

INTERNATIONAL MONETARY FUND

Review of the Fund's Strategy on Overdue Financial Obligations

Prepared by the Finance, Legal, and Strategy, Policy and Review 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.** Total arrears to the Fund declined by SDR 11 million, to SDR 1,327 million, since the last review. While Sudan’s payments in excess of its new obligations falling due to the Fund accounted for the decline, arrears by Somalia and Zimbabwe increased further. The majority of the arrears to the Fund (85 percent) were to the General Resources Account (GRA).
- **Three members remain in protracted arrears to the Fund—Somalia, Sudan, and Zimbabwe—and remedial measures are in place for all three cases.** All overdue financial obligations to the Fund as of end-June 2009 were protracted arrears, with Sudan accounting for 75 percent of the total. The record of cooperation with the Fund on policies and payments by the current protracted cases varied widely during the period under review:
 - **Somalia’s** Transitional Federal Government—which lacks international recognition—has so far not been able to restore order. The absence of an internationally-recognized central government and official information on economic and financial developments precludes a full assessment of Somalia’s cooperation with the Fund.
 - **Sudan** has continued to cooperate with the Fund on policies and payments since last review. Against the backdrop of the sharp decline in oil prices, Sudan’s policy performance deteriorated significantly in the last quarter of 2008. While Sudan’s payments to the Fund continued to exceed new obligations falling due, the authorities have indicated that payments to the Fund in 2009 will be reduced to US\$10 million (compared to US\$50 million in 2008), reflecting the severe impact of the global crisis and the low levels of foreign exchange reserves.
 - **While Zimbabwe’s** arrears to the PRGF-ESF Trust have increased since the last review, its cooperation on policies has improved significantly. In May 2009, the Executive Board decided to lift the suspension of Fund technical assistance in targeted areas.
- **No changes are proposed to the Fund’s strategy on arrears,** which remains broadly effective in dealing with both short-term and protracted arrears.
- **It is proposed that the availability of the rights approach be extended by another year, to end-August 2010.** The rights approach remains an important option for arrears clearance for the remaining two eligible members (Somalia and Sudan).

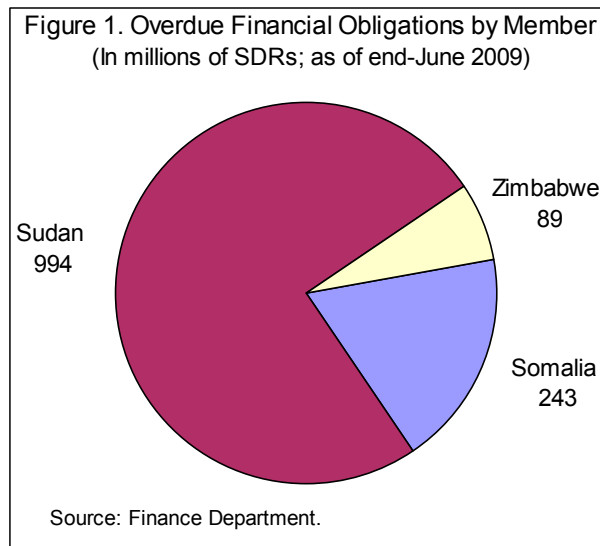
I. INTRODUCTION

1. **This paper provides an update on 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, to end-August 2010.**¹ Section II presents an overview of overdue financial obligations to the Fund through end-June 2009 and developments in the protracted arrears cases since the last review. Section III discusses progress under the Fund’s strategy on arrears.

II. RECENT DEVELOPMENTS

A. Overview

2. **Three members remained in protracted arrears to the Fund at end-June 2009.**² Two members—Somalia and Sudan—have accumulated arrears dating back to the mid-1980s, accounting for 18 percent and 75 percent of total arrears to the Fund, respectively (Figure 1). Zimbabwe, which has been in arrears to the PRGF-ESF Trust since February 2001, accounts for the remaining 7 percent.

