

IMF Publication

Review of the Fund's Strategy on Overdue Financial Obligations

INTERNATIONAL MONETARY FUND

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Review of the Fund's Strategy on Overdue Financial Obligations

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

(In consultation with other departments)

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Executive Summary

- **This paper reviews progress under the Fund’s strengthened cooperative strategy on overdue financial obligations.** Total arrears to the Fund declined by SDR 552 million since the last review, owing largely to the clearance of arrears by Liberia in March 2008. While Sudan’s payments in excess of its new obligations falling due to the Fund also contributed to 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).
- **Liberia was in protracted arrears to the Fund until March 14, 2008.** The clearance of its arrears (SDR 543 million) was facilitated by an intra-day bridge loan provided by the United States. In addition, 102 members contributed to the financing of the Fund’s debt relief to Liberia. On March 18, Liberia reached the decision point and received interim assistance under the enhanced HIPC Initiative.
- **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 2008 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’s** cooperation with the Fund on policies and payments has been mixed since the last review. While Sudan’s payments to the Fund have continued to exceed new obligations falling due, its policy performance under the 2007–08 staff-monitored program (SMP) has been uneven. Corrective actions were taken recently, allowing staff to complete the first assessment of the SMP.
 - **Zimbabwe’s** cooperation with the Fund has remained poor. Zimbabwe’s arrears to the PRGF-ESF Trust have increased since the last review. The economic and social crisis has intensified further, making it critical to implement a comprehensive program of macroeconomic stabilization and structural reform.

- **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 2009.** The rights approach remains an important option for arrears clearance for the remaining two eligible members (Somalia and Sudan). A draft decision is provided to extend the availability of the rights approach.

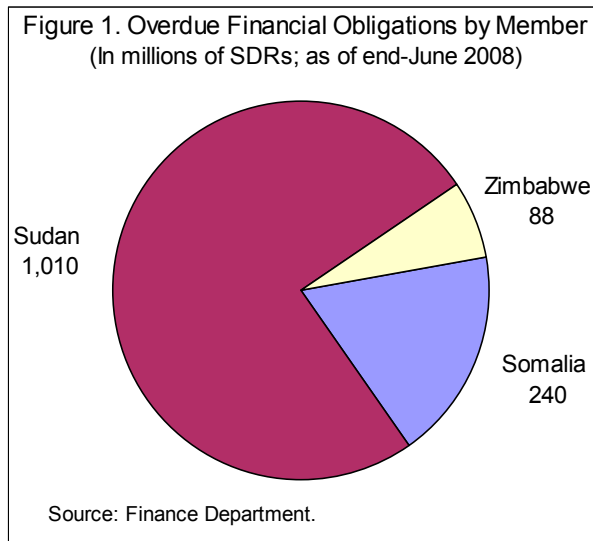
I. INTRODUCTION

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 2009.**¹ Section II reviews recent developments on overdue financial obligations to the Fund through end-June 2008, including developments in the protracted arrears cases. Section III discusses progress under the Fund’s strategy on arrears, and issues relating to payment attribution and de-escalation of remedial measures. A draft decision is provided at the end of the paper to extend the availability of the rights approach to end-August 2009.

II. RECENT DEVELOPMENTS

A. Overview

2. **Three members remained in protracted arrears to the Fund at end-June 2008.**² Two members with arrears dating back to the mid-1980s—Somalia and Sudan—account for 93 percent of total arrears to the Fund, with Sudan accounting for 75 percent (Figure 1). Zimbabwe, which has been in arrears to the PRGF-ESF Trust since February 2001, accounts for the remaining 7 percent.

