

INTERNATIONAL MONETARY FUND

**Review of the Fund's Strategy on Overdue Financial Obligations**

Prepared by the Finance, Policy Development and Review, and Legal Departments

(In consultation with other departments)

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## Executive Summary

- **This paper reviews progress under the Fund’s strengthened cooperative strategy on overdue financial obligations and proposes to extend the availability of the rights approach—which expires on August 31, 2005—by another year.** The rights approach remains a potentially important element of the intensified collaborative approach for arrears clearance for the three members that remain eligible (Liberia, Somalia, and Sudan). A draft decision to this effect is provided for Board approval.
- **Total arrears to the Fund declined by SDR 55 million since the last review, owing largely to the clearance of arrears by Iraq in September 2004.** While Sudan’s regular monthly payments in excess of obligations falling due also contributed to the decline in total arrears, arrears by Liberia, Somalia, and Zimbabwe increased further. The majority of total arrears to the Fund (88 percent) was to the General Resources Account.
- **During the period under review, four members remained in protracted arrears to the Fund—Liberia, Somalia, Sudan, and Zimbabwe.** Sudan alone accounted for one half of total arrears to the Fund at end-June 2005.
- **No changes are proposed to the Fund’s strategy on arrears, which remains broadly effective in dealing with both short-term and protracted arrears.** However, the record of cooperation with the Fund on policies and payments among the four protracted arrears cases varied widely:
  - **Sudan** continued its cooperation with the Fund on policies and payments.
  - **Liberia’s** cooperation was mixed, as its efforts on policy reforms weakened significantly during the period under review.
  - On **Zimbabwe**, the Executive Board again considered the Managing Director’s complaint with respect to compulsory withdrawal. The Board decided to postpone a recommendation to the Board of Governors on Zimbabwe’s compulsory withdrawal from the Fund in order to allow the authorities further time to improve cooperation with the Fund.
  - In the case of **Somalia**, ongoing security problems and inadequate information on economic and financial developments continued, to preclude a full assessment of its cooperation with the Fund.

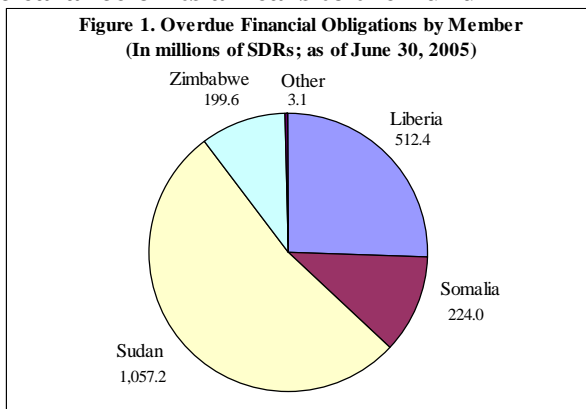
## I. INTRODUCTION

1. **This paper reviews progress under the Fund’s strengthened cooperative strategy on overdue financial obligations since the last review and proposes to extend the availability of the rights approach by another year.** Section II reviews recent developments regarding overdue financial obligations to the Fund through end-June 2005. Progress under the Fund’s strategy on arrears and developments in protracted arrears cases are discussed in Section III. A draft decision to extend the availability of the rights approach until end-August 2006 is provided in Section IV.

## II. RECENT DEVELOPMENTS

2. **The number of members in protracted arrears to the Fund fell to four during the period under review, reflecting Iraq’s clearance of its arrears to the Fund in September 2004.**<sup>1</sup> As of end-June 2005,

Liberia, Somalia, Sudan, and Zimbabwe were in protracted arrears to the Fund.<sup>2</sup> The three members with arrears dating back to the mid-1980s—Liberia, Somalia, and Sudan—account for 90 percent of total arrears to the Fund, with Sudan alone accounting for 53 percent (Figure 1). Zimbabwe, which became a protracted arrears case on August 14, 2001, accounts for the remainder.



3. **Total arrears to the Fund declined by SDR 55 million to SDR 1,996 million since the last review, reflecting mainly the clearance of Iraq’s arrears.** Eighty-eight percent of total arrears to the Fund are to the GRA, with the remainder to the Trust Fund (5.9 percent), SDR Department (1.8 percent), the PRGF Trust (4.3 percent),<sup>3</sup> and the SAF (0.5 percent) (Table 1 and Figure 2). While Sudan’s arrears to the Fund declined slightly due to its regular monthly payments in excess of its obligations falling due, the arrears of the other protracted cases continued to rise—most notably those of Liberia, which reached SDR 512 million by end-June 2005.

<sup>1</sup> On September 22, 2004, Iraq cleared its arrears to the Fund of SDR 55.3 million.

<sup>2</sup> Protracted arrears are those outstanding for six months or more.

