

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.** Since the last review, total arrears to the Fund declined by SDR 17.5 million to SDR 1,309.5 million. Payments to the Fund by Sudan and Zimbabwe were in excess of new obligations falling due, and a decrease in Somalia’s arrears resulted from the full settlement of its overdue obligations to the SDR Department in the context of the general SDR allocation in August 2009.
- **Three members remain in protracted arrears to the Fund—Somalia, Sudan, and Zimbabwe.** Virtually all overdue financial obligations to the Fund as of end-June 2010 were protracted arrears, with Sudan accounting for 76 percent of total arrears. The record of cooperation with the Fund on policies and payments by the current protracted arrears cases varied widely during the period under review:

 - **Somalia’s** review of overdue financial obligations and cooperation with the Fund continued to be postponed due to the absence of a government recognized by the Fund, and the lack of official information on economic and financial developments.
 - **Sudan** continued to cooperate with the Fund on policies and payments, against the backdrop of difficult economic conditions due to a sharp decline in oil receipts. Sudan’s payments to the Fund were consistent with the authorities’ commitment and continued to exceed new obligations falling due. Nevertheless, the authorities considerably reduced the payments to the Fund in 2009 to US\$11 million, compared to US\$50 million in 2008.
 - **Zimbabwe’s** arrears to the Poverty Reduction and Growth Trust (PRGT) have decreased slightly since the last review, but cooperation on policies weakened significantly while cooperation on payments remained poor. In February 2010, the Executive Board decided to restore Zimbabwe’s voting and related rights in the Fund and terminated its ineligibility to use the Fund’s general resources. In May 2010, the Executive Board decided to include macroeconomic statistics to the targeted areas where the suspension of the Fund’s technical assistance had been lifted in May 2009.
- **It is proposed that the availability of the rights approach be extended by another year, to end-August 2011.** The rights approach remains an important option for arrears clearance for the remaining two eligible members (Somalia and Sudan). A decision is proposed to extend the availability of the rights approach.
- **As contemplated at the establishment of the Post-Catastrophe Debt Relief (PCDR) Trust, it is also proposed that flexibility be applied under the policy on the de-escalation of remedial measures in assessing cooperation on payments by countries**

in protracted arrears that are hit by a catastrophe. A decision is proposed to this effect. No other changes are proposed to the Fund's strategy on arrears, which remains broadly effective in dealing with both short-term and protracted arrears. Remedial measures are in place against the three protracted arrears cases.

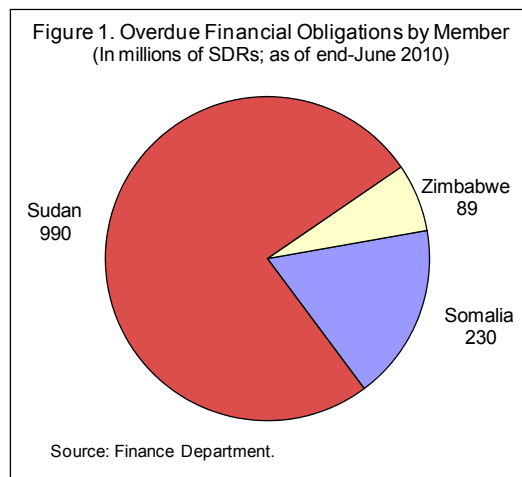
I. INTRODUCTION

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 2011.**¹ Section II presents an overview of overdue financial obligations to the Fund through end-June 2010 and the recent reviews of the protracted arrears cases. Section III discusses progress under the Fund’s strategy on arrears, and proposes flexibility regarding the level of payments needed to sustain cooperation under the policy on de-escalation of remedial measures (de-escalation policy) for members in protracted arrears that are hit by a Qualifying Catastrophic Disaster as defined under the Post-Catastrophe Debt Relief (PCDR) Trust.² Draft decisions to provide such flexibility and extend the availability of the rights approach to end-August 2011 are proposed at the end of the paper.

II. RECENT DEVELOPMENTS

A. Overview

2. **Three members—Sudan, Somalia, and Zimbabwe—remained in protracted arrears to the Fund during the period under review.**³ Two members—Somalia and Sudan—have accumulated arrears dating back to the mid-1980s, accounting for 17 percent and 76 percent of total arrears to the Fund, respectively (Figure 1). Zimbabwe, which has been in arrears to the PRGT since February 2001, accounts for the remaining 7 percent.