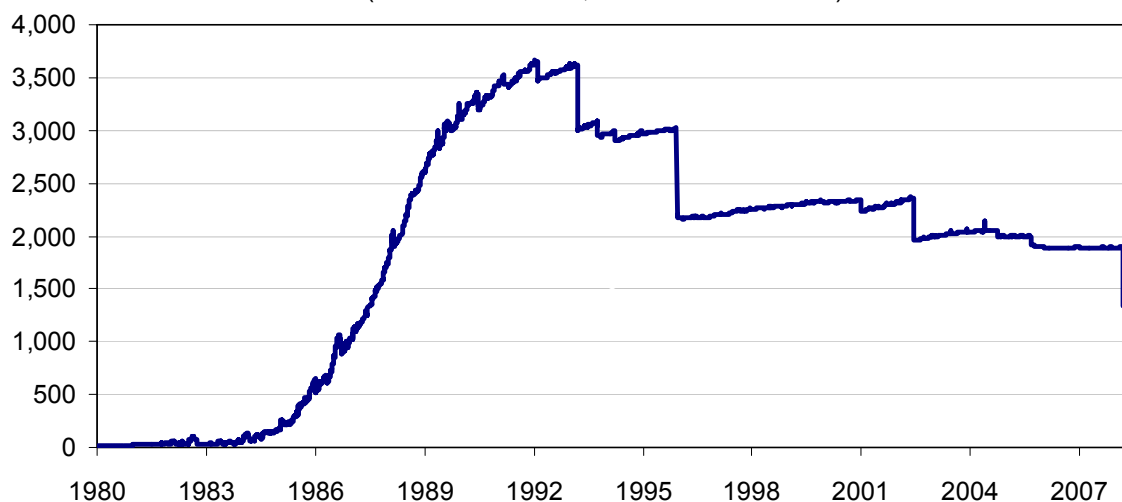


¹ The last review was concluded in August 2007 (Review of the Fund’s Strategy on Overdue Financial Obligations, 8/22/07).

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

3. **Total arrears to the Fund declined by SDR 552 million to SDR 1,338 million since the last review, reflecting the arrears clearance by Liberia and 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 (6.6 percent), the PRGF-ESF Trust (6.6 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
(In millions of SDRs; 1980–end-June 2008)



Source: Finance Department.

4. **On March 14, 2008, Liberia cleared all of its arrears (SDR 543 million) to the Fund, which had been accumulated since 1984.** Following the arrears clearance, the Executive Board restored Liberia's voting and related rights and its eligibility to use the general resources of the Fund, and lifted the suspension of its rights to use SDRs.⁴ On this basis, and in light of the existence of satisfactory assurances as to the availability of resources to finance arrangements under the Poverty Reduction and Growth Facility (PRGF) and Extended Fund Facility (EFF), totaling SDR 582 million. On March 18, Liberia reached the decision point under the enhanced HIPC Initiative and its request for interim assistance was approved.

³ Zimbabwe is the first and only case of protracted arrears to the PRGF-ESF Trust, with outstanding arrears of SDR 88 million at end-June 2008.

⁴ *IMF Executive Board Fully Restores Liberia's IMF Status, Approves Financial Support Amounting to US\$952 Million and HIPC Decision Point Designation* (Press Release No. 08/52, 3/14/08).

Table 1. Overdue Financial Obligations to the Fund, 2007–2008
(In millions of SDRs)

	End-June 2007	End-June 2008
Total arrears	1,889.5	1,338.0
Principal	730.3	469.5
GRA	557.9	321.1
PRGF-ESF Trust	74.9	73.9
Other 1/	97.4	74.5
Interest	1,159.3	868.6
GRA	1,075.6	817.0
PRGF-ESF Trust	11.5	14.4
Other 2/	72.2	37.1

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.

5. **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 2008, total burden-shared deferred charges amounted to SDR 685 million, a decrease of SDR 210 million from a year ago.⁵ Arrears to the Trust Fund, amounting to SDR 88 million, 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 74.6 million has been drawn from the Reserve Account to repay PRGF-ESF Trust lenders.

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

7. **The members with protracted overdue financial obligations to the Fund have also accumulated arrears to other international financial institutions** (Table 2). As of

⁵ The decrease reflects Liberia's settlement of its overdue GRA charges and the refund to contributing members of their prorated share of the related burden-shared adjustment.

end-June 2008, their arrears amounted to SDR 789 million to the World Bank and SDR 436 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 2008)

	Fund	World Bank 1/ 2/	AfDB	Total
Total	1,338.0	788.7	436.0	2,562.7
Somalia	239.8	114.1	45.5	399.5
Sudan	1,009.9	306.8	130.6	1,447.3
Zimbabwe	88.3	367.8	259.9	715.9

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, 2008.

8. **Overdue currency valuation adjustments of 14 members amounted to SDR 1.2 billion at end-June 2008, compared to SDR 2.4 billion at end-June 2007** (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 663 million, or 57 percent of the total amount.