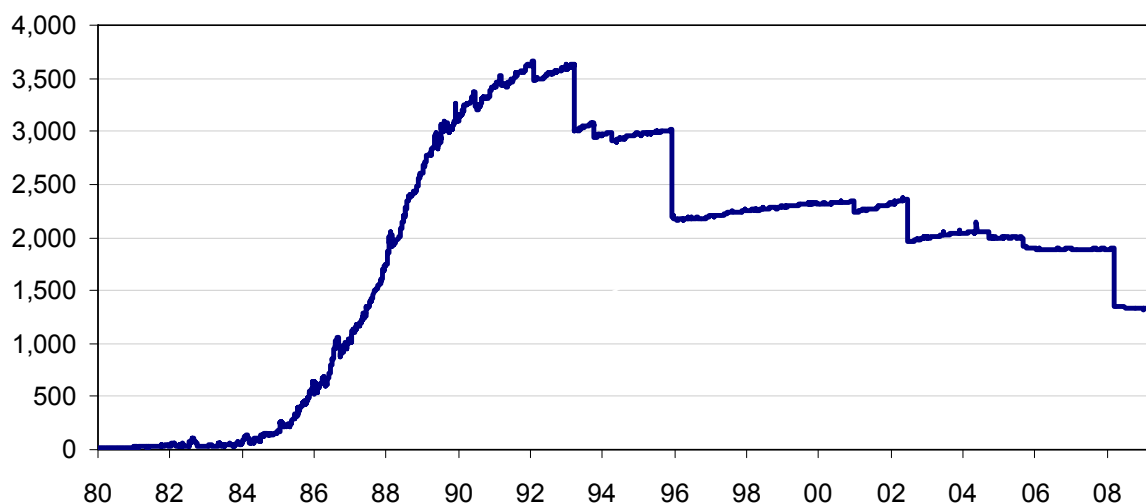


¹ The last review was concluded in August 2008 (Review of the Fund’s Strategy on Overdue Financial Obligations, IMF Policy Paper, 8/18/08).

² Protracted arrears are those outstanding for six months or more.

3. **Total arrears to the Fund declined by SDR 11 million to SDR 1,327 million since the last review, reflecting payments by Sudan** (Figure 2 and Table 1). About 85 percent of total arrears to the Fund are to the GRA, with the remainder to the Trust Fund (6.7 percent), the PRGF-ESF Trust (6.7 percent),³ the SDR Department (1 percent), and the Structural Adjustment Facility (SAF) (less than 1 percent).

Figure 2. Overdue Financial Obligations to the Fund, 1980–June 2009
(In millions of SDRs)



Source: Finance Department.

Table 1. Overdue Financial Obligations to the Fund, 2008–09
(In millions of SDRs)

	End-June 2008	End-June 2009
Total arrears	1,338.0	1,326.9
Principal	469.5	447.3
GRA	321.1	299.0
PRGF-ESF Trust	73.9	73.8
Other 1/	74.5	74.5
Interest	868.6	879.6
GRA	817.0	826.0
PRGF-ESF Trust	14.4	15.6
Other 2/	37.1	38.0

Source: Finance Department.

1/ Comprises Trust Fund and SAF overdue principal obligations.

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

³ Zimbabwe is the first and only case of protracted arrears to the PRGF-ESF Trust, with outstanding arrears of SDR 89 million at end-June 2009.

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 debtor and creditor members 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 GRA charges. As of end-June 2009, total burden-shared deferred charges amounted to SDR 692 million, an increase of SDR 7.5 million from a year ago. Arrears to the Trust Fund, amounting to SDR 88 million, have reduced the amount of resources that would have accrued to the Reserve Account of the PRGF-ESF Trust for the benefit of the Fund's low-income members. Zimbabwe's arrears to the PRGF-ESF Trust have also reduced the balances available in the Reserve Account, as SDR 74.5 million has been drawn from the Reserve Account to repay PRGF-ESF Trust lenders.

5. **Four members (four instances) incurred short-term arrears (less than six months) during the period under review,** as compared to three members (three instances) reported in the previous review. These arrears were settled before remedial measures were applied.

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 2009, their arrears amounted to SDR 908 million to the World Bank and SDR 493 million to the African Development Bank Group (AfDB).

Table 2. Arrears to the Fund and Other International Financial Institutions
(In millions of SDRs; as of end-June 2009)

	Fund	World Bank 1/ 2/	AfDB	Total
Total	1,326.9	908.3	493.0	2,728.3
Somalia	243.1	125.9	49.2	418.3
Sudan	994.3	342.2	148.9	1,485.4
Zimbabwe	89.5	440.2	294.9	824.6

Sources: African Development Bank Group, World Bank, and IMF Finance Department.

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

2/ Converted at the US\$/SDR exchange rate of June 30, 2009.

7. **Overdue currency valuation adjustments of 11 members amounted to SDR 1.2 billion at end-June 2009, about the same amount as at end-June 2008** (Table 10). 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 or 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 staff actively pursues their settlement. Of the above amount, the protracted arrears cases accounted for SDR 658.4 million, or 53 percent of the total amount.