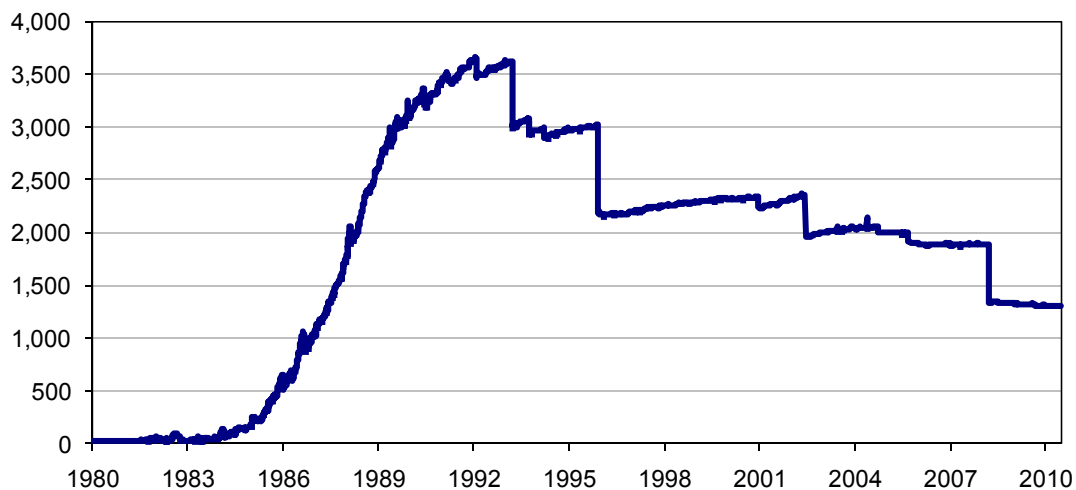
¹ The last review was concluded in August 2009, see *Review of the Fund’s Strategy on Overdue Financial Obligations* (IMF Policy Paper, 8/18/09).

² See *Proposal for a Post-Catastrophe Debt Relief Trust Fund* (IMF Policy Paper, 4/22/10).

³ Protracted arrears are those outstanding for six months or more.

3. **Total arrears to the Fund declined by SDR 17.5 million to SDR 1,309.5 million since the last review, reflecting mainly the full settlement of Somalia’s SDR overdue obligations and payments by Sudan and Zimbabwe (Figure 2 and Table 1). The majority of the arrears to the Fund (86 percent) were to the General Resources Account (GRA), with the remainder to the Trust Fund (6.8 percent), the PRGT (6.8 percent), and the Structural Adjustment Facility (SAF) (less than 1 percent).**

Figure 2. Overdue Financial Obligations to the Fund 1/
(In millions of SDRs; 1980–end-June 2010)



Source: Finance Department.

1/ The sharp drops in arrears in 1993, 1995, 2002 and 2008 were largely attributable to arrears clearance by Peru, Zambia, the Democratic Republic of the Congo, and Liberia respectively.

Table 1. Overdue Financial Obligations to the Fund, 2009–10
(In millions of SDRs)

	End-June 2009	End-June 2010
Total arrears	1,326.9	1,309.5
Principal	447.3	439.6
GRA	299.0	292.1
PRGT	73.8	72.9
Other 1/	74.5	74.5
Interest	879.6	869.9
GRA	826.0	829.8
PRGT	15.6	15.9
Other 2/	38.0	24.2

Source: Finance Department.

1/ Comprises Trust Fund and SAF overdue principal obligations.

2/ Comprises overdue Trust Fund and SAF special charges and 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 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 2010, total burden-shared deferred charges amounted to SDR 696 million, an increase of SDR 3.7 million from a year ago. Arrears to the Trust Fund, amounting to SDR 89 million, have reduced the balance of the Reserve Account of the PRGT. Zimbabwe's arrears to the PRGT have also reduced the balances available in the Reserve Account, including SDR 73.6 million that has been drawn from the Reserve Account to repay PRGT lenders.

5. **Six members (six instances) incurred short-term arrears (less than six months) in the 12-month period to end-June 2010.** Of these, four members (four instances) incurred short-term arrears in the first half of 2010, similar to what was reported at the previous review for the 12-month period to end-June 2009. These short-term arrears were related to technical difficulties that faced these members, and were all settled before a formal communication from the Managing Director was called for under the timetable of remedial measures.

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 2010, their arrears amounted to SDR 1,059 million to the World Bank and SDR 553 million to the African Development Bank Group (AfDB). The overall increase of arrears to these institutions amounted to SDR 193 million since the last review.

Table 2. Arrears to the Fund and Other International Financial Institutions
(In millions of SDRs; as of end-June 2010)

	Fund	World Bank 1/ 2/	AfDB	Total
Total	1,309.5	1,058.8	553.4	2,921.6
Somalia	230.3	145.5	53.6	429.5
Sudan	990.4	394.4	170.3	1,555.0
Zimbabwe	88.8	518.9	329.4	937.2

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, 2010.