<sup>3</sup> Zimbabwe is the first and only case of protracted arrears to the PRGF Trust, with its arrears outstanding to the Trust amounting to SDR 82 million at end-June 2005.

Table 1. Overdue Financial Obligations to the Fund, 2004–2005 1/  
(In millions of SDRs)

	End-June 2004	End-June 2005
<b>Total arrears</b>	<b>2,050.9</b>	<b>1,996.4</b>
Principal	914.3	888.8
GRA	743.2	713.3
PRGF	73.8	78.0
Other 2/	97.4	97.4
Interest	1,136.6	1,107.6
GRA	1,012.3	1,034.2
PRGF	5.2	7.0
Other 3/	119.1	66.3

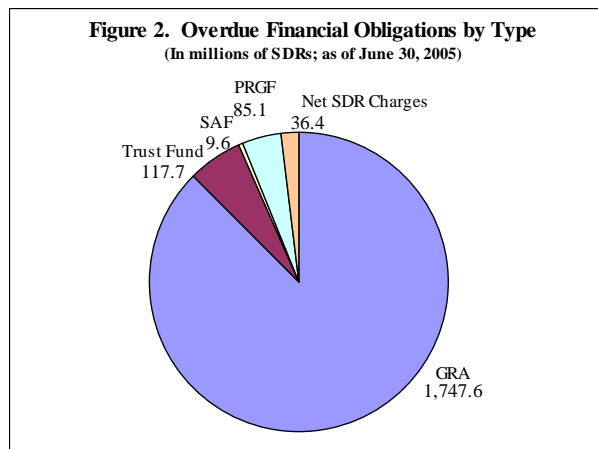
Source: Finance Department.

1/ Overdue financial obligations include repurchases, charges, and assessments in the General Resources Account; net SDR charges; repayments and interest on Trust Fund, SAF, and PRGF loans, and special charges and additional interest.

2/ Includes overdue Trust Fund and SAF principal.

3/ Includes overdue net SDR charges, SDR member assessments, and Trust Fund and SAF interest obligations.

4. **Overdue financial obligations to the Fund continue to impose a significant financial cost on the Fund and its membership.** The ongoing cost of deferred charges to the GRA is borne by the membership through the burden sharing mechanism, which relies on an adjustment to the rate of charge and the rate of remuneration to make up for the income loss associated with the nonpayment of charges. As of end-June 2005, total burden-shared deferred charges of members in protracted arrears to the Fund amounted to about SDR 0.9 billion, SDR 23.2 million higher than the level recorded at end-June 2004. Arrears to the Trust Fund, amounting to SDR 117.7 million at end-June 2005, reduced the amount of resources that would have accrued to the Reserve Account of the PRGF Trust for the benefit of the Fund’s poorest members. Zimbabwe’s arrears to the PRGF Trust also reduced the balances available in the PRGF Trust Reserve Account, as SDR 77.1 million from the account had to be drawn to meet payment obligations to PRGF Trust lenders.



5. **Twelve members (33 instances) incurred short-term arrears (less than six months) during the period under review.** These arrears were settled before remedial measures were applied, except in one instance, where the Executive Board was notified in accordance with the established procedures.

6. **The members with protracted overdue financial obligations to the Fund have also accumulated arrears to other international financial institutions** (Table 2). As of end-June 2005, their arrears amounted to SDR 873 million to the World Bank Group and SDR 480 million to the African Development Bank Group.

Table 2. Arrears to the Fund and Other International Financial Institutions  
(As of end-June 2005; in millions of SDRs)

	Fund 1/	World Bank 2/ 3/	AfDB	Total
<b>Total</b>	<b>1,993.3</b>	<b>872.6</b>	<b>480.3</b>	<b>3,346.1</b>
Liberia	512.4	299.7	153.4	965.6
Somalia	224.0	92.5	38.8	355.2
Sudan	1,057.2	238.2	102.2	1,397.6
Zimbabwe	199.6	242.2	185.9	627.7

1/ Protracted arrears only.

2/ Countries in non-accrual status with disbursements suspended.

3/ At the exchange rate of US\$/SDR as of June 30, 2005.

