

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.** The level and structure of arrears to the Fund has remained broadly unchanged since the last review. Total arrears to the Fund at end-June 2012 amounted to SDR 1,302.3 million, a decline of SDR 1.6 million from the end-June 2011 level. While payments to the Fund by Sudan and Zimbabwe exceeded new obligations falling due, Somalia’s arrears increased further.

**All overdue obligations to the Fund at end-June 2012 were due to the protracted arrears cases.** Three members remain in protracted arrears to the Fund—Somalia, Sudan, and Zimbabwe. Sudan accounted for the bulk of the arrears to the Fund (76 percent). The record of cooperation with the Fund on policies and payments by the protracted arrears cases during the period under review was varied:

- **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’s** cooperation with the Fund on policies has been broadly satisfactory, against a backdrop of immediate pressures related to the secession of South Sudan, including from the significant loss of oil-related revenues and foreign exchange earnings. The level of payments to the Fund continued to exceed Sudan’s new obligations falling due, but payment indicators have weakened with the reduction in payments from the level in 2008.
- **Zimbabwe’s** arrears to the Poverty Reduction and Growth Trust (PRGT) have declined slightly. The Executive Board urged Zimbabwe to strengthen cooperation with the Fund on policies, and emphasized the need for the authorities to demonstrate the capacity and commitments to implement strengthened policies under a staff monitored program. Cooperation with the Fund on payments remains poor, and Zimbabwe was strongly encouraged to make regular and timely payments to the Fund, and to increase them as the payment capacity improves.

**It is proposed that the availability of the rights approach be extended by three years, to end-August 2015.** The rights approach remains an important option for arrears clearance for the remaining two eligible members (Somalia and Sudan).

**The Fund’s strategy on arrears remains broadly effective in dealing with both short-term and protracted arrears, but a few changes are proposed.** These are lengthening the frequency for reviewing the arrears strategy to three years (including consideration of the continued availability of the rights approach), with the possibility of an earlier review if warranted by developments; and allowing the postponement of the country-specific review for a member with protracted arrears for up to one year in exceptional circumstances where the Managing Director judges that there is no basis for an earlier evaluation of the member’s cooperation with the Fund.

## 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 certain modifications to the strategy.**<sup>1</sup> Section II presents an overview of overdue financial obligations at end-June 2012, and the recent reviews of the protracted arrears cases. Section III discusses progress under the Fund’s strategy on arrears and proposes to lengthen the cycle for reviewing the Fund’s policy on the strengthened cooperative strategy on overdue financial obligations to three years, with the possibility of an earlier review if warranted by developments; and allow the postponement of the country-specific review for a member with protracted arrears for up to one year when, in specified circumstances, the Managing Director assesses that there is no basis for an earlier evaluation of the member’s cooperation with the Fund. Section IV proposes to extend the availability of the rights approach to end-August 2015.