B. Developments in Protracted Arrears Cases

9. 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

10. **Sudan's record of cooperation on policies and payments with the Fund was mixed.** As discussed in the Country Report No. 08/174, performance under the 2007–08 SMP has thus far been uneven.⁶ While actions were taken to rein in tax exemptions, widen

⁶ *Sudan—First Review of Performance Under the 2007–2008 Staff-Monitored Program* (Country Report No. 08/174, 6/03/08).

the tax base, and implement the Government Finance Statistics Manual (GFSM) 2001 framework to improve transparency and the timely monitoring of domestic arrears, structural measures related to public financial management reforms were delayed or not fully implemented, contributing to a sizeable accumulation of domestic arrears. Corrective measures were recently implemented that have contributed to a notable reduction in domestic arrears. On payments, in 2007 Sudan paid the Fund US\$50.6 million (equivalent to SDR 32.8 million) compared to new obligations falling due of SDR 16.9 million and its commitment of a minimum of US\$50 million. Under the 18-month SMP, the authorities have committed to pay the Fund at least US\$50 million in 2008. So far in 2008, Sudan has made four payments to the Fund totaling US\$24.6 million (equivalent to SDR 15.2 million).⁷

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 May 2008. Executive Directors urged the authorities to take prompt actions to sustain macroeconomic stability and high 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 2007 were in line with its commitments and exceeded new obligations falling due. However, Directors urged the authorities to step up efforts to make payments on a monthly basis, and to consider a further increase in payments to the Fund in 2008, in light of the expected improvement in Sudan's payment capacity. No further remedial action was taken, and Directors agreed to again review Sudan's arrears to the Fund and the Managing Director's complaint with respect to the suspension of Sudan's voting and related rights in the Fund within six months.

Zimbabwe

12. Zimbabwe's cooperation on policies and payments with the Fund remained poor. The country's economic and social crisis deepened, with shrinking economic activity, spiraling hyperinflation, a virtual free fall in the exchange rate, and rapid depletion of international reserves. Currency reform consisting of the removal of ten zeros from the existing denomination was recently introduced. This, and other minor policy changes, are not likely to have any meaningful effect without strong supporting policies to address the underlying cause of hyperinflation. Zimbabwe's payments toward the settlement of its PRGF-ESF arrears since the last review of the Fund's arrears strategy have been minimal. These comprised of four payments totaling SDR 0.3 million and Zimbabwe's share of SDR 1 million from the partial distribution of the SCA-1 balance and burden-shared deferred

⁷ In addition, following Liberia's arrears clearance on March 14, 2008, Sudan's share of the partial distribution of the SCA-1 and deferred charges adjustments, amounting to SDR 5.6 million, was applied to its overdue GRA repurchase obligations.

charges adjustments related to Liberia's clearance of its arrears to the Fund in March 2008.

13. The Executive Board reviewed Zimbabwe's cooperation with the Fund on policies and payments with respect to its arrears to the PRGF-ESF Trust in July 2008.

In its decision, the Board regretted that Zimbabwe had not made a meaningful reduction in its arrears since the last review, and urged the authorities to take action to discharge the arrears as soon as possible. The Board also noted that Zimbabwe's economic and social crisis had deepened and could worsen further without a drastic change in policies. Directors underscored that, in order to stabilize the economy and improve living conditions, it was critical to implement a comprehensive program of macroeconomic stabilization and structural reforms with a number of mutually reinforcing policy actions: exchange rate unification and removal of all restrictions on making payments and transfers for current international transactions; substantial fiscal tightening, including termination of all quasi-fiscal activities by the Reserve Bank of Zimbabwe and transferring such activities transparently to the budget; prioritizing spending to ensure adequate social safety nets; liberalization of price controls and imposition of hard budget constraints on public enterprises; and establishing a strong nominal anchor. Achieving a sustainable economic recovery would also require a significant improvement in the investment climate, including through fundamental reforms in the areas of public enterprises, civil service, public expenditure management, property rights, and governance. In light of Zimbabwe's deteriorating policy performance and payments to the Fund, the remedial measures that were imposed with respect to Zimbabwe's arrears to the PRGF-ESF Trust were kept in place. Directors agreed to again consider Zimbabwe's overdue financial obligations to the PRGF-ESF Trust within six months.

Somalia

14. 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 its unsettled political and security situation and the absence of information on economic and financial developments. The Transitional Federal Government that was formed in 2005 has so far been unable to restore order, and lacks international recognition. Staff continues to closely monitor the developments in Somalia, together with staff in the World Bank and other multilateral institutions, 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

15. **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.

16. **The rights approach remains an important option for arrears clearance for the two members that remain eligible (Somalia and Sudan).**⁸ 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 2009.

