

INTERNATIONAL MONETARY FUND

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

Prepared by the Treasurer's, Policy Development and Review, and Legal Departments

(In consultation with other departments)

Approved by Eduard Brau, Timothy Geithner, and François Gianviti

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### Executive Summary

- **Total arrears to the Fund fell** below SDR 2 billion at end-June 2002, the lowest level since the adoption of the Fund's strengthened cooperative strategy on arrears in 1990, primarily reflecting the settlement of arrears by the Democratic Republic of the Congo (DRC) on June 12, 2002.
- **Six countries--Afghanistan, Iraq, Liberia, Somalia, Sudan, and Zimbabwe--remain in protracted arrears to the Fund.** Arrears by Liberia, Somalia, and Sudan account for over 90 percent of total arrears to the Fund.
- **The structure of arrears to the Fund remained broadly unchanged since the last review.** Of the total arrears to the Fund, more than four-fifths were to the GRA, with the remainder to the Trust Fund, the PRGF Trust, SAF, and the SDR Department.
- **Overdue interest and charges continued to increase and exceeded arrears on principal.** As of end-June 2002, overdue interest and charges constituted close to 60 percent of total arrears. The increased share of overdue interest and charges reflects the long duration of most of the outstanding principal arrears to the Fund.
- **The Fund's strategy on arrears was further strengthened.** On August 22, 2001, the Executive Board adopted remedial procedures for arrears to the PRGF Trust and took decisions to strengthen transparency with respect to the publication of information on arrears. There were no major changes to the two other elements of the strategy, prevention and intensified collaboration.
- **The Fund's strategy on arrears remains broadly effective,** as evidenced by the clearance of arrears by the DRC and renewed efforts by Sudan to strengthen its cooperation with the Fund. No further changes to the strategy are proposed at this time.
- **The staff proposes that the availability of the rights approach, which expires on August 31, 2002, be extended for another year.** This approach provides added flexibility to arrears clearance by the three remaining eligible countries--Liberia, Somalia, and Sudan. A draft decision to this effect is provided for Board approval on a lapse-of-time basis.

## I. INTRODUCTION

1. **This paper reviews the progress under the Fund’s strengthened cooperative strategy on overdue financial obligations since the last Board discussion in August 2001.**<sup>1</sup> Section II provides a statistical update of overdue financial obligations to the Fund from end-April 2001 through end-June 2002. Progress under the Fund’s strategy on arrears and recent developments in major protracted arrears cases are discussed in Section III, which also proposes an extension of the rights approach by another year. Section IV provides information on overdue currency valuation adjustments. The draft decision to extend the availability of the rights approach until end-August 2003 is provided in Section V.

## II. RECENT DEVELOPMENTS

2. **Overdue financial obligations to the Fund at end-June 2002 were at their lowest level since the adoption of the Fund’s strengthened cooperative strategy in 1990.** Total arrears to the Fund fell from SDR 2,260 million at end-April 2001 to SDR 1,960 million at end-June 2002 (Table 1 and Chart 1), primarily reflecting the clearance of arrears of SDR 404 million by the Democratic Republic of the Congo (DRC) on June 12, 2002. In addition, Sudan made payments to the Fund in excess of its obligations falling due during the

Table 1. Overdue Financial Obligations to the Fund  
(In millions of SDRs)