B. Developments in Protracted Arrears Cases

8. During the period under the review, the record of cooperation with the Fund by the protracted arrears cases varied widely, and remedial measures remained in place in all three cases.

Sudan

9. **Sudan has continued to cooperate with the Fund on policies and payments.** As discussed in the country report No.09/218, Sudan has been hard hit by the global crisis, mostly due to a sharp decline in oil revenues.⁴ Foreign reserves fell sharply, to less than two weeks of imports at end-March 2009. The authorities recently agreed to an 18-month staff-monitored program (SMP), aimed at arresting policy deterioration and restoring macroeconomic stability. On payments, Sudan paid the Fund a total of US\$50 million (equivalent to SDR 32 million) in 2008, compared to new obligations falling due of SDR 11.5 million, and in line with its commitment of making minimum payments to the Fund of US\$50 million. So far in 2009, Sudan has made three payments to the Fund totaling US\$5.6 million (equivalent to SDR 3.7 million). In the context of the new SMP, the authorities have indicated their intention to reduce payments to the Fund in 2009 to US\$10 million, given Sudan's very low levels of foreign exchange reserves, but committed that payments to the Fund would be significantly increased in 2010 as the reserves position improves.

10. **The Executive Board last reviewed Sudan's overdue financial obligations to the Fund and the Managing Director's complaint with respect to the suspension of Sudan's voting and related rights in November 2008.** Executive Directors urged the authorities to take further actions to sustain macroeconomic stability and economic growth and minimize nonconcessional borrowing in view of the already unsustainable external debt burden. Directors noted that Sudan's payments to the Fund in 2008 were in line with its commitments and exceeded new obligations falling due. Directors agreed to again review Sudan's arrears to the Fund and the Managing Director's complaint within six months. In light of ongoing discussions on a new 2009–10 SMP, the deadline for the next review was extended to no later than August 26, 2009.

⁴ *Sudan—Staff Report for the 2009–2010 Staff-Monitored Program* (Country report No. 09/218, 7/21/09).

Zimbabwe

11. **The Executive Board last reviewed Zimbabwe’s overdue financial obligations to the PRGF-ESF Trust in January 2009.** At that time, Directors warned that an urgent and drastic change in policies was critical to avoid a complete economic collapse, and urged the authorities to design and implement a comprehensive program of macroeconomic stabilization and structural reforms. The remedial measures that were imposed with respect to Zimbabwe’s arrears to the PRGF-ESF Trust were also kept in place. Subsequently, in May 2009, the Executive Board decided to lift the suspension of Fund technical assistance in targeted areas.⁵ In taking this decision, the Board took into account the significant improvement in Zimbabwe’s cooperation on economic policies to address its arrears problems and the severe capacity constraints in the Fund’s core areas of expertise that represent a major risk to the implementation of the government’s macroeconomic stabilization program. The Executive Board subsequently extended the next review of Zimbabwe’s overdue financial obligations to the PRGF-ESF Trust to no later than October 21, 2009.

12. **Zimbabwe’s cooperation with the Fund on economic policies has improved significantly, but cooperation on payments to the Fund has remained poor.** As noted at the Executive Board’s discussion of the 2009 Article IV consultation in May 2009, economic and social indicators in Zimbabwe worsened significantly, culminating in an acute and ongoing humanitarian crisis.⁶ In this context, Directors welcomed the authorities’ Short-Term Emergency Recovery Program (STERP), and underscored that following through with the commitment to establish fiscal discipline, eliminate quasi-fiscal activities, maintain a multi-currency monetary framework, and accelerate structural reforms would be essential for an economic turnaround in a low inflation environment. Since the last review, Zimbabwe has made two payments to the Fund in a total amount equivalent to SDR 0.44 million. In April 2009, the Zimbabwean authorities committed to regular payments to the Fund of about US\$100,000 per quarter, starting in July 2009. No such payments have been received to date.

Somalia

13. **The Executive Board has postponed its review of Somalia’s overdue financial obligations since October 1990.** There has been no basis for assessing Somalia’s cooperation with the Fund owing to continuous political and security problems and the lack of official information on economic and financial developments. The Transitional Federal Government, formed in 2005, has so far been unable to restore order, and lacks international

⁵ IMF Executive Board Approves Targeted Technical Assistance to Zimbabwe (Press Release No. 09/152, 5/6/2009).

