force to ensure the delivery of food and other humanitarian supplies to Somalia. In accordance with this authorization, United States' troops commenced landing operations on December 9, 1992. Other countries, including France, Italy, and Egypt, have contributed or offered to contribute to the UN unified command. The UN resolution indicates that once a secure environment is established in Somalia, the Security Council will make a decision on a prompt transition to continued peace-keeping operations there. The resolution also encourages the Secretary General to facilitate the process of a political settlement under the auspices of the UN aimed at national reconciliation in Somalia. In this regard, the Secretary General is planning to hold a meeting in January 1993 in Addis Ababa to discuss the agenda for an eventual international peace conference on Somalia.

^{1/} Somalia may neither consent to nor pay for the proposed increase in its quota under the Ninth General Review, until it becomes current in respect of its overdue financial obligations to the Fund in the General Resources Account.

The staff has not received any new information from official sources in Somalia on its current economic and financial situation. Indications are that the harvest for the main crop season has been poor. The livestock sector, the mainstay of the economy, also continues to be severely affected by poor pastures, widespread diseases, scarce water, and shortages of vaccines and veterinary supplies.

The Fund was represented at the UN's second Coordination Meeting on Humanitarian Assistance for Somalia, held in Addis Ababa during December 3-4, 1992, to review progress made in the implementation of an accelerated program of assistance to Somalia agreed to in Geneva in October 1992. At this meeting, Fund staff indicated the Fund's willingness to consider the provision of technical assistance for the medium-term reconstruction of the Somali economy once the security situation stabilizes and a responsible central administration has been established.

4. As provided for in Decision No. 10138-(92/117), the matter of Somalia's overdue financial obligations to the Fund will be brought back for Executive Board consideration when the Managing Director determines that there is a basis for evaluating Somalia's situation, and, in any event, not later than March 20, 1993.

Attachments

INTERNATIONAL MONETARY FUND

Somalia - Overdue Financial Obligations -
Review Following Declaration of Ineligibility - Postponement

Executive Board Decision No. 10138-(92/117)
Adopted September 11, 1992

The review of Somalia's overdue financial obligations to the Fund provided for under paragraph 5 of Decision No. 9575-(90/154), adopted October 26, 1990, as amended, is postponed to a date to be determined by the Managing Director, when in his judgment, there is once again a basis for evaluating Somalia's financial and economic situation, the stance of economic policies, and its cooperation with the Fund, and in any event not later than March 20, 1993.

INTERNATIONAL MONETARY FUND

Somalia - Overdue Financial Obligations -
Further Review Following Declaration of Ineligibility

Executive Board Decision No. 9575-(90/154)
Adopted October 26, 1990 1/

1. The Fund has reviewed further the matter of Somalia's continuing failure to fulfill its financial obligations to the Fund in the light of the facts and developments described in EBS/90/176 (10/16/90).

2. The Fund deeply regrets the continuing failure of Somalia to fulfill its financial obligations to the Fund, which places a financial burden upon other members and reduces Fund resources needed to help others. The Fund notes the increase in Somalia's most recent monthly payment to US\$0.45 million and again urges Somalia to give the highest priority to increasing substantially its payments and to settling fully and promptly its overdue financial obligations to the Fund.

3. The Fund urges Somalia to adopt as a matter of urgency a comprehensive set of measures within the context of the intensified collaborative approach that would bring about necessary economic adjustment. The Fund continues to stand ready to assist the authorities in support of efforts to formulate and implement a comprehensive adjustment program.

4. In the absence of Somalia's active cooperation with the Fund in seeking a solution to the problem of its overdue financial obligations, the Fund decides that the Managing Director of the Fund shall communicate with all Governors of the Fund and the President of the African Development Bank regarding Somalia's continued failure to fulfill its financial obligations to the Fund.

5. The Fund will review the matter of Somalia's overdue financial obligations to the Fund again at the time of the 1990 Article IV consultation or not later than five months from the date of this decision, whichever is earlier, in the light of the actions taken by Somalia in the meantime regarding payments to the Fund and implementation of a comprehensive adjustment program. At the time of that review, in the event that Somalia has not resumed active cooperation with the Fund in seeking a solution to the problem of its overdue financial obligations to the Fund, the Fund may consider a declaration of noncooperation concerning Somalia.

1/ For the latest amendment to the decision see Executive Board Decision No. 10138-(92/117) above.

Somalia - Overdue and Forthcoming Obligations
as of December 14, 1992

Type of Obligation	Total Amount Overdue (In SDRs)	Date of the Longest Outstanding Overdue Obligation
1. <u>Principal</u>		
Repurchases	93,198,902	7/22/87
Trust Fund repayments	<u>6,463,010</u>	7/30/87
Subtotal	99,661,912	
2. <u>Interest and Charges</u>		
Quarterly charges	18,063,454	8/17/87
Semiannual charges	22,999,437	7/20/87
Assessments	4,984	4/30/91
Net SDR charges	2,113,685	2/01/91
Trust Fund interest	129,439	12/31/87
SAF Interest	176,479	12/31/87
Special charges (GRA)	7,688,801	8/24/87
Special charges (SAF)	17,110	2/24/88
Special charges (TF)	<u>894,312</u>	8/24/87
Subtotal	52,087,701	
TOTAL:	151,749,613	

Somalia - Overdue and Forthcoming Obligations
as of December 14, 1992

(In millions of SDRs)

Type of Obligation	Outstanding as of 12/14/92	Forthcoming 1/					Total Through 1996 3/ 4/
		1992 2/	1993	1994	1995	1996	
Repurchases	93.2	--	2.6	0.9	0.0	0.0	96.7
Quarterly charges 4/	18.1	--	2.6	2.6	2.6	2.5	28.4
Semiannual charges 4/	23.0	--	3.8	3.8	3.8	3.8	38.3
Net SDR charges	2.1	--	0.9	0.9	1.0	1.0	6.0
Trust Fund repayments and interest	6.6	--*	--*	--*	--*	--*	6.5
SAF repayments and interest	0.2	0.9	1.8	1.8	1.8	1.8	8.3
Special charges 5/	<u>8.6</u>	<u>--</u>	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>9.7</u>
Total 3/ 4/	151.7	0.9	12.0	10.4	9.5	9.5	194.1

* Less than SDR 50,000

1/ Estimated on the basis of present use of Fund credit, Trust Fund loans outstanding, and Somalia's present position in the SDR Department. Charges are projected on the basis of current rates of charge.

2/ Due after December 14, 1992.

3/ Totals may not add due to rounding.

4/ Forthcoming charges are estimated on the assumption that overdue obligations remain and outstanding forthcoming obligations are not settled through the projection period. To the extent that obligations are settled, actual charges and special charges will be lower.

5/ After May 1992, special charges are applied to overdue SAF and Trust Fund obligations only.