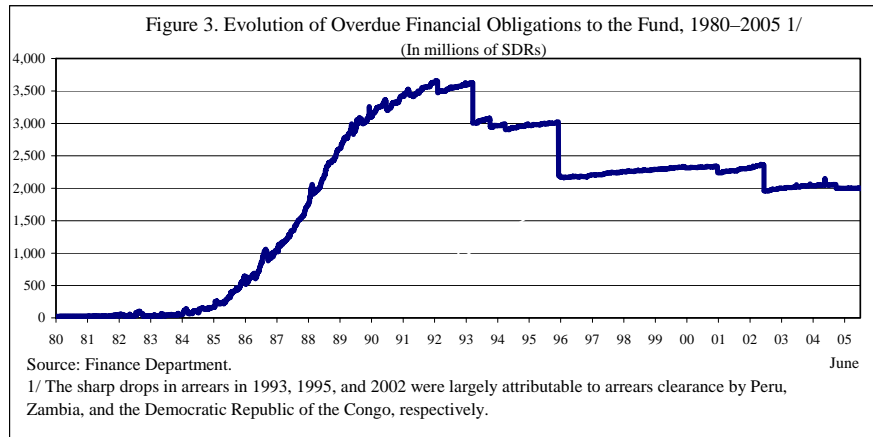
7. **Overdue currency valuation adjustments of 19 members at end-June 2005 amounted to SDR 2.1 billion, of which the protracted arrears cases accounted for SDR 1.4 billion (65 percent).** In order to maintain the value of the Fund's holdings of a member's currency in terms of the SDR, the Fund, at a minimum, adjusts its holdings of the member's currency at the end of each financial year. Such adjustments may result in an obligation by the member to pay additional currency to the Fund and vice-versa, depending on exchange rate movements. While overdue currency valuation adjustments do not generally affect the Fund's financing capacity, they, nevertheless, represent an essential element of members' financial obligations to the Fund, and the staff actively pursues their settlement.

### III. PROGRESS UNDER THE STRENGTHENED COOPERATIVE STRATEGY

#### A. Progress under the Strategy and Extension of the Rights Approach

8. **The Fund’s strategy on arrears has remained broadly effective in dealing with cases that have arisen to date, and no changes are therefore proposed.** The strategy—

initiated in 1990 in response to mounting concerns about rising arrears during the 1980s (Figure 3)—is comprised of three elements: prevention, intensified collaboration (including the rights approach), and remedial measures.



The preventive

element of the strategy has generally worked well in avoiding new arrears or in bringing about the quick clearance of such arrears should they occur, thereby preventing new cases of protracted arrears. The success of the intensified collaborative element of the strategy was particularly evidenced by Sudan’s continued cooperation with the Fund. In contrast, in the case of Zimbabwe, the Executive Board considered the application of further remedial measures, as Zimbabwe had not strengthened its cooperation with the Fund during the period under review.

9. **The rights approach remains a potentially important element of the intensified collaborative approach for arrears clearance for the three members that remain eligible (Liberia, Somalia, and Sudan).** The rights approach was initiated in 1990 and was used in clearing the arrears to the Fund of three members—Peru, Sierra Leone, and Zambia.<sup>4</sup> Under this approach, an eligible member must establish a track record of cooperation on policies with the Fund by undertaking an economic program with conditionality equivalent to that of upper credit tranche Fund arrangements. The member is also expected to make payments to the Fund that, at a minimum, are sufficient to meet new obligations falling due. By establishing such a track record, the member accumulates “rights” to future drawings of Fund resources following the clearance of its arrears. At the end of the rights accumulation

<sup>4</sup> Eligibility to use the rights approach was restricted to the eleven members that had protracted arrears to the Fund at end-1989. While Peru, Sierra Leone, and Zambia took advantage of the rights approach, five of the eligible members—Cambodia, Guyana, Honduras, Panama, and Vietnam—found alternative means to clear their arrears to the Fund.

program, bilateral creditors would provide a bridge loan to clear the member's arrears to the Fund, which would be repaid with a front-loaded disbursement under a successor financial arrangement from the Fund. Use of the rights approach is not required for the eligible members, but it provides a tested approach that has worked effectively in large protracted arrears cases. While the recent G-8 proposal on debt cancellation for HIPC's may have implications for use of the rights approach for the remaining eligible countries, extension of the availability of the rights approach at this stage is consistent with the principle that all existing policies remain in place until the Executive Board has taken a final decision on further debt relief.<sup>5</sup>

### **B. Developments in Protracted Arrears Cases**

**10. During the period under the review, Iraq cleared its arrears to the Fund, while the record of cooperation with the Fund by the remaining four protracted arrears cases was mixed.**

- In the case of **Liberia**, the authorities continued to make token monthly payments of US\$50,000 to the Fund, but its policy performance weakened. At its meeting on October 20, 2004, the Executive Board welcomed Liberia's implementation of a basic economic program through June 2004 but regretted the slippages in fiscal and monetary management and governance thereafter.<sup>6</sup> The Board urged the authorities to implement quickly a time-bound action plan to address these slippages and put the reform agenda back on track, and to adopt and implement a comprehensive economic program in 2005 that could be monitored by staff. On payments, the Board urged the authorities to increase the amount of monthly payments in light of fiscal and balance of payments developments. In its subsequent review on April 20, 2005,<sup>7</sup> the Board again urged the authorities to take decisive actions to address the continued weaknesses in fiscal management and governance and to adopt and implement a comprehensive economic program that could be monitored by Fund staff at an early date.