7. **Overdue currency valuation adjustments of 8 members amounted to SDR 1.3 billion at end-June 2010, compared to SDR 1.2 billion at end-June 2009** (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 665.5 million, or 50 percent of the total amount.

8. **In August/September 2009, participants in the SDR Department, including members with overdue financial obligations to the Fund, received SDRs under the general and special SDR allocations.**⁴ The SDRs allocated under the general SDR allocation have been made available to all members; the three members in protracted arrears to the Fund received a combined total of SDR 420.5 million. However, SDRs allocated under the special allocation pursuant to the Fourth Amendment to members in protracted arrears are held in escrow accounts in the SDR Department, and will be made available to these members only upon the clearance of their respective arrears.⁵

B. Recent Reviews of Protracted Arrears Cases⁶

9. In the period since August 2009, the record of cooperation with the Fund by the protracted arrears cases varied widely, and remedial measures remained in place in all three cases.

Somalia

10. **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 the absence of a government recognized by the Fund, continuous political and security problems, and the lack of official information on economic and financial developments. In the context of the general SDR allocation in August 2009,

⁴ Somalia, Sudan and Zimbabwe received SDR allocations in the following amounts: under the general SDR allocation, SDR 33 million, SDR 126 million and SDR 262 million, respectively; and SDR 4 million, SDR 16 million and SDR 66 million, respectively, under the special SDR allocation.

⁵ For an elaboration of the allocation of SDRs to participants with overdue financial obligations, see *Proposal for a General Allocation of SDRs* (IMF Policy Paper, 6/9/09), Box 4.

⁶ This section summarizes progress under the Fund's arrears strategy with respect to the protracted arrears cases. Updates of developments in these countries would be provided at the next six-monthly review of each member's arrears.

Somalia's overdue obligations to the SDR Department of about SDR 14.2 million were fully settled. Somalia's arrears to the Fund are now to the GRA, Trust Fund and SAF. The declaration of ineligibility to use the Fund's general resources remains in place. Staff continues to monitor developments in Somalia—mainly through media reports—and stands ready to work on re-engagement should conditions permit.

Sudan

11. **Against the backdrop of the global financial crisis, Sudan continued to cooperate with the Fund on policies and payments.**⁷ As detailed in the country report No.10/256, Sudan has been adversely affected by a sharp decline in oil receipts. Fiscal performance improved under the current staff-monitored program (SMP), albeit less than was targeted, mostly due to increased transfers to Southern Sudan. The monetary policy stance was relaxed, and foreign international reserves remained low. Sudan's payments to the Fund were in line with the authorities' commitments and continued to exceed new obligations falling due. However, the authorities reduced payments to the Fund in 2009 to US\$11 million from US\$50 million in 2008. So far in 2010, Sudan has made four payments to the Fund totaling US\$3.2 million (equivalent to SDR 2.1 million) compared to new obligations falling due of SDR 0.2 million and its commitment under the SMP to make payments of at least US\$10 million in 2010.

12. **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 June 2010.** Executive Directors urged the authorities to take prompt actions to safeguard macroeconomic stability, implement prudent fiscal and monetary policies, and minimize nonconcessional borrowing in view of the already unsustainable external debt burden. Directors noted that Sudan's payments to the Fund in 2009 were in line with its commitments and exceeded new obligations falling due. However, the reduction in payments in 2009 significantly weakened Sudan's payment indicators and Directors strongly encouraged the authorities to increase payments to the Fund as payment capacity improves. No further remedial action was taken and Directors agreed to again review Sudan's overdue financial obligations to the Fund and the Managing Director's complaint within six months.

⁷ *Sudan—Staff Report for the 2010 Article IV Consultation and First Review Under the 2009-10 Staff-Monitored Program* (Country report No.10/256, 6/8/10).

