

INTERNATIONAL MONETARY FUND

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 provides an annual review of progress under the Fund’s strengthened cooperative strategy on overdue financial obligations and proposes to extend the availability of the rights approach by another year, to end-August 2008.** The rights approach could provide a useful mechanism for arrears clearance for the remaining eligible members, depending on their specific circumstances. A draft decision to this effect is provided in Section V.
- **The level and structure of arrears to the Fund remained broadly unchanged since the last review.** Total arrears amounted to SDR 1,890 million at end-June 2007, an increase of about SDR 2 million from a year ago. The increase reflects further accumulation of arrears by Liberia, Somalia, and Zimbabwe, while Sudan continued to make payments in excess of its new obligations falling due to the Fund. The majority of total arrears to the Fund (87 percent) was to the General Resources Account (GRA).
- **Four members remain in protracted arrears to the Fund—Liberia, Somalia, Sudan, and Zimbabwe.** All overdue obligations to the Fund as of end-June 2007 were protracted arrears, with Sudan alone accounting for 55 percent of total arrears.
- **No changes are proposed to the Fund’s strategy on arrears, which remains broadly effective in dealing with both short-term and protracted arrears.** The strategy is comprised of three elements: prevention, intensified collaboration (including the rights approach), and remedial measures. Remedial measures are in place against the four protracted arrears cases.
- **The record of cooperation with the Fund on policies and payments by the four protracted cases varied widely during the period under review:**
 - **Liberia** made good progress in implementing its program of reforms and rehabilitation, and sustained its cooperation with the Fund on policies and payments.
 - **Sudan’s** cooperation with the Fund was mixed. While Sudan’s payments to the Fund exceeded its new debt service obligations falling due, policy performance deteriorated in the second half of 2006 and early 2007. The authorities have recently reached agreement with staff on a new 18-month staff-monitored program (SMP) to arrest the policy deterioration and restore macroeconomic stability.
 - **Zimbabwe’s** cooperation with the Fund remained weak. Following the settlement of its arrears to the GRA in February 2006, Zimbabwe continued to remain in

arrears to the PRGF-ESF Trust. Continued weak policy performance contributed to a deepening economic crisis, which calls for urgent adoption of a comprehensive program of macroeconomic stabilization and structural reforms.

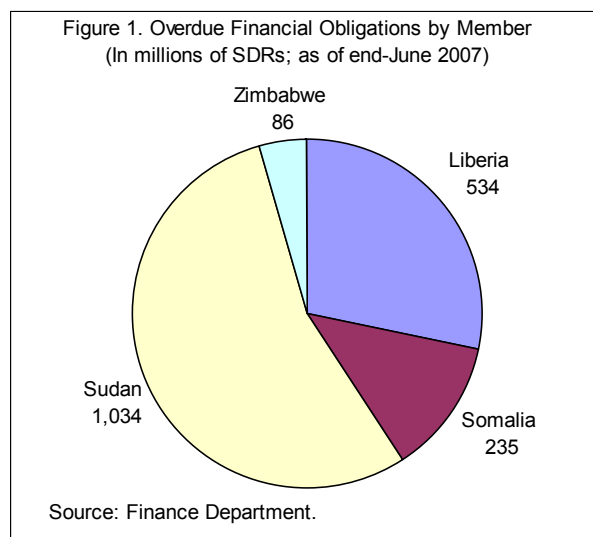
- **Somalia** continued to suffer from security problems and inadequate information on economic and financial developments, which precluded a full assessment of its cooperation with the Fund.

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 to extend the availability of the rights approach by another year, to end-August 2008.**¹ Section II reviews recent developments on overdue financial obligations to the Fund through end-June 2007. Progress under the Fund’s strategy on arrears and developments in the protracted arrears cases are discussed in Section III. Section IV discusses issues related to the attribution of payments to the Fund made by members in arrears to the Fund. A draft decision to extend the availability of the rights approach until end-August 2008 is provided in Section V.

II. RECENT DEVELOPMENTS

2. **Four members remained in protracted arrears to the Fund during the period under review.**² The three members with arrears dating back to the mid-1980s—Liberia, Somalia, and Sudan—account for 95 percent of total arrears to the Fund, with Sudan accounting for 55 percent (Figure 1). Zimbabwe, which has been in arrears to the PRGF-ESF Trust since February 2001, accounts for the remaining 5 percent of total arrears to the Fund.