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<sup>5</sup> The G-8 recently proposed that the Fund, the International Development Association, and the African Development Fund cancel 100 percent of their claims on countries that have reached, or upon reaching, the completion point under the enhanced HIPC Initiative. The proposal does not cover the cost of debt cancellation for Liberia, Somalia, and Sudan but includes a commitment to provide the additional resources needed for this purpose.

<sup>6</sup> Decision No. 13365-(04/98), adopted October 20, 2004.

<sup>7</sup> Decision No. 13478-(05/36), adopted April 20, 2005.



- **Sudan:** In its review of Sudan's overdue financial obligations to the Fund in December 2004, the Executive Board welcomed Sudan's favorable economic policy performance and its increased payments to the Fund in 2004. The Board noted that Sudan's regular payments,<sup>8</sup> as well as its performance under the 2002 and 2003 SMPs, could be considered when deciding, at the appropriate time, the length of an eventual rights accumulation program.<sup>9</sup> The Board also noted that an expeditious move to a rights accumulation program could be possible once a comprehensive peace agreement had been reached and the needed financing assurances and resources secured. The Board urged Sudan to further increase its payments to the Fund in light of balance of payments developments, taking into account the fiscal and foreign exchange needs of the peace process.

On April 29, 2005, the Executive Board welcomed Sudan's satisfactory performance under the 2004 SMP, a comprehensive peace agreement reached in January 2005, and the adoption of the 2005 SMP. At the same meeting, the Board requested that staff provide an update to the 2002 Board paper on fundamental issues regarding the clearance and financing of Sudan's arrears to the Fund to help guide future discussions on Sudan's arrears clearance. Many Directors stressed, however, that progress in resolving Sudan's debt and arrears problems would require a satisfactory solution of the Darfur crisis and implementation of the peace agreement.

- **Zimbabwe:** The Executive Board again considered the Managing Director's complaint with respect to Zimbabwe's compulsory withdrawal from the Fund on February 16, 2005.<sup>10</sup> The Board noted Zimbabwe's initial policy steps to arrest the economic decline, but considered those efforts to be insufficient to decisively turn around the economic situation. It thus urged the authorities to adopt and implement a comprehensive adjustment program as a matter of urgency, in particular, with respect to the authorities' policy commitments in the areas of fiscal, monetary, exchange rate, and structural policies. On payments, the Board urged the authorities to make every effort to increase payments and to resolve its overdue financial obligations to the Fund and, in this context, noted Zimbabwe's payments of US\$16.5 million since the July 2004 consideration of the Managing Director's complaint, as well as the authorities' intention to increase payments to the Fund from US\$5 million to

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<sup>8</sup> Sudan made regular monthly payments to the Fund, totaling US\$32.4 million in 2004, exceeding its payment obligations falling due to the Fund by SDR 11.9 million. During the first six months in 2005, Sudan's payments to the Fund amounted to US\$16.5 million, in line with its commitment to the Fund.

<sup>9</sup> Decision No. 13399-(04/114), adopted December 15, 2004.

<sup>10</sup> The first consideration of the Managing Director's complaint took place on July 7, 2004.

US\$9 million per quarter starting in April 2005.<sup>11</sup> The Board decided to further consider the complaint for Zimbabwe's compulsory withdrawal from the Fund by September 16, 2005 to allow Zimbabwe a further chance to improve cooperation with the Fund.<sup>12</sup>

- **Somalia:** The Executive Board has not considered the overdue financial obligations of Somalia since the last review, owing to ongoing security problems and the lack of official information on economic and financial developments. As a result, the Board further postponed the review of Somalia's arrears to the Fund on two occasions during the period under review. During the first half of 2005, there were several developments that could help initiate Somalia's reengagement with the international community. On the domestic front, a Transitional Federal Government was formed in early 2005 and is actively seeking to establish itself as Somalia's national government. The World Bank, in cooperation with the UNDP and other donors, has stepped up its work program to provide humanitarian assistance to Somalia under the Low Income Countries Under Stress framework. A joint needs assessment and recovery framework is currently being formulated, and a draft World Bank Country Economic Report for Somalia is also being prepared.

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<sup>11</sup> In line with this commitment, Zimbabwe made payments to the Fund of SDR 7.4 million (US\$11 million) in the four months through end-July.

<sup>12</sup> The procedure on Zimbabwe's compulsory withdrawal from the Fund (under Article XXVI, Section 2(c) of the Articles of Agreement) was initiated on February 6, 2004, with the issuance of the Managing Director's complaint regarding Zimbabwe's persistent failure to fulfill its obligations under the Articles of Agreement.

#### IV. PROPOSED DECISION

11. **It is proposed that the availability of the rights approach be extended for another year, to end-August 2006, based on the considerations elaborated in Section III.** The following draft decision is, therefore, proposed for adoption by the Executive Board:

“The Fund has reviewed progress under the strengthened cooperative strategy with respect to overdue financial obligations to the Fund as described in EBS/05/131.