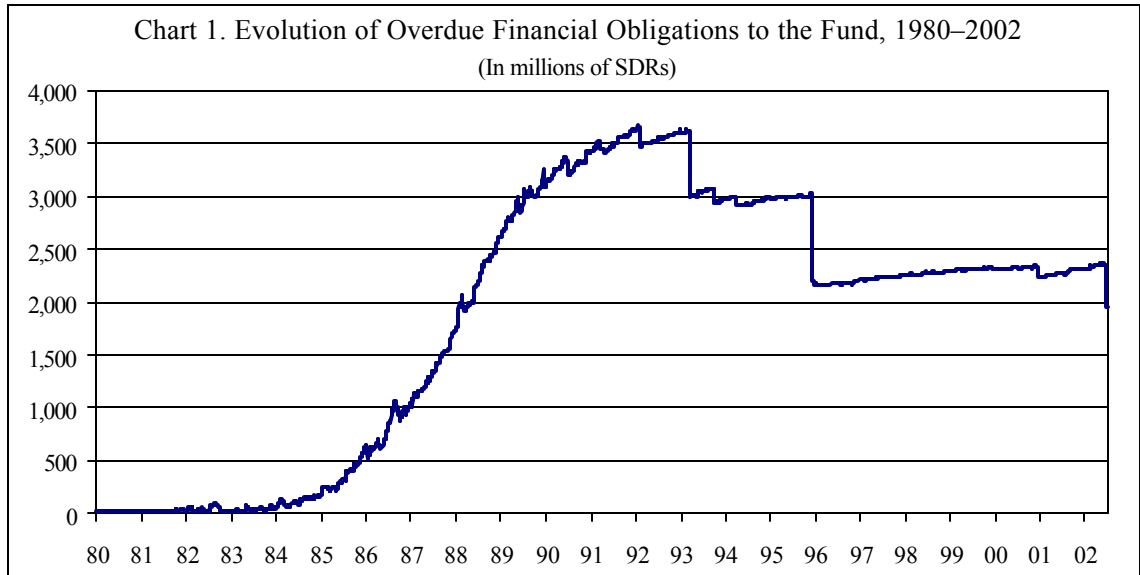
	End-April 2001	End-June 2002
<b>Total arrears</b>	<b>2,260</b>	<b>1,960</b>
Principal	1,117	863
GRA	865	722
PRGF	12	44
Other 1/	241	97
Interest	1,143	1,098
GRA	1,010	977
PRGF	--	2
Other 2/	133	119

1/ Includes overdue Trust Fund and SAF principal.

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

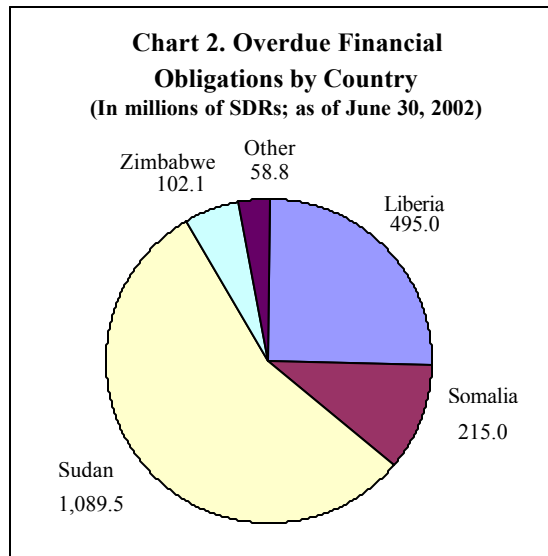
<sup>1</sup> See “*Review of the Fund’s Strategy on Overdue Financial Obligations*” (EBS/01/122, 7/23/01). Updated statistical information was provided in “*Overdue Financial Obligations to the Fund—Statistical Update*” (EBS/02/69, 4/16/02).

period under review, contributing to a reduction of SDR 14 million in its outstanding arrears to the Fund. However, the arrears of other protracted cases continued to increase,<sup>2</sup> especially those of Zimbabwe, which had reached SDR 102 million by end-June 2002.



3. **Six countries--Afghanistan, Iraq, Liberia, Somalia, Sudan, and Zimbabwe-- remain in protracted arrears to the Fund.**

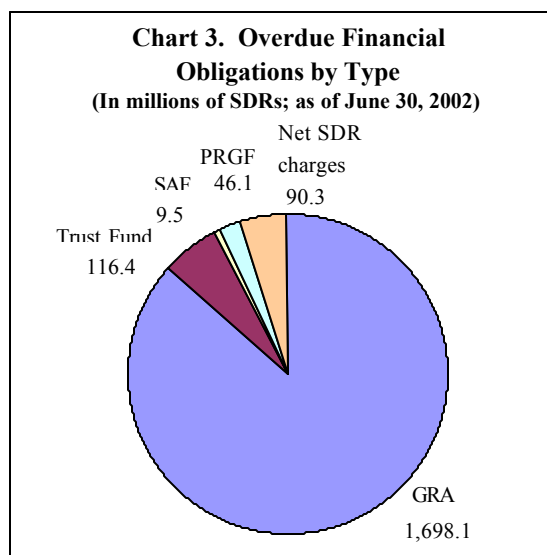
Three countries with arrears that date back to the mid-1980s--Liberia, Somalia, and Sudan--account for 92 percent of total arrears to the Fund, with Sudan alone accounting for more than 50 percent. Zimbabwe joined the list of protracted arrears cases on August 14, 2001, accounting for 5 percent of the arrears to the Fund, while the arrears of Afghanistan and Iraq represent only 3 percent of the total, and are confined to overdue net SDR charges and member assessments (Chart 2).