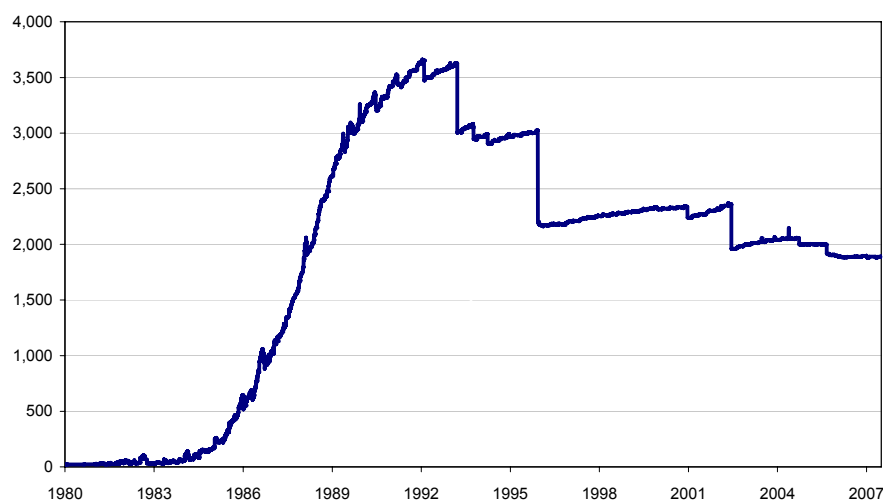


¹ The Executive Board last reviewed the Fund’s strengthened cooperative strategy on overdue financial obligations in August 2006 (Review of the Fund’s Strategy on Overdue Financial Obligations, 8/16/06).

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

3. **Total arrears to the Fund stood at SDR 1,890 million at end-June 2007, an increase of about SDR 2 million since the last review.** This reflected the continued accumulation of arrears by Liberia, Somalia, and Zimbabwe, while Sudan's arrears declined slightly (Figure 2 and Table 1). About 87 percent of total arrears to the Fund are to the GRA, with the remainder to the Trust Fund (6 percent), the PRGF-ESF Trust (4 percent),³ the SDR Department (2 percent), and the Structural Adjustment Facility (SAF) (less than 1 percent).

Figure 2. Overdue Financial Obligations to the Fund
(In millions of SDRs; 1980 to end-June 2007)



Source: Finance Department.

Table 1. Overdue Financial Obligations to the Fund, 2006–2007
(In millions of SDRs)

	End-June 2006	End-June 2007
Total arrears	1,887.9	1,889.5
Principal	764.2	730.3
GRA	591.8	557.9
PRGF-ESF Trust	75.0	74.9
Other 1/	97.4	97.4
Interest	1,123.7	1,159.3
GRA	1,045.1	1,075.6
PRGF-ESF Trust	9.7	11.5
Other 2/	68.9	72.2

Source: Finance Department.

1/ Comprises Trust Fund and SAF overdue principal obligations.

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

³ Zimbabwe is the first and only case of protracted arrears to the PRGF-ESF Trust, with outstanding arrears of SDR 86 million at end-June 2007.

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 2007, total burden-shared deferred charges amounted to SDR 894 million, an increase of SDR 31 million from a year ago.⁴ Arrears to the Trust Fund, amounting to SDR 119 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 75.7 million from the Account since 2001 has been drawn to repay Trust lenders.

5. **Four members (8 instances) incurred short-term arrears (less than six months) during the period under review,** as compared to 13 members (22 instances) reported in the previous review. Most of these arrears were settled before remedial measures were applied, except in two instances, where the Executive Board was notified of the occurrence of arrears.

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 2007, their arrears amounted to SDR 1,038 million to the World Bank and SDR 558 million to the African Development Bank Group.

Table 2. Arrears to the Fund and Other International Financial Institutions
(In millions of SDRs; as of end-June 2007)

	Fund	World Bank 1/ 2/	AfDB	Total
Total	1,890	1,038	558	3,485
Liberia	534	313	158	1,005
Somalia	235	108	43	386
Sudan	1,034	286	119	1,439
Zimbabwe	86	331	238	655

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, 2007.

⁴ The increase reflects further buildup of overdue GRA charges by Liberia, Somalia, and Sudan.

7. **Overdue currency valuation adjustments of 17 members amounted to SDR 2.4 billion at end-June 2007.** 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 1.3 billion, about half of the total amount (Table 10).

III. PROGRESS UNDER THE STRENGTHENED COOPERATIVE STRATEGY

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

8. **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.

9. **The rights approach remains an important option for arrears clearance for the remaining eligible countries.**⁵ 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 of the rights approach was restricted to the eleven members that had protracted arrears to the Fund at end-1989. Of these countries, only three—Liberia, Somalia, and Sudan—remain eligible for the rights approach. Use of the rights approach is not required for these eligible 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 2008.

⁵ 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.