⁶ *Zimbabwe—Staff Report for the 2009 Article IV Consultation* (Country report No. 09/139, 5/11/09).

recognition. Subject to these constraints, staff continues to closely monitor developments in Somalia and stands ready to work on re-engagement should conditions permit.

III. PROGRESS UNDER THE FUND'S ARREARS STRATEGY AND POLICY ISSUES

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

14. **The Fund's strategy on arrears has been broadly effective in dealing with cases that have arisen to date, and no changes are proposed.** The strategy 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 timetables for remedial measures for overdue financial obligations to the Fund's General and SDR Departments and the PRGF-ESF Trust are provided in Annexes I and II.

15. **The rights approach remains an important option for arrears clearance for the two members that remain eligible (Somalia and Sudan).**⁷ 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—in the 1990s. Eligibility for the rights approach was restricted to the eleven members that had protracted arrears to the Fund at end-1989. Of these countries, only two—Somalia and Sudan—remain eligible for the rights approach. Use of the rights approach is not required for these members, but it could provide a useful approach for arrears clearance in light of country-specific circumstances. It is, therefore, proposed that the availability of the rights approach be extended for another year, to end-August 2010.

B. Issues Related to the Forthcoming SDR Allocations

16. **The recently approved general allocation of SDRs will have certain implications for members with overdue financial obligations.**⁸ Participants in the SDR Department that are in arrears to the Fund in either the General Department, the SDR Department, or to the Fund as trustee, are eligible to receive the SDRs allocated to them on the same basis as all other participants. However, under Article XX, Section 5, the SDRs allocated to participants

⁷Under 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 (and the World Bank) 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 program, bilateral creditors would provide a bridge loan to clear the member's arrears to the Fund, which would be followed by the member's access to new Fund financing.

⁸ Proposal for a General Allocation of SDRs (IMF Policy Paper, 6/9/09).

with overdue charges in the SDR Department shall be immediately applied against such unpaid charges and cancelled (up to the extent of such charges). In the forthcoming general SDR allocation, Somalia, Sudan, and Zimbabwe will receive SDR 32.8 million, SDR 125.8 million and SDR 262.0 million, respectively. Somalia is the only member with overdue charges to the SDR Department, and therefore about SDR 14.1 million would be automatically applied to settle its overdue charges and assessments.⁹ At the recent Board meeting on the general SDR allocation, some Directors stressed that members with arrears to the Fund (GRA and PRGF-ESF Trust) should use their SDR allocation to retire these overdue obligations. Staff will explore with the authorities regarding how the SDRs received in the general allocation will be used and encourage them to strengthen their reserve position and clear arrears at an appropriate time.

17. Under the special SDR allocation pursuant to the Fourth Amendment of the Articles of Agreement, Somalia, Sudan, and Zimbabwe will be allocated SDR 4.2 million, SDR 16.1 million and SDR 66.4 million, respectively. However, in contrast to the general allocation, SDRs allocated under the Fourth Amendment to a participant with overdue obligations to the Fund would not be made available to the participant. These SDRs will be deposited and held in an escrow account in the SDR Department, and would be released to the participant only upon the discharge of all such overdue obligations to the Fund.¹⁰ Therefore, Somalia, Sudan and Zimbabwe will not have access to the SDRs allocated to them under the special allocation until they clear their arrears to the Fund.

⁹ In accordance with Article XX, section 5, about SDR 14.1 million would be automatically applied to settle its overdue charges. Somalia also has overdue SDR Department assessments and, pursuant to Rule T-2, SDR 33,804 will be debited from its SDR account and applied in settlement of such assessments.

¹⁰ Fourth Amendment of the Articles of Agreement, Schedule M, paragraph 5.

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
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)	2/3/86	9/14/90; lifted on 8/27/99	8/9/93; lifted on 8/1/00	4/8/94 2/
Zimbabwe	2/14/01	5/4/01 (5/15/01) 10/17/02 (10/24/02)	9/24/01 5/	6/13/2002 6/	6/6/03	2/6/04; withdrawn on 2/15/06 7/

Source: Finance Department.

