



# SOLOMON ISLANDS

December 2015

## REQUEST FOR AN EXTENSION OF THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE AND STAFF REPORT

In the context of the request for an extension of the Arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis. It is based on information available at the time it was completed on November 20, 2015.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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INTERNATIONAL MONETARY FUND



Press Release No. 15/575  
FOR IMMEDIATE RELEASE  
December 18, 2015

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Executive Board Approves an Extension of the Extended Credit Facility Arrangement for Solomon Islands**

On December 1, 2015, the Executive Board of the International Monetary Fund (IMF) has approved an extension of Solomon Islands' Extended Credit Facility (ECF) Arrangement to March 31, 2016. The Executive Board's decision was taken on a lapse-of-time basis.<sup>1</sup>

The extension will allow the authorities enough flexibility to make further progress in implementing their structural reform agenda under the program. The extension will also provide sufficient time for the Board to consider the fifth and sixth reviews of the ECF arrangement and allow for the related disbursements.

The ECF arrangement<sup>2</sup> for Solomon Islands in the amount equivalent to SDR 1.04 million (about US\$1.59 million or 10 percent of quota) was approved by the IMF's Executive Board on December 7, 2012 (see [Press Release No: 12/479](#)).

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<sup>1</sup> The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

<sup>2</sup> The Extended Credit Facility (ECF) is the IMF's main tool for medium-term financial support to low-income countries. It provides for a higher level of access to financing, more concessional terms, enhanced flexibility in program design, and more focused, streamlined conditionality. Financing under ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years.



# SOLOMON ISLANDS

## REQUEST FOR AN EXTENSION OF THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

November 20, 2015

Approved By  
**Hoe Ee Khor (APD) and  
Masato Miyazaki (SPR)**

Prepared by the Asia and Pacific Department, in  
consultation with other departments

1. In the attached letter, the Solomon Islands authorities request an extension of their arrangement under the Extended Credit Facility (ECF), due to expire on December 6, 2015, through March 31, 2016. The Executive Board approved on December 7, 2012 a three-year ECF arrangement for Solomon Islands, in an amount equivalent to SDR 1.04 million (10 percent of quota). Following the completion of four program reviews, SDR 0.743 million (7 percent of quota) has been drawn.
2. The proposed extension will provide sufficient time for the Board to consider the fifth and sixth reviews of the ECF arrangement and allow for the related disbursements. Staff's assessment based on recent data is that program quantitative performance is on track. All end-December 2014 performance criteria (PCs), indicative targets (ITs) for March 2015, and end-June 2015 PCs have been met by a considerable margin, with the exception of the ITs on government-funded recurrent spending on health and education which have been consistently missed since last year albeit by a small margin. September available data indicate that ITs on international reserves, net domestic assets at the Central Bank, and net credit to the government have been comfortably met. Data as of August 2015 on central government program cash balance at SI\$925 million suggest that the September IT is likely to have been met by a large margin.
3. The extension will allow the authorities enough flexibility to make further progress in implementing their structural reform agenda under the program. Moreover, given recent political developments which resulted in a Cabinet's reshuffle, the extension is also critical because a number of structural benchmarks require Cabinet's approval or submission of documents to Parliament. The Executive Board consideration of the fifth and sixth reviews of the ECF arrangement is tentatively scheduled for March 21, 2016.
4. The authorities remain committed to macroeconomic stability and completion of the reviews. Staff supports the authorities' request for an extension of the ECF arrangement to March 31, 2016. The attached decision is proposed for adoption by the Executive Board on a lapse-of-time basis.

## Letter of Intent

November 18, 2015

Madame Christine Lagarde  
Managing Director  
International Monetary Fund  
700 19th Street NW  
Washington, DC 20431  
USA

Dear Madame Lagarde,

Subject: Solomon Islands: Extension Request for the Three-Year ECF Arrangement 2012–15

We would like to request an extension of the Extended Credit Facility (ECF) arrangement for Solomon Islands until March 31, 2016. The three-year ECF arrangement was approved on December 7, 2012, and is due to expire on December 6, 2015.

The program extension would provide additional time for the completion of the fifth and sixth (final) reviews under the current ECF arrangement. All PCs have been achieved by a considerable margin. Recent political developments, however, have temporarily diverted Executive and Parliamentary time from completing the remaining benchmarks under the program, a number of which require Cabinet approval or submission of documents to Parliament. The Government and Central Bank of Solomon Islands believe that extending the arrangement until March 31, 2016 provides enough flexibility to make further progress in implementing our structural reform agenda. To this end we request the IMF team to visit Honiara in January 2016.

We remain fully committed to implementing stable macroeconomic policies and the successful completion of the program.

Sincerely yours,

/s/

**Hon. Snyder Rini**, MP  
Minister of Finance and Treasury  
Ministry of Finance and Treasury

/s/

**Denton Rarawa**  
Governor  
Central Bank of Solomon Islands

cc: IMF Executive Director for Solomon Islands, Barry Sterland