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

4. **The structure of arrears to the Fund remained broadly unchanged since the last review (Chart 3).**

Of the total arrears to the Fund, more than four-fifths were to the GRA, with the remainder to the Trust Fund (6 percent), the SDR Department (5 percent), the PRGF Trust (2 percent), and the SAF (1 percent). Zimbabwe represents the first case of protracted arrears to the PRGF Trust, with its arrears outstanding to the Trust amounting to SDR 45 million at end-June 2002. Zimbabwe's failure on PRGF principal repayments necessitated a draw down of SDR 44 million from the balances accumulating in the Reserve Account of PRGF Trust for meeting the repayment obligations to Trust lenders.



5. **Overdue interest and charges**

**continued to increase and exceeded arrears on principal.** At end-June 2002, arrears on interest and charges constituted close to 60 percent of total arrears. The increased share of overdue interest and charges in total arrears reflects the long duration of outstanding principal arrears to the Fund.

6. **Overdue financial obligations to the Fund impose a significant financial cost to the Fund and its membership.** The cost of deferred charges to the GRA is largely borne by the membership through the burden sharing mechanism, which relies on an equal adjustment to the rate of charge and rate of remuneration to make up for the income loss associated with the nonpayment of charges. As of end-June 2002, total burden-shared deferred charges of countries in protracted arrears to the Fund amounted to SDR 980 million, about SDR 40 million lower than the level recorded at end-April 2001, with new deferrals being more than offset by the clearance of the DRC's overdue charges to the GRA.<sup>3</sup> Arrears to the Trust Fund, amounting to SDR 116 million at end-June 2002, 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.<sup>4</sup>

<sup>3</sup> The DRC's overdue charges to the GRA amounted to SDR 77 million, the bulk of which had been burden-shared.

<sup>4</sup> Under the current policy, an additional rate of interest, equal to the SDR interest rate, is applied to both overdue PRGF principal and interest. Payments of overdue PRGF obligations are transferred to the Reserve Account of the PRGF Trust to compensate for the use of Reserve Account balances for meeting repayment obligations to Trust lenders.

7. **A number of short-term arrears (less than six months) occurred during the period under review.** Total short-term arrears by 22 countries (45 instances) amounted to SDR 52 million, of which SDR 29 million were to the PRGF Trust and SDR 22 million to the GRA, with net SDR charges accounting for the remainder. All of these arrears were due to technical difficulties and were cleared quickly without being subject to remedial measures under the timetable of procedures of the Fund's arrears strategy.

8. **The countries with protracted overdue financial obligations to the Fund have also accumulated arrears to other international financial institutions** (Table 2). As of end-June 2002, their arrears to the World Bank and IDA amounted to about SDR 0.9 billion and to the African Development Bank SDR 1 billion.<sup>5</sup> Arrears to the Asian Development Bank (by Afghanistan) amounted to SDR 11 million.

Table 2. Arrears to the Fund and Other International Financial Institutions  
(As of end-June 2002; in millions of SDRs)

	Fund	WB Group 1/ 2/	AfDB Group	Total
<b>Total</b>	<b>1,959</b>	<b>917</b>	<b>1,018</b>	<b>3,895</b>
Afghanistan, Islamic State of	8	20	--	28
Congo, Dem. Rep. of 3/	--	254	669	923
Iraq	50	57	--	108
Liberia	495	261	141	897
Somalia	215	66	31	312
Sudan	1,089	163	75	1,328
Zimbabwe	102	95	103	300

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

2/ At the exchange rate of US\$/SDR as of June 28, 2002.

3/ DRC's arrears to the World Bank were cleared on July 1, 2002; the arrears to the AfDB should be cleared by end-July 2002.

<sup>5</sup> The DRC's arrears to the World Bank, subsequently cleared, were almost SDR 0.3 billion and to the African Development Bank, to be cleared before the end of July 2002, almost SDR 0.7 billion.