1/ Remedial measures are applied to overdue financial obligations to the General Resources Account (GRA), the SDR Department, and to the PRGF-ESF Trust. With respect to the GRA and the SDR Departments, a complaint is issued by the Managing Director when a member falls into arrears to the Fund for two months or more. In the GRA, depending on the persistence in failure of a member to fulfill its obligations, the complaint may lead to a number of different sanctions under Article XXVI, Section 2: declaration of ineligibility to use Fund resources, suspension of voting rights in the Fund, and compulsory withdrawal from the Fund. With regard to SDR Department, Article XXVI, Section 2(f) provides that Article XXVI, Section 2 sanctions shall not apply to failure to fulfill any obligations with respect to SDRs. Rather, the right of a participant to use SDRs may be suspended as provided for under Article XXIII, Sections 2(a) and (b). Arrears to the PRGF-ESF Trust are not breaches of obligations under the Articles and are thus not subject to Article XXVI sanctions. Remedial measures for dealing with PRGF-ESF arrears include removal from the list of PRGF-eligible countries, declaration of noncooperation and suspension of technical assistance. The Fund also levies the SDR interest rate on any amounts of any overdue interest on, or overdue repayments of, Trust loans.

2/ 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.

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

4/ 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.

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

6/ On May 4, 2009, the Executive Board decided to partially lift the suspension of Fund technical assistance to Zimbabwe (Decision No. 14327-(09/44)).

7/ As a result of Zimbabwe's full settlement of its arrears to the GRA on February 15, 2006, the Managing Director withdrew his complaint, dated February 6, 2004, with respect to compulsory withdrawal.

Table 4. Overdue Financial Obligations to the Fund by Duration, 1981–2009
(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	5.2	22.9	34
1982	16	5	0.4	23.7	29
1983	14	18	13	29.8	60
1984	24	29	95	54.5	178
1985	25	67	289	265.5	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	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	4	2	14	1,883	1,898
2006	6	3	17	1,878	1,898
2007	4	2	17	1,874	1,893
2008	3	1	7	1,318	1,326
2009 June	4	0	3	1,324	1,327

Source: Finance Department.

Table 5. Overdue Financial Obligations to the Fund by Type, 1981–2009
(In millions of SDRs; end of period)

	GRA		Net SDR Charges and Assessments	Trust Fund/SAF/PRGF		Total		Total
	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	3,100
1990	2,209	987	45	161	20	2,370	1,051	3,421
1991	2,270	1,131	40	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	1,115	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	1,000	2,260
1998	999	940	89	233	32	1,232	1,062	2,294
1999	969	971	102	241	33	1,210	1,106	2,317
2000	876	998	95	241	34	1,116	1,127	2,243
2001	864	1,040	107	270	38	1,134	1,185	2,319
2002	732	987	93	156	31	888	1,111	2,000
2003	743	1,004	88	171	33	914	1,125	2,040
2004	732	1,023	36	173	36	904	1,094	1,999
2005	603	1,047	37	173	38	776	1,123	1,898
2006	582	1,061	40	173	42	755	1,143	1,898
2007	542	1,091	43	172	44	715	1,178	1,893
2008	301	823	14	148	39	449	876	1,326
2009								
June	299	826	14	148	40	447	880	1,327

Source: Finance Department.

1/ Includes periodic charges and special charges on overdue GRA obligations.

2/ Includes Trust Fund/SAF/PRGF overdue interests, special charges and additional interest.

Table 6. Number of Countries Incurring Late Payments to the Fund, 1991–2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 1/
Number of members with obligations falling due during the period 2/	163	164	162	162	161	161	159	159	155	154	158
Number of members with late payments during the period 3/	38	27	28	27	32	18	16	15	7	10	6
<i>Of which:</i>											
Protracted cases 4/	7	6	7	6	5	4	4	4	4	3	3
Number of members with late payments as a percent of number of members with obligations falling due during the period	23.3	16.5	17.3	16.7	19.9	11.2	10.1	9.4	4.5	6.5	3.8

Source: Finance Department.

1/ Six months to June 30, 2009.

2/ Includes all types of financial obligations falling due to the Fund. 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.

Table 7. Countries with Protracted Overdue Financial Obligations to the Fund 1/
(As of end-June 2009)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Somalia	243.1	550.0	112.0	131.1	243.1
Sudan	994.3	585.8	261.5	732.8	994.3
Zimbabwe	89.5	25.2	73.8	15.6	89.5
Total	1,326.9		447.3	879.6	1,326.9

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 charge interest (including special charges, net SDR charges, and assessments).