B. Developments in Protracted Arrears Cases

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

Liberia

11. **Liberia continued to make satisfactory progress in implementing its program of reforms and rehabilitation under very difficult circumstances.** Liberia has been implementing staff-monitored programs (SMPs) since February 2006. In light of Liberia's improved cooperation with the Fund, the Executive Board, on October 2, 2006, initiated the process of de-escalation of the Fund's remedial measures that had been applied against Liberia, and lifted the declaration of non-cooperation that had been in place since 1990. The Board also decided that it could consider lifting the suspension of Liberia's voting and related rights following satisfactory performance after an approximately twelve-month evaluation period. The Board discussed the current SMP in February 2007. At its July 13 meeting on the third review of the SMP, a broad majority of the Board agreed with staff's assessment that the macroeconomic and structural policies under the 2007 SMP meet the standards associated with arrangements in the upper credit tranches.⁶

12. **Liberia continued to make monthly payments of US\$60,000 to the Fund during the period under review.** These payments represented only a small fraction of Liberia's outstanding arrears to the Fund and were not sufficient to stabilize the arrears.⁷ While Liberia's official reserves increased, they remained at very low levels, precluding increased payments to the Fund.⁸ Liberia also made monthly payments to the World Bank and the African Development Bank Group in the amounts of US\$25,000 and US\$15,000, respectively.⁹

⁶ *IMF Executive Board Discusses Liberia's Progress Under the Staff-Monitored Program* (Press Release No. 07/160, 7/13/07).

⁷ These payments represented only 4 percent of Liberia's new obligations falling due to the Fund and, on an annual basis, 0.1 percent of the stock of its arrears to the Fund, 0.5 percent of its estimated export receipts, and 1 percent of its fiscal revenue.

⁸ Staff estimates suggest that net official reserves—defined as gross official reserves minus foreign currency liabilities to the government and commercial banks—were US\$22 million (½ month of imports) at end-2006.

⁹ Liberia's payments to the World Bank are currently being placed in an escrow account at the Central Bank of Liberia.

13. **Liberia’s external debt is unsustainable, and it is urgent to make progress in moving Liberia onto the path toward debt relief.** This underscores the importance of mobilizing the necessary financing for arrears clearance and debt relief for Liberia. Fund management has proposed a financing package that provides a reasonable basis for mobilizing the necessary financing and looks forward to specific commitments from a wide group of bilateral contributors to ensure that sufficient resources will be in place expeditiously.

Sudan

14. **Sudan’s record of cooperation with the Fund on policies and payments was mixed.** On policies, following a broadly satisfactory performance in the first half of 2006, Sudan’s performance deteriorated in the second half of 2006 and early 2007, reflecting mainly fiscal slippages and lower-than-expected oil production and prices. As a result, Sudan’s external current account deficit worsened, contributing to a significant loss in net international reserves of the central bank (from US\$1.9 billion at end-2005 to about US\$560 million by end-May 2007).

15. **To arrest the policy deterioration and restore macroeconomic stability, the authorities have recently reached agreement with staff on an 18-month SMP.** The program aims to maintain the rapid pace of economic growth through further structural reforms, while achieving low inflation and rebuilding international reserves through fiscal policy tightening and greater exchange rate flexibility. On external financing, the authorities have agreed to limit contracting nonconcessional loans to no more than US\$700 million annually in 2007 and 2008.

16. **Sudan’s payments to the Fund continued to exceed its new debt service obligations falling due.**¹⁰ In 2006, Sudan paid the Fund US\$50.7 million (equivalent to SDR 34.1 million) compared to new obligations falling due of SDR 16.5 million and its commitment under the SMP of US\$45 million (SDR 30.5 million). This includes a payment of US\$21 million received on January 2, 2007.¹¹ Sudan subsequently made payments to the Fund in April, May, and August 2007, respectively, totaling US\$20.9 million. Under the new 18-month SMP, the authorities have committed to pay the Fund a minimum of

¹⁰ Sudan’s payments to all multilateral and bilateral creditors amounted to US\$352 million in 2006, of which US\$2 million was paid to the IDA and US\$1 million to the AfDB, respectively.

¹¹ The authorities explained that the instruction for this payment was issued on December 27, 2006. Owing to delays during the holiday season, however, the payment was received by the Fund on January 2, 2007.

US\$50 million in 2007 and, at least, the same amount in 2008. The authorities intend to make these payments on a regular monthly basis.

17. **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 the Fund on December 1, 2006.**¹² In light of Sudan's record of cooperation with the Fund, the Board decided that no further remedial measure be taken at the time with respect to the Managing Director's complaint on the suspension of Sudan's voting and related rights in the Fund.