The Fund reaffirms its support for the strengthened cooperative strategy and agrees to extend the availability of the rights approach until end-August 2006.”

Table 3. Remedial Measures Applied to Countries in Protracted Arrears to the Fund 1/

	In Continuous Arrears Since	Complaint Issued (Noted)	Declaration of Ineligibility	Declaration of Non-cooperation	Suspension of Voting Rights	Complaint for Compulsory Withdrawal
Liberia	12/19/84	4/4/85 (4/24/85) 4/8/2002 2/ (4/16/02)	1/24/86	3/30/90	3/5/03	
Somalia	7/2/87	9/8/87 (9/15/87)	5/6/88			
Sudan	7/12/84	12/12/84 (1/9/85) 1/22/97 (1/24/97) 4/	2/3/86	9/14/90; lifted on 8/27/99	8/9/93; lifted on 8/1/00	4/8/94 3/
Zimbabwe	2/14/01	5/4/01 (5/15/01) 10/17/02 5/ (10/24/02)	9/24/01 6/	6/13/02	6/6/03	2/6/2004 7/

Source: Finance Department.

1/ Under the Articles of Agreement and the Fund's Procedures for dealing with members with overdue financial obligations to the General Department and the SDR Department, a complaint is issued by the Managing Director when a member falls into arrears to the Fund for two months or more. The complaint may lead to different sanctions under Article XXVI of the Fund's Articles of Agreement: declaration of ineligibility to use Fund Resources, suspension of voting rights in the Fund, and compulsory withdrawal depending upon the member's persistence in its failure to fulfill its obligations. A complaint can be withdrawn only after the arrears have been cleared. Overdue obligations to the PRGF Trust are separate from those to the General and SDR Departments, and are not breaches of obligations under the Articles of Agreement. A member in arrears to the General Department, SDR Department or the PRGF Trust has no access to PRGF resources. The Fund also levies additional charges on late payments to the PRGF Trust. Remedial measures for dealing with arrears to the PRGF Trust include removal from the list of PRGF-eligible countries, declaration of noncooperation and suspension of technical assistance.

2/ On April 8, 2002, the Managing Director issued a complaint with respect to the suspension of Liberia's voting and related rights in the Fund.

3/ In light of the lifting of the suspension of Sudan's voting rights on 8/1/2000, the complaint for the compulsory withdrawal of Sudan has been reformulated as a complaint for the suspension of Sudan's voting rights.

4/ Complaint withdrawn on February 12, 1997, following clearance of arrears in the SDR Department.

5/ On October 17, 2002, the Managing Director issued a complaint with respect to the suspension of Zimbabwe's voting and related rights in the Fund.

6/ Zimbabwe was also removed from the list of PRGF-eligible countries on September 24, 2001.

7/ On February 6, 2004, a complaint with respect to compulsory withdrawal for Zimbabwe was issued. The Board considered this complaint on July 7, 2004 and February 16, 2005.

Table 4. Overdue Financial Obligations to the Fund by Duration, 1981–2005  
(In millions of SDRs; end of period)

	No. of Countries	Duration			Total Amount
		0-1 month	1-6 months	6 months- or more	
1981	20	6	5	23	34
1982	16	5	0	24	29
1983	14	18	13	30	60
1984	24	29	95	55	178
1985	25	67	289	266	621
1986	21	85	340	611	1,036
1987	26	79	340	1,333	1,752
1988	17	65	401	2,146	2,612
1989	14	30	272	2,797	3,099
1990	15	25	212	3,185	3,421
1991	13	7	159	3,458	3,625
1992	20	23	85	3,488	3,596
1993	12	10	78	2,882	2,969
1994	11	14	59	2,900	2,972
1995	8	10	36	2,130	2,176
1996	10	11	39	2,159	2,209
1997	11	13	32	2,215	2,260
1998	11	11	31	2,252	2,294
1999 1/	8	1	26	2,290	2,316
2000	9	1	32	2,211	2,243
2001	13	7	59	2,253	2,319
2002	7	6	45	1,948	1,999
2003	9	3	26	2,011	2,040
2004	7	4	21	1,974	1,999
2005					
Jun.	6	4	18	1,975	1,996

Source: Finance Department.

1/ Includes adjustments of SDR 9.1 million resulting from SCA-2 refunds for members in protracted arrears that were applied to reduce outstanding charges.