## II. RECENT DEVELOPMENTS

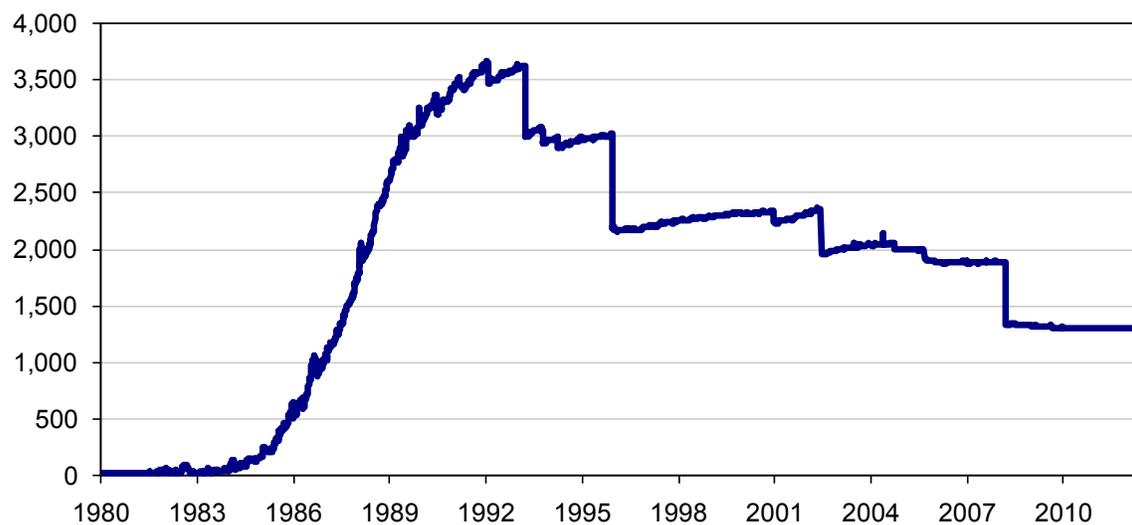
### A. Overview

2. **Total arrears to the Fund amounted to SDR 1,302.3 million at end-June 2012**—a decline of SDR 1.6 million since the last review, reflecting payments by Sudan and Zimbabwe (Figure 1 and Table 1). The majority of the arrears to the Fund (85.8 percent) were to the General Resources Account (GRA), with the remainder to the Trust Fund (6.9 percent), the PRGT (6.6 percent), and the Structural Adjustment Facility (SAF) (0.8 percent).

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<sup>1</sup> The last review was concluded in August 2011; see [Review of the Fund’s Strategy on Overdue Financial Obligations](#) (IMF Policy Paper, 8/22/11); and [Decision No. 14991-\(11/88\)](#), adopted on August 29, 2011.

Figure 1. Overdue Financial Obligations to the Fund 1/  
(In millions of SDRs; 1980–end-June 2012)



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, 2011–12  
(In millions of SDRs)

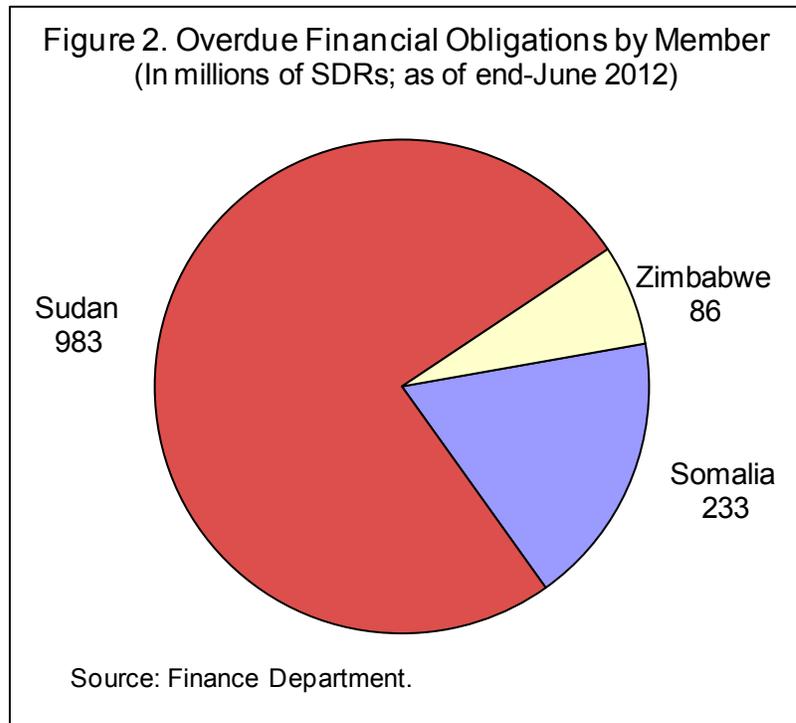
	End-June 2011	End-June 2012
<b>Total arrears</b>	<b>1,303.9</b>	<b>1,302.3</b>
Principal	429.4	423.5
GRA	283.7	279.4
PRGT	71.1	69.5
Other 1/	74.5	74.5
Interest	874.5	878.8
GRA	833.7	837.4
PRGT	16.2	16.4
Other 2/	24.6	25.0

Source: Finance Department.

1/ Comprises Trust Fund and SAF overdue principal obligations.

2/ Comprises overdue Trust Fund and SAF special charges and interest obligations.

3. **Three members—Somalia, Sudan, and Zimbabwe—remained in protracted arrears to the Fund during the period under review.**<sup>2</sup> Members with protracted arrears accounted for all of the arrears to the Fund that were outstanding at end-June 2012 (Table 4)—almost all of their arrears (99.8 percent) were outstanding for six months or longer. Two members—Somalia and Sudan—have accumulated arrears dating back to the mid-1980s, accounting for 18 and 76 percent of total arrears to the Fund respectively (Figure 2). Zimbabwe, which has been in arrears to the PRGT since February 2001, accounts for the remaining 7 percent.



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 2012, total burden-shared deferred charges amounted to SDR 703.6 million, an increase of SDR 3.5 million from a year ago. Zimbabwe's arrears to the PRGT have also reduced the balances available in the Reserve Account, as SDR 70.2 million has been drawn from that account to repay PRGT lenders.

