

# **Press Release: International Monetary Fund (IMF) review of the economic situation in Somalia completed**

A team from the International Monetary Fund (IMF) visited Nairobi in November 2016 to conduct its annual review (Article IV\* consultation), of the economic situation in Somalia and first review under the Staff-Monitored Program (SMP\*\*). The IMF board has discussed in February 2017 and published its results.

The IMF has analysed a number of areas. They concluded that Somalia has marked important milestones in rebuilding its economy and normalizing relations with international financial institutions. With donors' support, progress is being made in the Federal Government of Somalia's (FGS) efforts to improve security, capacity development, and state building. The IMF also emphasized that the post-war social and economic conditions remain difficult, poverty is widespread, and more than half of the working-age population is unemployed.

As a component for the Somalia's one-year IMF Staff-Monitored Program (SMP), May 2016-April 2017, the Central Bank of Somalia (CBS) has adopted a comprehensive currency reform roadmap. The IMF board supported the authorities' currency reform strategy, and noted that this reform would limit counterfeiting, restore credibility of the national currency, and allow the central bank to conduct monetary policy. At the same time the IMF points out that sound and successful implementation of the currency reform hinges on careful preparation and planning, and advises that Somalia to follow through on the currency reform roadmap as agreed with the IMF.

"Having not issued banknotes since 1991, currency reform is a much needed component of Somalia's economic recovery", says the CBS governor Bashir Issa. Currently, the CBS has no control over the exchange rate or monetary supply, and the bulk of transactions in Somalia (either via cash or mobile money transfers) are made using US dollars or counterfeit Somali shillings. The governor also added that the roadmap sufficiently articulates all applicable technical and governance issues for successful new currency reform. There are a number of priority benchmarks along with technical assistance to support the comprehensive currency reform. The first phase of the new currency reform will start when the Bank has finished its preparations and the full funding of the currency reform is secured. No dates have yet been set for the launch of the new currency.

The IMF welcomes the plan to overhaul the financial sector and improve the operations of the central bank, as well as commercial banks accounting and reporting standards. The IMF also welcomes the progress in advancing financial sector reform, including efforts to bring banks into compliance with prudential norms, and combating the financing of terrorism (AML/CFT).

The IMF stresses that strong policy implementation is necessary to address the challenges ahead, boost economic activity, and improve livelihoods. Continued support by the donor community would also be vital in this regard. They also urged continued strong policy implementation under the Staff-Monitored Program (SMP), because this would help Somalia establish a durable economic track record as a basis for future program engagement with the Fund. The Federal Government of Somalia and the Central Bank will make every effort for a successful execution of this that could lead to getting a upper-credit tranche quality and eventual debt relief.

The Bank will continue to deliver on its commitments to strengthen and modernize (i) financial governance and accounting (ii) bank licensing and supervision, (iii) currency reform, and (iv) regulatory & policy framework, (v) development of key monetary and statistics systems. Based on these strategic priorities, the Bank will also continue to work towards furthering the progress already made to maintain financial stability and promote inclusive economic growth.

## **Anti-Counterfeit Detection Training Workshop**

The Central Bank of Somalia, with the assistance from the International Monetary Found and United States Secret Service (USSS), has conducted a counterfeit currency workshop designed to educate anti-counterfeiting methods. Several government officials from various departments and law enforcement agencies took part at the training workshop. The workshop, which took place between February 13-14 in Nairobi, included an interactive, hands-on exercise in counterfeit detection and the impact of counterfeiting, and forms part of the process of reissuing a legitimate Somali Shilling and combating rampant banknotes counterfeiting in the country.

The main objective for this training workshop was in preparation to safeguard the integrity of future planned introduction of new currency reform in Somalia. For this purpose, a comprehensive anti-counterfeiting strategy is prepared and will be implemented well in advance on what should be done with counterfeit notes in circulation, and what direct actions should be taken against counterfeiting currently in operation in Somalia.

## Q&A

- What is a counterfeit money? It is imitation currency produced without the legal sanction of the government. It is a criminal offense in Somalia to forge national currency. Anyone detected doing so is liable to being prosecuted.
- Why a counterfeit training? Counterfeiting is increasingly easy due to advancements in technology. Thus, counterfeit detection is an important skill to all cash handlers. Banknotes typically has several main features to define authenticity including a watermark, fine line printing patterns, security threads, and color-shifting ink.
- \* What is an Article IV? When a country joins the IMF, it agrees to subject its economic and financial policies to the scrutiny of the international community. It also makes a commitment to pursue policies that are conducive to orderly economic growth and reasonable price stability, to avoid manipulating exchange rates for unfair competitive advantage, and to provide the IMF with data about its economy. The IMF's regular monitoring of economies and associated provision of policy advice is intended to identify weaknesses that are causing or could lead to financial or economic instability. This process is known as surveillance or as "Article IV consultations" because they are required by Article IV of the IMF's Articles of Agreement. A staff team visits, usually, the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.
- \*\* What is an Staff-Monitored Program (SMP)? SMP is an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic program. SMPs do not entail financial assistance or endorsement by the IMF Executive Board.p