

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/86/68
Supplement 2

CONFIDENTIAL

April 8, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Somalia - Overdue Financial Obligations to the Fund -
Review of Decision on Complaint Under Rule K-1, and
Notice of Failure to Settle Trust Fund Obligations;
and Extension of Stand-By Arrangement

Attached for the information of Executive Directors is the text of a communication dated April 3, 1986, from the Managing Director to the Honorable Omar Ahmed Omar, Governor of the Central Bank of Somalia.

Att: (1)

THE HONORABLE OMAR AHMED OMAR
GOVERNOR
CENTRAL BANK OF SOMALIA
MOGADISCIO, SOMALIA

DEAR GOVERNOR OMAR:

AS YOU KNOW, ON MARCH 26, 1986 THE EXECUTIVE BOARD REVIEWED ITS DECISION LIMITING SOMALIA'S USE OF THE GENERAL RESOURCES OF THE FUND, AND CONSIDERED THE SOMALI AUTHORITIES' REQUEST FOR A FURTHER EXTENSION OF THE PERIOD OF THE CURRENT STAND-BY ARRANGEMENT WITH THE FUND. THE TEXTS OF THE TWO DECISIONS ADOPTED AT THE MEETING HAVE ALREADY BEEN COMMUNICATED TO YOU BY THE SECRETARY OF THE FUND. I WOULD LIKE TO INFORM YOU OF THE MAIN THRUST OF EXECUTIVE DIRECTORS' COMMENTS DURING THE DISCUSSION.

DIRECTORS WELCOMED THE PAYMENTS MADE BY SOMALIA SINCE THE BOARD'S MEETING ON SOMALIA'S ARREARS ON DECEMBER 27, 1985 AND THE AUTHORITIES' EFFORTS TO ARRANGE FINANCING WITH DONORS AND CREDITORS SO AS TO BECOME CURRENT WITH THE FUND. DIRECTORS WERE ALSO ENCOURAGED BY SOMALIA'S CONTINUING ADJUSTMENT EFFORTS AND THE AUTHORITIES' COMMITMENT TO ACHIEVE THE OBJECTIVES OF THE PROGRAM UNDER THE STAND-BY ARRANGEMENT. THEY EXPRESSED DISAPPOINTMENT, HOWEVER, THAT THE ARREARS HAD NOT YET BEEN SETTLED AND URGED SOMALIA TO INTENSIFY ITS EFFORTS AND TO TAKE ACTION, INCLUDING THE PROVISION OF NECESSARY DOCUMENTATION, TO ASSIST POTENTIAL DONORS TO SPEED THE DISBURSEMENT OF RESOURCES.

IN COMING TO THE DECISION TO REVIEW SOMALIA'S OVERDUE OBLIGATIONS AGAIN NOT LATER THAN JUNE 25, 1986, DIRECTORS HOPED THAT THE MATTER WOULD BE RESOLVED MUCH IN ADVANCE OF THAT DATE AND, INDEED, WERE OF THE VIEW THAT THE PERIOD UNTIL APRIL 23, 1986 PROVIDED FOR THE EXTENSION OF THE STAND-BY ARRANGEMENT SHOULD BE SUFFICIENT FOR SOMALIA TO ARRANGE THE FINANCING NEEDED TO SETTLE ITS OVERDUE OBLIGATIONS TO THE FUND IF SOMALIA ACTED PROMPTLY. IT WAS SUGGESTED IN THAT CONTEXT THAT FAILURE TO CONCLUDE THE NECESSARY ARRANGEMENTS BY APRIL 23 MIGHT BE INDICATIVE OF MORE FUNDAMENTAL PROBLEMS.

I SHOULD ALSO INFORM YOU THAT THREE DIRECTORS SPECIFICALLY INDICATED THAT THEIR AUTHORITIES WERE PREPARED TO JOIN IN A CONCERTED EFFORT TO ASSIST SOMALIA IN SETTLING ITS ARREARS TO THE FUND. IN THESE CIRCUMSTANCES, MR. GOVERNOR, I TRUST THAT, WITH WILLINGNESS AND DECISIVENESS ON ALL SIDES, A POSITIVE OUTCOME CAN BE ACHIEVED. I LOOK FORWARD TO HEARING FROM YOU IN THE COMING WEEKS

THAT YOUR EFFORTS HAVE BEEN SUCCESSFUL AND THAT PROMPT SETTLEMENT OF SOMALIA'S OVERDUE OBLIGATIONS IS BEING EFFECTED. PLEASE BE ASSURED THAT THE FUND STAFF AND I CONTINUE TO STAND READY TO ASSIST YOU IN ANY APPROPRIATE WAY.

WITH BEST REGARDS,

J. DE LAROSIERE
MANAGING DIRECTOR
INTERFUND

Sent: April 3, 1986