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

5. **Four members (four instances) incurred short-term arrears (less than six months) in the twelve-month period to end-June 2012.** This compares with only one member in the twelve months to end-June 2011. These short-term arrears were related to technical difficulties faced by the members, and were settled before a formal communication from the Managing Director was called for under the timetable of remedial measures.<sup>3</sup>

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 2012, their arrears to the World Bank amounted to SDR 1,236.2 million—an increase of SDR 145.9 million (13.4 percent) since the last review. Arrears to the African Development Bank Group (AfDB) amounted to SDR 637.6 million; an increase of SDR 50.6 million (8.6 percent) since the last review. No payments were made to either of these institutions by the members with protracted arrears during the period under review.

Table 2. Arrears to the Fund and Other International Financial Institutions  
(In millions of SDRs; as of end-June 2012)

	Fund	World Bank 1/ 2/	AfDB	Total
<b>Total</b>	<b>1,302.3</b>	<b>1,236.2</b>	<b>637.6</b>	<b>3,176.1</b>
Somalia	233.1	165.9	60.1	459.1
Sudan	983.3	455.7	201.2	1,640.3
Zimbabwe	85.9	614.6	376.2	1,076.7

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, 2012.

7. **Overdue currency valuation adjustments of 9 members amounted to SDR 1.1 billion at end-June 2012, a decline of SDR 159 million from end-June 2011 (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

<sup>3</sup> In accordance with the timetable, a formal communication from the Managing Director is called when an obligation has been outstanding for two weeks.

abovementioned amount, the protracted arrears cases accounted for SDR 633.6 million (56.5 percent).

8. **Since the general SDR allocation on August 28, 2009, members with protracted overdue financial obligations to the Fund have remained current to the SDR Department.**<sup>4</sup> Pursuant to Rule T-2, the accounts of participants in the SDR Department are debited with the amounts of the assessments levied on participants for the expenses of conducting the business of the SDR Department in accordance with Article XX, Section 4. 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 following clearance of their respective arrears.

### B. Recent Reviews of Protracted Arrears Cases<sup>5</sup>

9. In the period since August 2011, 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 due to the absence of a government recognized by the Fund, the highly uncertain political and security situation, and the lack of economic and financial information. Somalia has remained current with regard to its obligations to the SDR Department since the general SDR allocation in August 2009, and its arrears to the Fund are contained to the GRA, Trust Fund, and SAF. The declaration of ineligibility to use the Fund's general resources remains in place (Table 3). Staff continues to monitor developments in Somalia—mainly through media reports—and stands ready to work on re-engagement should conditions permit.

#### Sudan

11. **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 October 2011.**

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<sup>4</sup> Somalia, Sudan and Zimbabwe received a combined total of SDR 420.5 million under the general SDR allocation in the following amounts: 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.

<sup>5</sup> 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.

- **Directors noted that Sudan’s cooperation with the Fund on policies has been broadly satisfactory, against a backdrop of immediate pressures related to the secession of South Sudan, including from the significant loss of oil-related revenues and foreign exchange earnings.** Directors noted that significant uncertainties remain as key elements of the post-secession economic and financial relationship between Sudan and South Sudan have yet to be concluded. Directors urged the authorities to steadfastly implement policies that ensure Sudan adjusts appropriately to the significant loss of oil-related revenues and foreign exchange earnings. In this regard, Directors urged the authorities to implement a policy mix geared towards enhancing non-oil revenues and streamlining public expenditures, promoting exchange rate flexibility, and reforms to support the non-oil sector. Directors also urged the authorities to minimize nonconcessional borrowing in view of Sudan’s unsustainable external debt burden.
- **Directors noted that the level of payments continued to exceed Sudan’s new obligations falling due, but that Sudan’s payment indicators weakened with the reduction in payments from the level in 2008.** Payments from February 2011 to end-September 2011 amounted to SDR 3.2 million against obligations falling due of SDR 2.2 million. Directors strongly urged the authorities to make regular and timely payments to the Fund, and to significantly increase them as Sudan’s 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.

12. **In April 2012, the Executive Board agreed to postpone the next review of Sudan’s overdue financial obligations to the Fund and the Managing Director’s complaint to no later than July 27, 2012, and then subsequently to end-September.** The initial postponement was to allow the review to benefit from the findings of the May 2012 mission to conduct the Article IV consultation discussions and the authorities’ economic program that could be monitored under a successor staff monitored program (SMP). In July, the Executive Board agreed to a further postponement of the review to end-September 2012 to allow Sudan’s overdue financial obligations to be reviewed in conjunction with the Executive Board discussions of the 2012 Article IV consultation.