Table 5. Overdue Financial Obligations to the Fund by Type, 1981–2005  
(In millions of SDRs; end of period)

	GRA		Net SDR Charges	Trust Fund/SAF/PRGF		Total		Total 3/
	Repurchases	Charges 1/		Repayments	Interest 2/	Repayments and Repurchases	Charges and Interest	
1981	24	9	--	--	1	24	10	34
1982	23	5	--	--	2	23	7	29
1983	50	9	0	--	--	50	10	60
1984	124	37	8	8	1	132	46	178
1985	430	135	15	39	3	468	153	621
1986	753	205	15	60	3	813	223	1,036
1987	1,269	352	23	102	7	1,371	381	1,752
1988	1,854	562	36	150	10	2,004	608	2,612
1989	2,074	802	44	165	15	2,238	861	3,099
1990	2,209	987	45	161	20	2,370	1,051	3,421
1991	2,270	1,131	39	158	26	2,428	1,197	3,625
1992	2,176	1,174	47	167	32	2,343	1,253	3,596
1993	1,713	1,037	48	142	30	1,854	1,114	2,969
1994	1,688	1,063	44	150	28	1,838	1,134	2,972
1995	1,108	820	51	169	28	1,277	899	2,176
1996	1,064	856	62	197	30	1,261	948	2,209
1997	1,044	894	75	217	31	1,260	999	2,260
1998	999	940	89	233	32	1,232	1,062	2,294
1999 4/	969	971	101	241	33	1,210	1,106	2,316
2000	876	998	94	241	34	1,116	1,126	2,243
2001	864	1,040	106	270	38	1,134	1,184	2,319
2002	732	987	92	156	31	888	1,111	1,999
2003	743	1,004	88	171	33	914	1,125	2,040
2004	732	1,023	35	173	36	904	1,094	1,999
2005								
Jun.	713	1,034	36	175	37	889	1,107	1,996

Source: Finance Department.

1/ Include quarterly charges, semiannual charges, stand-by charges on arrangements, and special charges on overdue GRA obligations (equivalent to SDR 126.9 million as of June 30, 2005).

2/ Includes special charges on overdue Trust Fund obligations (equivalent to SDR 19.7 million as of June 30, 2005) and additional interest on overdue SAF/PRGF obligations (equivalent to SDR 4.9 million as of June 30, 2005).

3/ Includes SDR member assessments.

4/ Includes adjustments of SDR 9.1 million resulting from SCA-2 refunds for members in protracted arrears that were applied to reduce outstanding charges.

Table 6. Number of Members Incurring Arrears to the Fund, 1991–2005

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 1/
Number of members with obligations falling due during the period 2/	146	147	157	159	163	163	163	163	163	164	162	162	161	161	161
Number of members with late payments during the period 3/	45	46	40	36	32	27	32	29	38	27	28	27	32	18	17
<i>Of which:</i>															
Protracted cases 4/	11	11	11	8	6	7	7	7	7	6	7	6	5 <sup>5/</sup>	4 <sup>6/</sup>	4
Number of members with late payments as a percentage of number of members with obligations falling due during the period	31	31	26	23	20	17	20	18	23	16	17	17	20	11	11

Source: Finance Department.

1/ Twelve months to June 30, 2005.

2/ Includes all types of financial obligations falling due to the Fund during the period. Members with multiple obligations falling due during the period are counted only once.

3/ Members paying late during the period and with obligations overdue at the end of the period are counted only once.

4/ Members with arrears outstanding for six months or more at end of period.

5/ During 2003, Afghanistan cleared its arrears, lowering the number of protracted arrears cases to five by the end of the period.

6/ During 2004, Iraq cleared its arrears, lowering the number of protracted arrears cases to four by the end of the period.

Table 7. Countries with Protracted Overdue Financial Obligations to the Fund 1/  
(As of June 30, 2005)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Liberia	512.4	718.7	223.7	288.8	512.4
Somalia	224.0	506.9	112.0	112.0	224.0
Sudan	1,057.2	623.0	371.8	685.5	1,057.2
Zimbabwe	199.6	56.5	178.5	21.0	199.6
<b>Total</b>	<b>1,993.3</b>		<b>886.0</b>	<b>1,107.3</b>	<b>1,993.3</b>

Source: Finance Department.

1/ Countries with arrears outstanding for six months or more.

2/ Includes outstanding repurchases, SAF and PRGF loans, Trust Fund loans, and overdue charges and interest (including special charges, net SDR charges, and assessments).