B. Payment Attribution and De-escalation of Remedial Measures

17. **Executive Directors recently called for a modification of the de-escalation policy to reduce the financial cost of burden-sharing for deferred charges.** In reviewing the burden-sharing mechanism in the context of the review of charges and maturities, Directors noted that the burden-sharing mechanism has recently come under strain with the sharp decline in Fund credit. To help reduce the pressures on the mechanism in the current low-credit environment, Directors supported consideration of a modification to the Fund's de-

⁸Under 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.

escalation policy for members with overdue financial obligations—to make remaining current on new obligations falling due a firm test of cooperation with the Fund. In line with the Managing Director’s work program, a separate paper on this issue will be prepared for the Board’s consideration after the 2008 Annual Meetings.

PROPOSED DECISION

Accordingly, the following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

“The Fund has reviewed progress under the strengthened cooperative strategy with respect to overdue financial obligations to the Fund as described in EBS/08/96. The Fund reaffirms its support for the strengthened cooperative strategy and agrees to extend the availability of the rights approach until end-August 2009.”

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	6/6/03	2/6/04; withdrawn on 2/15/06 6/

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/ 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, 1981–2008
(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	19	1,877	1,898
2007	4	2	17	1,874	1,893
2008 June	3	1	8	1,329	1,338

Source: Finance Department.

Table 5. Overdue Financial Obligations to the Fund by Type, 1981–2008
(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								
June	321	817	14	148	38	469	869	1,338

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, 1998–2008

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 1/
Number of members with obligations falling due during the period 2/	163	163	164	162	162	161	161	159	159	155	154
Number of members with late payments during the period 3/	29	38	27	28	27	32	18	16	15	7	7
<i>Of which:</i>											
Protracted cases 4/	7	7	6	7	6	5	4	4	4	4	3 ^{5/}
Number of members with late payments as a percent of number of members with obligations falling due during the period	17.8	23.3	16.5	17.3	16.7	19.9	11.2	10.1	9.4	4.5	4.5

Source: Finance Department.

1/ Twelve months to June 30, 2008.

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.

5/ Liberia cleared its arrears to the Fund on March 14, 2008.

Table 7. Countries with Protracted Overdue Financial Obligations to the Fund 1/
(As of end-June 2008)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Somalia	239.8	542.6	112.0	127.8	239.8
Sudan	1,009.9	595.1	283.6	726.3	1,009.9
Zimbabwe	88.3	25.0	73.9	14.4	88.3
Total	1,338.0		469.5	868.6	1,338.0

Source: Finance Department.

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

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

Table 8. Financial Obligations Falling Due and Payments to the Fund
by Current Protracted Arrears Cases, 1998–2008
(In millions of SDRs)

	Somalia	Sudan	Zimbabwe 1/	Total
Obligations falling due				
1998	5.4	26.8	43.2	75.4
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
Jan. –Jun. 2008	2.6	6.3	1.5	10.3
Payments made to the Fund 2/				
1998	--	44.4	43.2	87.6
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
Jan. –Jun. 2008	--	16.7	0.2	16.9
Payments made as percent of obligations falling due				
1998	--	165.7	100.0	116.2
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
Jan. –Jun. 2008	--	266.3	13.0	163.8

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 reductions in rates of charge and SCA refunds for members in protracted arrears that are applied to reduce outstanding charges and principal obligations.

Table 9. Deferred GRA Charges of Countries with Protracted Arrears, FY 2004–2009 1/
(In millions of SDRs, as of June 30, 2008)

	Balance Apr. 30, 2004	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	
		Net deferrals	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 Jun. 30, 2008
Somalia	95.9	3.0	98.9	4.0	102.9	5.1	108.0	3.6	111.6	1.0	112.6
Sudan	655.4	10.2	665.6	12.5	678.1	14.9	693.0	10.0	703.0	2.3	705.3
Zimbabwe	10.8	3.6	14.3	-	-	-	-	-	-	-	-
Total	762.0	16.8	778.8	16.5	781.0	20.0	801.0	13.6	814.6	3.3	817.9

Source: Finance Department.

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

Table 10. Countries with Overdue Currency Valuation Adjustments 1/
(In millions of SDRs; as of end-June 2008)

Member	FY2008
Afghanistan, Islamic Republic of	6.9
Angola	227.7
Congo, Dem. Rep. of	87.9
Grenada	0.5
Iran	68.0
Marshall Islands	0.3
Micronesia	0.4
Palau	0.4
Samoa	0.3
Somalia 2/	120.1
Sudan 3/	543.0
Suriname 4/	74.9
Syrian Arab Republic	13.3
Zambia	10.4
Total	1,154.1

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 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 were outstanding on April 30, 2007, and have not been settled before end-June 2008.

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.