### **Zimbabwe**

13. **The Executive Board reviewed Zimbabwe’s overdue financial obligations to the PRGT in September 2011 and subsequently in April 2012.**

- **Zimbabwe’s cooperation with the Fund on policies had weakened, and Directors urged that it be strengthened.** They urged the authorities to align the execution of the 2012 budget with realistic revenue forecasts in order to return to a path towards medium-term fiscal and external sustainability, and to increase economic resilience to

shocks by improving expenditure management, further strengthening financial sector prudential regulations and their enforcement, and improving the business climate. Directors underscored the importance of refraining from incurring nonconcessional liabilities, including using SDR resources, to prevent the further exacerbation of debt distress and unsustainable widening of external imbalances. Directors emphasized the need to demonstrate the capacity and commitments to implement strengthened policies under a staff monitored program, including by continuing timely data reporting, adopting remedial measures to resolve irregularities in employment practices, controlling the payroll, improving transparency in the diamond sector, and taking additional actions to reduce financial sector risks.

- **Directors noted cooperation on payments remains poor**, and strongly encouraged Zimbabwe to make regular and timely payments to the Fund, and to increase them as the payment capacity improves. Directors noted that the Fund attaches the highest importance to Zimbabwe's prompt settlement of its arrears and urged the authorities to take action to discharge these arrears as soon as possible.
- **Directors agreed on the positive prospects in continuing close policy dialogue and technical assistance in targeted areas.** They strongly encouraged the authorities to implement recommendations from the Fund's technical assistance. In light of the benefits of the Fund's technical assistance in addressing policy challenges, strengthening capacity, and supporting the ongoing reform process, Directors agreed to continue technical assistance in the targeted areas. Directors agreed to maintain the remedial measures that have previously been taken to address Zimbabwe's overdue financial obligations to the PRGT, and agreed to review Zimbabwe's overdue financial obligations to the PRGT within six months.

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

14. **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 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.

15. **Consistent with ongoing efforts to streamline work at the Fund, however, consideration could be given to the following proposals:**

- **Reducing the frequency of the reviews of the Fund's arrears strategy.** The Fund has reviewed annually the strengthened cooperative strategy on overdue financial

obligations since it was established in the early 1990s.<sup>6</sup> The number of countries in protracted arrears and the amounts of outstanding arrears have declined over the last two decades, in part due to the Fund's arrears strategy, and protracted arrears have recently been relatively stable. In view of these developments and consistent with the Fund's streamlining efforts, staff proposes that the review of the Fund's arrears strategy be moved to a three-year cycle, although a review could be held earlier if warranted by developments.

- **Allowing longer postponement of the review for a member with protracted arrears where there is no basis for evaluating the member's cooperation with the Fund.** The cooperation of a member in protracted overdue financial obligations is reviewed every six months.<sup>7</sup> However, in those exceptional cases where it is determined that there is no basis for evaluating earlier the member's economic situation, the stance of its policies, and its cooperation with the Fund (typically in cases involving the absence of a government recognized by the Fund and/or some ongoing conflict situations), the deadline for the review is postponed for six months.<sup>8</sup> In these exceptional cases, staff proposes allowing the extension of the country-specific review of the member's protracted arrears to the Fund for up to one year. Nevertheless, staff would continue to monitor developments in these cases and would bring relevant developments to the Board's attention promptly. The review of the member's arrears according to the six-month schedule would resume once there is a basis to make an assessment.

#### IV. EXTENSION OF THE RIGHTS APPROACH

**The rights approach remains an important option for arrears clearance for the two members that remain eligible (Somalia and Sudan).**<sup>9</sup> The rights approach was initiated in

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<sup>6</sup> In addition, statistical updates have been issued to the Executive Board for information in the period between reviews, which have now been discontinued.

<sup>7</sup> Once a member has been declared ineligible to use the Fund's general resources, the Executive Board reviews the member's situation every six months. See also Procedures for Addressing Overdue Financial Obligations to the Poverty Reduction and Growth Trust, incorporated as Appendix II of the Instrument to Establish the Poverty Reduction and Growth Trust annexed to Executive Board [Decision No. 8759-\(87/176\)](#) ESAF, December 18, 1987, as amended.

<sup>8</sup> For instance, the review of Somalia's arrears to the Fund has been postponed repeatedly since October 1990. Other past cases include: Afghanistan (1994-2001), Cambodia (1979-1992), and the Democratic Republic of Congo (September 1998 to February 2000).

<sup>9</sup> Under this approach, an eligible member must establish a track record of cooperation on policies with the Fund by undertaking an economic program with conditionality equivalent to that of upper credit tranche Fund arrangements. The member is also expected to make payments to the Fund (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

(continued...)