### III. PROGRESS UNDER THE STRENGTHENED COOPERATIVE STRATEGY

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

9. **The Fund's strategy on overdue financial obligations was strengthened further in 2001.** The strategy--initiated in 1990 in response to mounting concerns about rising arrears during the 1980s--consists of three elements: prevention, intensified collaboration (including the rights approach), and remedial measures. At the last review on August 22, 2001, the Executive Board adopted strengthened remedial procedures for arrears to the PRGF Trust, paralleling, to the extent possible, the timetable of remedial measures for arrears to the GRA.<sup>6</sup> The Board also took decisions to strengthen transparency with respect to the publication of information on arrears, including that: (i) information on arrears be published on the Fund's external website when they have been outstanding for three months; and (ii) a press release be issued on the occasion of each substantive Board action related to specific arrears cases.<sup>7</sup> There were no major changes to prevention and intensified collaboration, the other two elements of the strategy.<sup>8</sup>

10. **The staff is of the view that the Fund's strategy on arrears remains broadly effective, and therefore no further changes to the strategy are proposed at this time.** The preventive element of the strategy has generally worked well in bringing about the quick clearance of arrears of members newly falling into arrears so that none of these cases has become protracted in nature. The successful application of the intensified collaborative element of the strategy is evidenced by the clearance of the DRC's long-standing arrears to the Fund. Sudan's cooperation with the Fund has strengthened further with the introduction of a new staff-monitored program and agreement on payments consistent with the country's current capacity to repay. In the cases of Liberia and Zimbabwe, where cooperation with the Fund deteriorated further, the Board considered the application of further remedial measures to encourage both members to strengthen their cooperation with the Fund.

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<sup>6</sup> A fully parallel treatment of GRA and PRGF arrears is not possible, because the former are breaches of obligations under the Articles of Agreement and are subject to sanctions under Article XXVI whereas arrears to the PRGF are not. Annexes I and II contain the timetables for remedial measures in the case of arrears to the GRA and SDR Department, and the PRGF Trust, respectively.

<sup>7</sup> The Board also discussed the issues concerning the publication of information on missed repurchase expectations and decided that such information should be published on the Fund's external website at the three-month stage. The Board agreed, however, that no press release should be issued with respect to missed repurchase expectations.

<sup>8</sup> For a more detailed description of the three elements of the Fund's strategy on arrears, see *"Review of the Fund's Strategy on Overdue Financial Obligations"* (EBS/01/122, 7/23/01).



11. **Moreover, the staff continues to believe that the rights approach remains an important element of the intensified collaborative approach for arrears clearance under the Fund's arrears strategy for the three countries that remain eligible (Liberia, Somalia, and Sudan).** The rights approach was initiated in 1990 and was applied to clear the arrears to the Fund of three countries--Peru (1993), Sierra Leone (1994), and Zambia (1995).<sup>9</sup> The approach allows members with large protracted arrears to establish a track record of cooperation with the Fund, which would qualify them for a front-loaded disbursement under a successor financial arrangement with the Fund following the clearance of arrears to the Fund. The rights approach also allows members time to mobilize financing assurances needed for arrears clearance and successor arrangements with the Fund, including initial debt relief from bilateral creditors, particularly the Paris Club. While use of the rights approach is not required for the eligible countries, it provides a tested approach that has worked effectively in large protracted arrears cases.

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

12. Cooperation with the Fund on policy and payments by some countries with protracted arrears to the Fund has improved since the last review:

- **Democratic Republic of the Congo:** The DRC adopted a SMP in June 2001 and, as part of the program, agreed to make a monthly deposit of SDR 100,000 to an account with the Bank of International Settlements (BIS), which would be used for eventual clearance of its arrears to the Fund. The DRC successfully implemented the SMP and made regular monthly deposits as committed. On June 12, 2002, facilitated by bridge loans provided by four countries--Belgium, France, South Africa, and Sweden--the DRC's arrears to the Fund, totaling SDR 404 million, were cleared.<sup>10</sup> Immediately following the clearance of the arrears, the Executive Board approved a PRGF arrangement for the DRC in the amount of SDR 580 million<sup>11</sup> (109 percent of quota<sup>12</sup>). The DRC subsequently cleared its arrears of SDR 254 million (US\$338 million) to the World Bank group, and is expected to settle its arrears of SDR 669 million

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<sup>9</sup> Eligibility to use the rights approach was restricted to the eleven members that had protracted arrears to the Fund at end-1989. Peru, Sierra Leone, and Zambia took advantage of the rights approach, while five of the eligible countries—Cambodia, Guyana, Honduras, Panama, and Vietnam—found alternative means to clear their arrears to the Fund.