Table 8. Financial Obligations Falling Due and Payments to the Fund
by Current Protracted Arrears Cases, 1999–2009
(In millions of SDRs)

	Somalia	Sudan	Zimbabwe 1/	Total
Obligations falling due				
1999	4.6	21.1	51.9	77.6
2000	5.9	25.4	61.4	92.7
2001	5.4	21.1	73.3	99.9
2002	3.4	12.3	78.5	94.3
2003	2.7	9.7	50.8	63.2
2004	3.0	9.9	29.2	42.2
2005	4.1	12.8	10.8	27.7
2006	5.7	16.5	3.9	26.0
2007	6.4	16.9	3.9	27.1
2008	4.9	11.5	2.6	19.0
Jan.–Jun. 2009	1.0	2.2	0.3	3.5
Payments made to the Fund 2/				
1999	--	29.4	51.9	81.3
2000	--	43.3	61.4	104.7
2001	--	43.1	9.2	52.3
2002	--	18.2	2.5	20.7
2003	--	19.6	3.4	23.0
2004	--	21.8	14.3	36.1
2005	--	20.5	111.7	132.2
2006	--	20.1	18.4	38.5
2007	--	41.4	0.7	42.1
2008	--	37.4	0.4	37.7
Jan.–Jun. 2009	--	2.3	0.0	2.4
Payments made as percent of obligations falling due				
1999	--	139.3	100.0	104.8
2000	--	170.8	100.0	113.0
2001	--	204.1	12.5	52.3
2002	--	147.3	3.2	22.0
2003	--	203.1	6.6	36.4
2004	--	219.5	49.0	85.6
2005	--	160.3	1034.3	477.7
2006	--	122.0	475.7	148.0
2007	--	245.8	17.9	155.4
2008	--	325.0	14.3	198.9
Jan.–Jun. 2009	--	106.2	16.3	68.6

Source: Finance Department.

1/ Since February 2006, Zimbabwe has been in arrears only to the PRGF-ESF Trust.

2/ Excludes adjustments resulting from settlements of deferred charges, retroactive reduction in rates of charge and SCA refunds for members in protracted arrears that are applied to reduce outstanding charges and principal obligations.

3/ Less than SDR 50,000.

Table 9. Deferred GRA Charges of Countries with Protracted Arrears, FY 2005–10 1/
(In millions of SDRs, as of June 30, 2009)

	FY 2006		FY 2007		FY 2008		FY 2009		FY 2010		
	Balance Apr. 30, 2005	Net deferrals	Balance Apr. 30, 2006	Net deferrals	Balance Apr. 30, 2007	Net deferrals	Balance Apr. 30, 2008	Net deferrals	Balance Apr. 30, 2009	Net deferrals	Balance Jun. 30, 2009
Somalia	98.9	4.0	102.9	5.1	108.0	3.6	111.6	3.4	115.0	0.3	115.3
Sudan	665.6	12.5	678.1	14.9	693.0	10.0	703.0	7.8	710.8	0.8	711.6
Zimbabwe	14.3	-	-	-	-	-	-	-	-	-	-
Total	778.8	16.5	781.0	20.0	801.0	13.6	814.6	11.2	825.8	1.1	826.9

Source: Finance Department.

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

Table 10. Countries with Overdue Currency Valuation Adjustments
(In millions of SDRs; as of end-June 2009)

Member	FY2009
Angola	225.9
Burundi	6.3
Congo, Dem. Rep. of	279.2
Marshall Islands	0.2
Micronesia	0.3
Palau	0.3
Rwanda	1.7
Samoa	1.1
Somalia 2/	136.1
Sudan 3/	522.3
Suriname 4/	74.7
Total	1,248.1

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. Settlement of adjustments shall be made promptly after the end of the financial year and at other times at the request of the member. Adjustments are payable in local currency and are not included among overdue obligations. This table lists members whose currency valuation adjustments payable were outstanding on April 30, 2008, and have not been settled before end-June 2009.

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

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

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

**ANNEX I: 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 Fund resources, including Trust 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.
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

Time after emergence of arrears	Action
	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.

**ANNEX II: Overdue Financial Obligations to the Poverty Reduction
and Growth Facility (PRGF) and Exogenous Shocks Facility
(ESF) 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 Fund resources, including Trust 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-ESF 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 Fund resources, including Trust 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-ESF Trust resources. A similar press release will be issued following the decision to lift such limitation.
6 months	The Executive Board reviews its decision on limitation and may remove the member from the list of PRGF-ESF-eligible countries. Any reinstatement of the member on the list of PRGF-ESF-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-ESF-eligible countries. A similar press release will be issued upon reinstatement of the member on the list.

Time after emergence of arrears	Action
12 months	A declaration of noncooperation with the PRGF-ESF 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 overdue to the Trust.

1/ Based on Decision No. 12545-(01/84) PRGF, adopted on August 22, 2001, as amended by Decision No. 13590-(05/99) ESF, November 23, 2005, effective January 5, 2006.