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 to end-August 2015.

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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.

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 Noncooperation	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)	3/	2/3/86	9/14/1990 lifted on 8/27/99	8/9/1993 lifted on 8/1/00	4/8/1994 2/
Zimbabwe	2/14/01	5/4/01 (5/15/01) 10/17/02 (10/24/02)	4/	9/24/01 5/	6/13/02 6/	6/6/2003 lifted on 2/19/10	2/6/2004 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.

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, 1981–2012  
(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 <sup>1/</sup>	8	1	26	2,290	2,316
2000	9	1	32	2,210	2,243
2001	13	7	59	2,254	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	3	0.3	2	1,306	1,308
2011	3	0.3	2	1,304	1,306
2012					
June	3	0.2	2	1,300	1,302

Source: Finance Department.

<sup>1/</sup> 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, 1981–2012  
(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	290	832	0	146	40	436	872	1,308
2011	284	836	0	146	41	429	877	1,306
2012								
June	279	837	0	144	41	423	879	1,302

Source: Finance Department.

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

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

Table 6. Number of Countries Incurring Late Payments to the Fund, 2000–12

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	1/
Number of members with obligations falling due during the period 2/	164	162	162	161	161	159	159	155	154	160	186	187	187	
Number of members with late payments during the period 3/	27	28	27	32	18	16	15	7	10	9	7	4	6	
<i>Of which:</i>														
Protracted cases 4/	6	7	6	5	4	4	4	4	3	3	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	2.1	3.2	

Source: Finance Department.

1/ Six months to June 30, 2012.

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 2012)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Somalia	233.1	527.3	112.0	121.1	233.1
Sudan	983.3	579.4	241.9	741.4	983.3
Zimbabwe	85.9	24.3	69.5	16.4	85.9
<b>Total</b>	<b>1,302.3</b>		<b>423.5</b>	<b>878.8</b>	<b>1,302.3</b>

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, 2001–12  
(In millions of SDRs)

	Somalia	Sudan	Zimbabwe 1/	Total
<b>Obligations falling due</b>				
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
2010	1.4	2.9	0.5	4.8
2011	1.6	3.2	0.8	5.6
Jan.–Jun. 2012	0.6	1.3	0.2	2.1
<b>Payments made to the Fund 2/</b>				
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 3/	0.7	42.1
2008	--	37.4 3/	0.4	37.7
2009	--	7.1	0.1	7.3
2010	--	3.8 3/	2.6	6.4
2011	--	6.7	--	6.7
Jan.–Jun. 2012	--	4.3	1.6	5.9
<b>Payments made as percent of obligations falling due</b>				
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
2010	--	129.5	536.7	133.2
2011	--	207.0	0.0	119.1
Jan.–Jun. 2012	--	341.9	1006.8	289.6

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.

3/ Payments of SDR 14.1 million, SDR 5.4 million, and SDR 3.5 million received on January 2007, 2008, and 2011, respectively, were accounted towards Sudan's payment commitments for 2006, for 2007, and for 2010.

Table 9. Deferred GRA Charges of Countries with Protracted Arrears, FY 2007–12 1/  
(In millions of SDRs, as of June 30, 2012)

	FY 2008		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013		
	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 Apr. 30, 2011	Period deferrals	Balance Apr. 30, 2012	Period deferrals	Balance Jun. 30, 2012
Somalia	108.0	3.6	111.6	3.4	115.0	1.3	116.3	1.3	117.6	1.4	119.0	0.3	119.3
Sudan	693.0	10.0	703.0	7.8	710.8	2.7	713.5	2.6	716.1	2.6	718.7	0.5	719.2
Zimbabwe	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>801.0</b>	<b>13.6</b>	<b>814.6</b>	<b>11.2</b>	<b>825.8</b>	<b>4.0</b>	<b>829.8</b>	<b>3.9</b>	<b>833.7</b>	<b>4.0</b>	<b>837.7</b>	<b>0.8</b>	<b>838.5</b>

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 2012)

Member	Balance
Angola	218.3
Iran	260.5
Marshall Islands	0.2
Micronesia	0.4
Palau	0.4
Panama	6.6
Somalia 2/	135.6
Sudan 3/	498.0
Turkmenistan	1.9
<b>Total</b>	<b>1,121.9</b>

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, 2011 had not been settled as at end-June 2012.

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

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

**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

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Time after emergence of arrears	Action
Up to 15 months	is to be considered at the same time as the declaration of ineligibility.  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.

**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.

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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.

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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.