<sup>10</sup> On June 12, 2002, DRC's deposits of SDR 1.6 million with the BIS were transferred to the Fund and used to settle part of its arrears to the Fund.

<sup>11</sup> Part of the proceeds of the first PRGF disbursement of SDR 418 million were used to repay in full the bridge lenders.

<sup>12</sup> The DRC consented to and paid for the increase in its quota to SDR 533 million under the Eleventh General Review of quotas following the clearance of its arrears to the Fund.

(US\$860 million) to the African Development Bank group through a partial clearance/partial consolidation mechanism before end-July 2002.

- **Sudan:** Sudan's record on policies and payments to the Fund has improved substantially under successive SMPs since 1997. However, policies veered off track in the first half of 2001 and payments were suspended in the last quarter of the year, partly also reflecting external shocks. In reviewing Sudan's arrears on November 14, 2001, the Board regretted the policy slippages under the SMP and the suspension of Sudan's monthly payments to the Fund. In considering the SMP for 2002 and further reviewing Sudan's arrears to the Fund on June 19, 2002, the Board observed that Sudan had taken appropriately strong measures to reverse the earlier policy slippages. The Board also took note of Sudan's constrained capacity for debt service, its weak balance of payments, and low international reserves, and its intention to maintain a monthly level of payments to the Fund of US\$2 million, somewhat greater than projected obligations falling due. At the June 19 review, Directors had a broad ranging discussion of how Sudan's performance could be taken into account in setting the timetable for clearing Sudan's arrears to the Fund.<sup>13</sup> There was quite wide support for the view that the economic policies to which the Sudanese authorities are committed for 2002, together with the intended payments to the Fund, are broadly in line with what would be required for a rights accumulation program, if financing assurances could have been obtained. Many Directors would therefore be prepared to take satisfactory performance under the 2002 program into account in setting the timetable for arrears clearance, while others indicated their willingness to give this approach positive consideration at a later stage based on performance under Sudan's program and progress on the peace front. Directors also had a preliminary discussion of approaches to mobilizing the financing needed to clear Sudan's arrears, and agreed to have a substantive discussion of the issues involved in a broader context on a future date.
- **Liberia:** Liberia's policy performance, relations with its external creditors, and the record of payments to the Fund deteriorated further in 2001. In light of these developments, the Executive Board, on February 25, 2002, decided to initiate the procedure to suspend Liberia's voting and related rights in the Fund. Thereafter, the Managing Director issued a complaint with respect to the suspension of Liberia's voting rights, and the Board subsequently agreed to consider whether to suspend Liberia's voting and related rights in the Fund in early October 2002. In recent months, the Liberian authorities have promised to implement appropriate policies to strengthen economic performance and resumed monthly payments of US\$50,000 to the Fund. However, Liberia's payments to the Fund currently represent only a small fraction (6 percent) of its obligations falling due and its arrears to the Fund continue to increase. A staff visit to Liberia is planned for July/August, 2002.

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<sup>13</sup> See "Sudan—Fundamental Issues in Resolving External Debt Problems and Achieving Debt Sustainability" (EBS/02/96, 6/5/02).

- **Zimbabwe:** At the review of Zimbabwe's arrears to the Fund on September 24, 2001, the Executive Board, in light of the lack of progress on policies and payments, declared Zimbabwe ineligible to use the general resources of the Fund and removed it from the list of PRGF-eligible countries.<sup>14</sup> Furthermore, on June 13, 2002, with a further deterioration in Zimbabwe's cooperation with the Fund, the Executive Board adopted a declaration of non-cooperation regarding Zimbabwe's overdue financial obligations to the GRA and the PRGF Trust, and suspended the provision of technical assistance. The next review of Zimbabwe's overdue financial obligations to the Fund will take place by mid-September 2002, at which time consideration could be given to the initiation of the procedure on the suspension of Zimbabwe's voting and related rights in the Fund, if Zimbabwe has not strengthened its cooperation with the Fund.
- **Other protracted arrears cases.** The Executive Board has not considered the overdue financial obligations of **Afghanistan, Iraq, and Somalia** since the last review, as no information has been available for a meaningful assessment of their cooperation with the Fund. In the case of Afghanistan, staff visited Kabul on a number of occasions, and the expectation is that Afghanistan's arrears with the Fund could be cleared soon. In the absence of information on Somalia, the Board further postponed the review of Somalia's arrears to the Fund to no later than August 22, 2002. With respect to Iraq, the Board has been kept informed of developments in Iraq through status reports as warranted by developments.<sup>15</sup>