Table 8. Obligations Falling Due and Payments to the Fund  
by Current Protracted Arrears Cases, 1995–2005

(In millions of SDRs)

	Liberia	Somalia	Sudan	Zimbabwe	Total
<b>Obligations falling due</b>					
1995	12.5	7.9	34.8	9.3	64.5
1996	10.5	6.9	28.0	14.3	59.7
1997	10.8	6.2	27.6	26.2	70.8
1998	11.1	5.4	26.8	43.2	86.5
1999	9.4	4.6	21.1	51.9	87.0
2000	12.1	5.9	25.4	61.4	104.8
2001	11.1	5.4	21.1	73.3	110.9
2002	6.9	3.4	12.3	78.5	101.1
2003	5.5	2.7	9.7	50.8	68.7
2004	6.1	3.0	9.9	29.2	48.2
Jan. -Jun. 2005	3.8	1.9	5.9	7.9	19.5
<b>Payments made to the Fund 1/</b>					
1995	0.1	--	33.8	9.3	43.2
1996	--	--	31.7	14.3	46.0
1997	0.0	--	44.0	26.2	70.2
1998	0.4	--	44.4	43.2	88.0
1999	0.4	--	29.4	51.9	81.7
2000	0.5	--	43.3	61.4	105.2
2001	0.4	--	43.1	9.2	52.7
2002	0.4	--	15.5	2.5	18.4
2003	0.1	--	19.8	3.4	23.3
2004	0.5	--	21.8	14.3	36.6
Jan. -Jun. 2005	0.2	--	11.0	10.4	21.6
<b>Payments made as percent of obligations falling due</b>					
1995	0.8	--	97.1	100.0	67.0
1996	--	--	113.5	100.0	77.0
1997	0.3	--	159.4	100.0	99.2
1998	3.6	--	165.7	100.0	101.7
1999	4.3	--	139.3	100.0	93.9
2000	3.8	--	170.8	100.0	100.4
2001	3.5	--	204.1	12.5	47.5
2002	5.8	--	125.6	3.2	18.2
2003	2.6	--	205.3	6.6	33.9
2004	7.7	--	219.5	49.0	75.9
Jan. -Jun. 2005	4.3	--	185.2	131.4	110.9

Source: Finance Department.

1/ Exclude adjustments resulting from settlements of deferred charges, retroactive reductions in rates of charge and SCA-2 refunds for members in protracted arrears that are applied to reduce outstanding charges and repurchases.

Table 9. Deferred Charges of Countries with Protracted Arrears to the Fund, FY 2001–2006 1/  
(In millions of SDRs)

	FY 2002		FY 2003		FY 2004		FY 2005		FY 2006		
	Balance Apr. 30, 2001	Net deferrals	Balance Apr. 30, 2002	Net deferrals	Balance Apr. 30, 2003	Net deferrals	Balance Apr. 30, 2004	Net deferrals	Balance Apr. 30, 2005	Net deferrals	Balance Jun. 30, 2005
Liberia	234.7	6.7	241.4	4.9	246.3	3.9	250.3	5.8	256.1	1.0	257.1
Somalia	88.2	3.2	91.4	2.5	93.9	2.0	95.9	3.0	98.9	0.5	99.4
Sudan	626.0	12.9	638.9	9.3	648.2	7.2	655.4	10.2	665.6	1.6	667.2
Zimbabwe	--	5.3	5.3	3.0	8.3	2.4	10.8	3.6	14.3	0.6	14.9
<b>Total</b>	<b>948.9</b>	<b>28.1</b>	<b>977.0</b>	<b>19.7</b>	<b>996.7</b>	<b>15.6</b>	<b>1,012.3</b>	<b>22.6</b>	<b>1,034.9</b>	<b>3.7</b>	<b>1,038.6</b>

Source: Finance Department.

1/ Deferred charges only include periodic charges and special charges to the GRA.

Table 10. Countries with Overdue Currency Valuation Adjustments 1/  
(In millions of SDRs; as of June 30, 2005)

Member	FY 2005
Afghanistan	12.9
Angola	218.5
Belarus	193.8
Djibouti	1.9
Iran	145.2
Liberia	267.5
Mauritania	3.0
Micronesia	0.1
Palau	0.2
Rwanda	11.6
Samoa	1.5
Somalia 2/	120.1
Sri Lanka	34.7
Sudan 3/	526.5
Suriname 4/	74.4
Trinidad and Tobago	28.6
Turkmenistan	5.2
Zambia	13.8
Zimbabwe	466.3
Total	2,126.1

Source: Finance Department.

1/ The Fund revalues members' currencies at least annually, at the end of the Fund's financial year (April 30). Members are notified of the adjustments arising from the revaluation, which are required to be settled promptly (within thirty days from date of notification). Adjustments are payable in local currency and are not included among overdue obligations. This table lists members that have not settled the currency valuation adjustments since April 30, 2004.

2/ Adjustments have been outstanding since the end of FY 1991.

3/ Adjustments have been outstanding since the end of FY 1996.

4/ Adjustments have been outstanding since the end of FY 1999.