Zimbabwe

13. **Zimbabwe’s cooperation with the Fund on policies weakened significantly and its cooperation on payments remained poor.**⁸ Although economic policies improved in 2009, renewed political instability and subsequent policy slippages intensified macro-financial vulnerabilities. While tax policy and administration improved significantly, the authorities moved away from cash budgeting, wages and capital expenditures were ramped up, rapid credit growth increased systemic vulnerabilities in the banking system, and serious governance problems remained at the Reserve Bank of Zimbabwe (RBZ). So far in 2010, Zimbabwe has made three payments to the Fund totaling US\$1.3 million (equivalent to SDR 0.85 million). These payments exceeded Zimbabwe’s new obligations falling due for the period and the authorities’ commitment to quarterly payments to the Fund of about US\$100,000. Zimbabwe’s payments to the Fund in 2009 amounted to US\$0.2 million (about SDR 0.1 million). The Executive Board restored Zimbabwe’s voting and related rights and terminated its ineligibility to use the Fund’s general resources on February 19, 2010.⁹

14. **The Executive Board last reviewed Zimbabwe’s overdue financial obligations to the PRGT in May 2010.** At that time, Executive Directors urged the authorities to take corrective action to return to cash budgeting and a path to medium term sustainability, to contain the rising systemic banking risks, and to improve RBZ’s governance. Directors further urged the authorities not to use their SDR holdings to finance budgetary expenditures, and to continue to make timely payments to the Fund and increase them as payment capacity improves. The Board also noted the benefits of the Fund’s technical assistance provided since May 2009 in targeted areas and decided to add macroeconomic statistics to the targeted areas in which the Fund provides technical assistance. Directors agreed to keep in place the remedial measures that were imposed with respect to Zimbabwe’s arrears to the PRGT and to again review Zimbabwe’s overdue financial obligations to the PRGT within six months.

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

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

15. **The Fund’s strategy on arrears has been broadly effective in dealing with cases that have arisen to date.** 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

⁸ *Zimbabwe—Staff Report for the 2010 Article IV Consultation* (Country report No.10/186, 4/30/10).

⁹ *IMF Executive Board Restores Zimbabwe’s Voting Rights and Takes Steps Towards Unfreezing Access to the General Resource Account* (Press Release No.10/53, 2/19/09).

arrears. The timetables for remedial measures for overdue financial obligations to the Fund's General and SDR Departments and the PRGT are provided in Annexes I and II.

16. **The rights approach remains an important option for arrears clearance for the two members that remain eligible (Somalia and Sudan).**¹⁰ 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 2011.

B. Flexibility on Payments to the Fund by Members Hit by a Catastrophe

17. **As contemplated in the proposal for establishment of the PCDR Trust, it is proposed that flexibility be applied under the de-escalation policy with respect to payments to the Fund by countries in protracted arrears that have been hit by a catastrophe.**¹¹ Under the recently established PCDR Trust, debt in protracted arrears to the Fund is not eligible for debt relief. However, in proposing the establishment of the PCDR Trust, it was envisaged that any debt in protracted arrears owed by members hit by a qualifying catastrophe (as defined under that Trust) would be addressed by the Fund's accepting significantly reduced payments from such members in the period following the catastrophe. The de-escalation policy requires a judgment about a member's cooperation with the Fund, including on payments. Specifically, it is expected that a member will make payments at least equal to newly maturing obligations for a sustained period. However, the policy also allows flexibility in post-conflict cases, where the level of payments needed to sustain cooperation is judged on a case-by-case basis, taking into account relevant considerations identified by the Board.

¹⁰ 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 (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.

¹¹ See *Proposal for a Post-Catastrophe Debt Relief Trust Fund* (IMF Policy Paper, 4/22/10). The Post-Catastrophe Debt Relief (PCDR) Trust provides debt relief to members on eligible debt, to help them meet the exceptional balance of payments needs resulting from qualifying catastrophic disasters and complements the Fund's concessional financing through the PRGT. PCDR support is limited to the poorest PRGT-eligible members that have suffered a catastrophic disaster with an impact that exceeds certain pre-defined thresholds of economic damage and population affected. Eligible debt includes, inter alia, all outstanding debt to the Fund (other than debt scheduled to be repaid under other debt relief trusts) as of the date of the catastrophe in respect of which the member had made regular scheduled debt service payments (interest and amortization) before the disaster—debt in protracted arrears to the Fund is therefore ineligible.

18. **It is proposed that flexibility also be applied under the de-escalation policy with respect to payments to the Fund by members in protracted arrears that have been hit by a Qualifying Catastrophic Disaster as defined under the PCDR Trust.** Specifically, in assessing such members' cooperation on payments under the de-escalation policy, the Fund would exercise flexibility in accepting significantly reduced payments particularly during the first two years following such a catastrophic disaster. A draft decision regarding this flexibility is proposed in the next section.

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/	6/13/02 6/	6/6/03; lifted on 2/19/10	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 Poverty Reduction and Growth Trust (PRGT). 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 PRGT are not breaches of obligations under the Articles and are thus not subject to Article XXVI sanctions. Remedial measures for dealing with PRGT arrears include removal from the list of PRGT-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 remains excluded from the list of PRGT-eligible countries.