#### IV. OVERDUE CURRENCY VALUATION ADJUSTMENTS

13. **Overdue currency valuations adjustments of 17 members at end-June 2002 amounted to SDR 2 billion.** 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 member's financial obligations to the Fund, and the staff actively pursues their settlement.

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<sup>14</sup> This decision represents the first application of remedial measures under the new timetable for arrears to the PRGF Trust.

<sup>15</sup> The latest status report on Iraq was provided in EBS/02/114 (6/26/02).

## V. PROPOSED DECISION

14. **The staff proposes that the availability of the rights approach be extended for another year, to end-August 2003**, 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/02/133 (7/23/02). The Fund reaffirms its support for the strengthened cooperative strategy and agrees to extend the availability of the rights approach until end-August 2003.”

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
Afghanistan, Islamic State of	11/1/95	2/27/96				
Iraq	11/1/90	1/30/91 (2/6/91)				
Liberia	12/19/84	4/4/85 (4/24/85) 4/8/02 2/ (4/16/02)	1/24/86	3/30/90		
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	5/15/01	9/24/2001 5/	6/13/02		

Source: Treasurer's 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.

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

Table 4. Overdue Financial Obligations to the Fund by Duration, 1981–2002  
(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	79	2,882	2,970
1994	11	14	59	2,903	2,975
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					
Jun.	15	6	46	1,908	1,960

Source: Treasurer's 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, 1981–2002  
(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	10	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	19	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	1,252	3,595
1993	1,714	1,037	48	142	29	1,855	1,114	2,970
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	1,061	2,293
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	37	1,134	1,184	2,318
2002								
Jun.	722	977	90	141	31	863	1,097	1,960

Source: Treasurer's Department.

1/ Includes quarterly charges, semiannual charges, stand-by charges on arrangements, and special charges on overdue GRA obligations (equivalent to SDR 127.8 million as of June 30, 2002).

2/ Includes special charges on overdue Trust Fund obligations (equivalent to SDR 19.7 million, as of June 30, 2002) and additional interest on overdue SAF/PRGF obligations (equivalent to SDR 0.8 million as of June 30, 2002).

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 Late Payments to the Fund, 1991–2002

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 1/
Number of members with obligations falling due during the period 2/	146	147	157	159	163	163	163	163	163	164	164	164
Number of members with late payments during the period 3/	45	46	40	36	32	27	32	29	38	27	28	32
<i>Of which:</i>												
Protracted cases 4/	9	11	11	11	8	6	7	7	7	7	7	6
Number of members with late payments as a percent of number of members with obligations falling due during the period	30.8	31.3	25.5	22.6	19.6	16.6	19.6	17.8	23.3	16.5	17.1	19.5

Source: Treasurer's Department.

1/ Twelve months to June 30, 2002.

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.



Table 7. Countries with Protracted Overdue Financial Obligations to the Fund 1/  
(As of June 30, 2002)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Afghanistan, Islamic State of	7.5	6.2	--	7.5	7.5
Iraq	50.4	10.0	--	50.4	50.4
Liberia 3/ 4/ 5/	495.0	694.2	223.8	271.2	495.0
Somalia 3/	215.0	486.3	112.0	103.0	215.0
Sudan 3/ 6/	1,089.5	642.0	431.4	658.0	1,089.5
Zimbabwe 3/ 4/	212.8	60.2	95.4	6.7	102.1
<b>Total</b>	<b>2,070.1</b>		<b>862.7</b>	<b>1,096.7</b>	<b>1,959.4</b>

Source: Treasurer's 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).

3/ The member has been declared ineligible to use the Fund's general resources.

