

DOCUMENT OF INTERNATIONAL MONETARY FUND
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FOR
AGENDA

EBS/86/92

CONFIDENTIAL

April 22, 1986

To: Members of the Executive Board
From: The Acting Secretary
Subject: Somalia - Request for Extension of Period of Stand-By Arrangement

Attached for consideration by the Executive Directors is a paper on a request by Somalia for an extension of the period of its stand-by arrangement. A draft decision appears on page 2.

Mr. Jiménez (ext. 6952) or Mr. Scheuer (ext. 6940) is available to answer technical or factual questions relating to this paper prior to the Board discussion scheduled for tomorrow, Wednesday, April 23, 1986.

Att: (1)

INTERNATIONAL MONETARY FUND

SOMALIA

Request for Extension of Period of Stand-by Arrangement

Prepared by the African and Exchange and Trade
Relations Departments

(In consultation with the Legal and Treasurer's Departments)

Approved by A.D. Ouattara and S. Kanesa-Thasan

April 22, 1986

On January 26, 1985, the Fund approved in principle Somalia's request for a one-year stand-by arrangement, in an amount equivalent to SDR 22.1 million (50 percent of quota, EBS/85/1). The arrangement came into effect on February 22, 1985, after it had been determined that the 1985 balance of payments was fully financeable. Only the initial purchase under the stand-by arrangement (SDR 2 million) has been made. The subsequent purchase was not made because Somalia accumulated new external debt arrears, and the review under the arrangement, which was to be completed before June 1985, was not finalized. Accordingly, all subsequent purchases were interrupted pending the reaching of understandings regarding the circumstances under which purchases could be resumed. In the meantime, Somalia accumulated arrears with respect to the Fund.

On December 27, 1985, the Fund adopted Decision No. 8164-(85/188)G/TR limiting Somalia's use of the general resources of the Fund until such time as Somalia became current on its financial obligations (amounting to SDR 13.0 million as of that date) in the General Resources Account. This decision was reviewed on March 26, 1986, and the Fund decided to review Somalia's overdue obligations again not later than June 25, 1986. The authorities have made partial payments, totaling SDR5.4 million, and expressed their intention to clear the remaining arrears through the use of bridge financing. On the basis of these efforts, and the implementation of a financial adjustment program, the Fund has granted two extensions of the period of the current stand-by arrangement to allow Somalia time to arrange the necessary resources to make the final settlement of the arrears to the Fund. On February 21, 1986, the period of the arrangement was extended through March 27, 1986 (EBS/86/40). A further extension was granted on March 27, 1986, to April 23, 1986 (EBS/86/68).

On April 22, 1986, Somalia paid the Fund SDR 21.95 million, fully clearing the outstanding arrears. A notice to the Executive Board, withdrawing the Managing Director's complaint under Rule K-1 and the notice of failure to settle Trust Fund obligations, has been issued by the Treasurer's Department.

On the basis of this action, the staff recommends an extension of the present stand-by arrangement to September 30, 1986, in order to permit Somalia to implement a readjusted financial stabilization program, the broad elements of which were discussed in early January and which the authorities have been implementing, and to draw under the resources previously committed. A paper reviewing the current stand-by arrangement, detailing the present position and the policies being implemented by the authorities, will be issued at the time the payments are confirmed for early Board discussion.

Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Government of Somalia has requested that the period of the stand-by arrangement for Somalia (EBS/85/1, Supplement 1) scheduled to expire on April 23, 1986, be extended. The Fund grants approval of this extension through September 30, 1986.
2. Paragraph 1 of the stand-by arrangement is amended by replacing the date: "April 23, 1986" with the date: "September 30, 1986".