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, 1981–2010
(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	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 ^{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	4	2	14	1,883	1,898
2006	6	3	17	1,878	1,898
2007	4	2	17	1,873	1,893
2008	3	1	7	1,318	1,326
2009	3	0.3	2	1,308	1,310
2010 June	4	0.3	2	1,307	1,309

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, 1981–2010
(In millions of SDRs; end of period)

	GRA		Net SDR Charges and Assessments	Trust Fund/SAF/PRGT		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	294	828	0	148	40	443	868	1,310
2010								
June	292	830	0	147	40	440	870	1,309

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 with Late Payments to the Fund, 2000–2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	1/
Number of members with obligations falling due during the period 2/	164	162	162	161	161	159	159	155	154	160	186	
Number of members with late payments during the period 3/	27	28	27	32	18	16	15	7	10	9	7	
<i>Of which:</i>												
Protracted cases 4/	6	7	6	5	4	4	4	4	3	3	3	
Number of members with late payments as a percent of number of members with obligations falling due during the period	16.5	17.3	16.7	19.9	11.2	10.1	9.4	4.5	6.5	5.6	3.8	

Source: Finance Department.

1/ Six months to June 30, 2010.

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 or 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 2010)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Somalia	230.3	521.2	112.0	118.3	230.3
Sudan	990.4	583.6	254.7	735.7	990.4
Zimbabwe	88.8	25.1	72.9	15.9	88.8
Total	1,309.5		439.6	869.9	1,309.5

Source: Finance Department.

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

2/ Includes outstanding repurchases, SAF, PRGT and Trust Fund loans, and overdue charges and interest (including special charges).

Table 8. Financial Obligations Falling Due and Payments to the Fund
by Current Protracted Arrears Cases, 2000–2010
(In millions of SDRs)

	Somalia	Sudan	Zimbabwe 1/	Total
Obligations falling due				
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
2009	1.7	3.8	0.4	5.9
Jan. –Jun. 2010	0.7	1.4	0.2	2.3
Payments made to the Fund 2/				
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
2009	--	7.1	0.1	7.3
Jan. –Jun. 2010	--	2.1	0.9	3.0
Payments made as percent of obligations falling due				
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
2009	--	189.2	30.2	122.6
Jan. –Jun. 2010	--	147.4	476.4	129.8

Source: Finance Department.

1/ Since February 2006, Zimbabwe has been in arrears only to the PRGT.

2/ Excludes adjustments resulting from settlements of deferred charges, retroactive reductions in rates of charge, SCA refunds and settlements in the SDR Department in the context of the general SDR allocation.

Table 9. Deferred GRA Charges of Countries with Protracted Arrears, FY 2006–2011 1/
(In millions of SDRs, as of June 30, 2010)

	FY 2007		FY 2008		FY 2009		FY 2010		FY 2011		
	Balance Apr. 30, 2006	Period deferrals	Balance Apr. 30, 2007	Period deferrals	Balance Apr. 30, 2008	Period deferrals	Balance Apr. 30, 2009	Period deferrals	Balance Apr. 30, 2010	Period deferrals	Balance Jun. 30, 2010
Somalia	102.9	5.1	108.0	3.6	111.6	3.4	115.0	1.3	116.3	0.3	116.6
Sudan	678.1	14.9	693.0	10.0	703.0	7.8	710.8	2.7	713.5	0.6	714.1
Zimbabwe	-	-	-	-	-	-	-	-	-	-	-
Total	781.0	20.0	801.0	13.6	814.6	11.2	825.8	4.0	829.8	0.9	830.7

Source: Finance Department.

1/ Deferred charges only relate to the GRA. Overdue GRA charges prior to May 1, 1986 and special charges to the GRA are not subject to burden sharing.

Table 10. Countries with Overdue Currency Valuation Adjustments 1/
(In millions of SDRs; as of end-June 2010)

Member	Balance
Angola	276.6
Congo, Dem. Rep. of	307.2
Marshall Islands	0.2
Micronesia	0.2
Palau	0.3
Somalia 2/	135.8
Sudan 3/	529.7
Suriname 4/	74.8
Total	1,324.8

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 requested by the Fund or the member. Adjustments are payable in local currency and are not included among overdue obligations. This table lists members whose currency valuation adjustments payable from April 30, 2009 had not been settled as at end-June 2010.

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

Time after emergence of arrears	Action
	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.

**ANNEX II: Overdue Financial Obligations to the Poverty Reduction
and Growth Trust (PRGT)—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 PRGT 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 PRGT 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 PRGT-eligible countries. Any reinstatement of the member on the list of PRGT-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 PRGT-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 PRGT 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.