4/ A declaration of noncooperation has been issued with respect to the member.

5/ A complaint with respect to the suspension of voting and related rights in the Fund was issued on April 8, 2002.

6/ The member's voting rights were restored with effect from August 1, 2000. A complaint with respect to the suspension of voting rights remains outstanding as the member is still in arrears to the Fund.

Table 8. Obligations Falling Due and Payments to the Fund  
by Current Major Protracted Arrears Cases, 1995–2002  
(In millions of SDRs)

	Liberia	Somalia	Sudan	Total
<b>Obligations falling due 1/</b>				
1995	12.5	7.9	34.8	55.2
1996	10.5	6.9	28.0	45.4
1997	10.8	6.2	27.6	44.6
1998	11.1	5.4	26.8	43.3
1999	9.4	4.6	21.1	35.1
2000	12.1	5.9	25.4	43.4
2001	11.1	5.4	21.1	37.6
Jan.-June 2002	3.3	1.6	6.0	10.9
<b>Payments made to the Fund 2/</b>				
1995	0.1	--	33.8	33.9
1996	--	--	31.7	31.7
1997	0.0	--	44.0	44.0
1998	0.4	--	44.4	44.8
1999	0.4	--	29.4	29.8
2000	0.5	--	43.3	43.8
2001	0.4	--	43.1	43.5
Jan.-June 2002	0.2	--	7.7	7.9
<b>Payments made as percent of obligations falling due</b>				
1995	0.8	--	97.1	61.4
1996	--	--	113.5	70.0
1997	0.3	--	159.4	98.7
1998	3.6	--	165.7	103.5
1999	4.3	--	139.3	84.9
2000	3.8	--	170.8	100.9
2001	3.5	--	204.1	115.7
Jan.-June 2002	7.4	--	129.1	72.8

Source: Treasurer's Department.

1/ Less reductions resulting from settlements of deferred charges by members in protracted arrears and retroactive reductions in the rate of charge.

2/ Excludes 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 1999–2002 1/

(In millions of SDRs)

	FY 1999		FY 2000		FY 2001		FY 2002		FY 2003		
	Balance Apr. 30, 1998	Net deferrals	Balance Apr. 30, 1999	Net deferrals	Balance Apr. 30, 2000	Net deferrals	Balance Apr. 30, 2001	Net deferrals	Balance Apr. 30, 2002	Net deferrals	Balance June 30, 2002
Liberia	208.3	8.4	216.7	7.3	224.0	10.7	234.7	6.7	241.4	0.9	242.3
Somalia	75.5	4.0	79.5	3.54	83.0	5.2	88.2	3.2	91.4	0.5	91.9
Sudan	567.3	20.8	588.1	15.3	603.4	22.6	626.0	12.9	638.9	1.9	640.8
Zimbabwe	--	--	--	--	--	--	--	5.3	5.3	0.6	5.9
<b>Total</b>	<b>851.1</b>	<b>33.2</b>	<b>884.3</b>	<b>26.2</b>	<b>910.5</b>	<b>38.5</b>	<b>948.9</b>	<b>28.1</b>	<b>977.0</b>	<b>3.9</b>	<b>980.9</b>

Source: Treasurer's Department.

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

Table 10. Countries with Overdue Currency Valuation Adjustments  
Payable by Members 1/  
(In millions of SDRs; as of June 30, 2002)

Member	
Afghanistan, Islamic State of 2/	114.2
Belarus	0.5
Botswana	0.8
Burundi	4.7
Congo, Democratic Republic of	434.4
Ghana	234.1
Honduras	9.6
Kiribati	0.9
Liberia	265.8
Mauritania	12.3
Mozambique	47.0
Samoa	1.1
Solomon Islands	1.5
Somalia 3/	120.1
Sudan 4/	527.3
Suriname 5/	69.2
Zimbabwe	129.2
<b>Total</b>	<b>1,972.7</b>

Source: Treasurer's 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 (thirty days from date of notification). Adjustments are payable in local currency and are not included among overdue obligations. The amounts shown include currency valuation adjustments for FY 2002.

2/ Adjustments have been outstanding since the end of FY 1993.

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

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

5/ 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.

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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.

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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 following the decision to lift such limitation.

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Time after emergence of arrears	Action
6 months	<p>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>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.