Overdue Financial Obligations to the General Department and the SDR Department—  
Timetable of Remedial Measures 1/

Time after emergence of arrears	Action
Immediately	Staff sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the concerned Executive Director. The member is not permitted any use of the Fund’s resources nor is any request for the use of Fund resources placed before the Executive Board until the arrears are cleared.
2 weeks	Management sends a communication to the Governor for the member stressing the seriousness of the failure to meet obligations and urging full and prompt settlement.
1 month	The Managing Director notifies the Executive Board that an obligation is overdue.
6 weeks	The Managing Director notifies the member that unless the overdue obligations are settled promptly a complaint will be issued to the Executive Board. The Managing Director would also consult with and recommend to the Executive Board that a communication concerning the member’s situation should be sent to selected Fund Governors or to all Fund Governors in the event that the member has not improved its cooperation with the Fund.
2 months	A complaint regarding the member’s overdue obligations is issued by the Managing Director to the Executive Board.
3 months	A brief factual statement noting the existence and amount of arrears is posted on the Fund’s external website, and will be updated as necessary. It also indicates that the member’s access to the Fund, including PRGF and HIPC resources, has been and will remain suspended for as long as arrears remain outstanding. The complaint is given substantive consideration by the Executive Board. The Board has usually decided to limit the member’s use of the general resources and, if overdue SDR obligations are involved, suspend its right to use SDRs. A press release is issued following the Board’s decision to limit the member’s use of the general resources or, if the member has overdue obligations in the SDR Department, to suspend its right to use SDRs. A similar press release will be issued following a decision to lift such limitation or suspension.

Time after emergence of arrears	Action
6–12 months	The Executive Board will review its decision on limitation within three months, with the possibility of a second review if warranted. Depending on the Executive Board's assessment of the specific circumstances and of the efforts being made by the member to fulfill its obligations to the Fund, a declaration of ineligibility will be considered to take effect not more than twelve months after the emergence of arrears. The sending of communications to all Fund Governors and the heads of selected international financial institutions regarding the member's continued failure to fulfill its financial obligations to the Fund is to be considered at the same time as the declaration of ineligibility.
Up to 15 months	A declaration of noncooperation will be considered within three months after the dispatch of the communications. Upon a declaration of noncooperation, technical assistance to the member will be suspended unless the Executive Board decides otherwise.
Up to 18 months	A decision on suspension of voting and representation rights will be considered within three months after the declaration of noncooperation.
Up to 24 months	The procedure on compulsory withdrawal will be initiated within six months after the decision on suspension.

1/ Based on the procedures for dealing with members with overdue financial obligations to the Fund adopted by the Executive Board on August 17, 1989, as amended by Decision No. 12546-(01/84), adopted on August 22, 2001.

Overdue Financial Obligations to the Poverty Reduction and Growth Facility Trust—  
Timetable of Remedial Measures 1/

Time after emergence of arrears	Action
Immediately	Staff sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the concerned Executive Director. The member’s access to the Fund resources, including PRGF and HIPC resources, is suspended.
2 weeks	Management sends a communication to the Governor for the member stressing the seriousness of the failure to meet obligations to the Trust and urging full and prompt settlement.
1 month	The Managing Director notifies the Executive Board that an obligation to the Trust is overdue.
6 weeks	The Managing Director notifies the member that, unless the overdue obligations are settled promptly, a report concerning the arrears to the Trust will be issued to the Executive Board. The Managing Director would also consult with and recommend to the Executive Board that a communication concerning the member’s situation should be sent to selected Fund Governors or to all Fund Governors in the event that the member has not improved its cooperation with the Fund.
2 months	A report is issued by the Managing Director to the Executive Board. The report will request that the Executive Board limit the member’s use of PRGF Trust Resources.
3 months	The report is given substantive consideration by the Executive Board. A factual statement noting the existence and amount of arrears is posted on the member’s country-specific page on the Fund’s external website. This statement also indicates that the member’s access to the Fund resources, including PRGF and HIPC resources, has been and will remain suspended until the arrears are cleared. A press release is issued following the Executive Board’s decision to limit the member’s use of the PRGF Trust resources. A similar press release will be issued

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Time after emergence of arrears	Action
6 months	<p data-bbox="618 415 1187 443">following the decision to lift such limitation.</p> <p data-bbox="618 489 1406 779">The Executive Board reviews its decision on limitation and may remove the member from the list of PRGF-eligible countries. Any reinstatement of the member on the list of PRGF-eligible countries will require a new decision of the Executive Board. A press release is issued following the Executive Board's decision to remove a member from the list of PRGF-eligible countries. A similar press release will be issued upon reinstatement of the member on the list.</p>
12 months	<p data-bbox="618 858 1406 1262">A declaration of noncooperation with the PRGF Trust may be issued by the Executive Board depending on the Board's assessment of the member's performance in the settlement of its arrears to the Trust and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Upon a declaration of noncooperation, the Fund could decide to suspend the provision of technical assistance. The Managing Director may also limit technical assistance provided to a member, if it is in his judgment that assistance was not contributing adequately to the resolution of the problems associated with overdues to the Trust.</p>

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1/ Based on Decision No. 12545-(01/84) PRGF, adopted on August 22, 2001.