Zimbabwe

18. **Zimbabwe's cooperation on policies and payments with the Fund was poor.** The Executive Board reviewed Zimbabwe's cooperation with the Fund on policies and payments with respect to its arrears to the PRGF-ESF Trust on February 23 and July 23, 2007, respectively.¹³ In light of Zimbabwe's deteriorating policy performance and payments to the Fund, the Board kept in place the decisions previously taken to address Zimbabwe's arrears to the PRGF-ESF Trust. These are the declaration of non-cooperation, the suspension of technical assistance, and the removal of Zimbabwe from the list of PRGF-ESF-eligible countries. At the February 23 meeting, the Board also considered the sanctions, including the suspension of voting and related rights, that had been imposed on Zimbabwe with respect to its arrears to the GRA, which were settled in full in February 2006. The Board made no decision on this issue and agreed to return to it at a later date.

19. **On both occasions, the Board expressed deep concern over Zimbabwe's deteriorating economic and social conditions and warned that, without fundamental policy changes, the crisis would deepen.** The Board urged Zimbabwe to implement a comprehensive policy package to stabilize the economy. The package would include terminating all quasi-fiscal activity by the Reserve Bank of Zimbabwe and transferring existing quasi-fiscal activity transparently to the government budget; substantially tightening fiscal policy and prioritizing spending towards essential social areas; unifying the exchange rate and eliminating exchange restrictions with respect to the making of payments and transfers for current international transactions; liberalizing prices and imposing a hard budget constraint on public enterprises; and establishing a strong monetary policy nominal anchor. Furthermore, medium-term structural reforms are needed to sustain economic recovery and

¹² Decision No. 13826-(06/103), adopted December 1, 2006.

¹³ Decision No. 13877-(07/16), adopted February 23, 2007, and Press Release No. 07/30 (2/23/2007).

growth, including public enterprise and civil service reform, public expenditure management reform, strengthened property rights, and improvements in governance.

Somalia

20. **The Board has postponed its review of Somalia’s overdue financial obligations since October 1990** as there continues to be 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. Staff continues to closely monitor the developments in Somalia, together with its counterparts in the World Bank and other multilateral institutions.

IV. ISSUES REGARDING PAYMENT ATTRIBUTION BY MEMBERS IN ARREARS

21. **Three of the four remaining protracted arrears cases—Liberia, Somalia, and Sudan—continue to have increases in overdue GRA charges which give rise to ongoing burden-sharing adjustments.** Among these, Liberia and Sudan currently make annual payments to the Fund of about US\$0.7 million and US\$50 million, respectively. In both cases, the authorities have notified the Fund that their payments should be applied to overdue GRA principal.¹⁴ The authorities’ decisions were largely based on the consideration that paying down overdue GRA repurchase obligations was more beneficial to them than paying current GRA charges falling due as overdue GRA repurchases continue to carry the regular rate of charge (and also special charges, if applicable), while overdue GRA charges do not incur additional interest.

22. **As noted above, increases in overdue GRA charges to the Fund by members in arrears impose a financial burden on the Fund’s debtor and creditor members.** This is because, under the current burden-sharing mechanism for deferred charges (which was established in 1986 to protect the Fund against losses in income resulting from overdue GRA charges), the Fund’s creditor and debtor members contribute to generate additional income that is equal to the amount of new overdue GRA charges. This is achieved by creditors receiving a lower rate of remuneration and by debtors paying a higher rate of charge.¹⁵ An amount equal to the proceeds of burden-shared deferred charges will be refunded to

¹⁴ In the case of Sudan, payments are first used to cover any net SDR charges falling due, with the remainder to be applied to overdue GRA principal.

¹⁵ Between FY1987 and FY2007, similar burden-shared adjustments were also made to the SCA-1 to generate resources to shield the Fund against the possible failure of members to meet outstanding repurchase obligations. For FY2008, however, no new balances are being accumulated in the SCA-1.

contributing members when overdue GRA charges are repaid. While not a particular issue in the past, the financial burden on debtor countries under this mechanism has increased recently, as outstanding Fund credit has declined and is concentrated on a small number of remaining debtor countries.

23. **Against this background, a few Directors have expressed concerns that, by electing not to pay GRA charges falling due, members in arrears impose burden-sharing costs on the Fund's membership.** They enquired whether the members with overdue GRA obligations and who were making payments to the Fund were aware of this issue and what options might exist to address it.

24. **From a legal point of view, a member is entitled to repurchase at any time the Fund's holdings of its currency that are subject to periodic charges.**¹⁶ Since the right to repurchase at any time holdings that are subject to charges is unconditional, a member has the right to attribute any payment that it makes to the Fund to the repurchase of such holdings. Accordingly, the Fund could not adopt a rule that requires GRA charges falling due to be paid by members in preference to overdue repurchases. Currently, members in arrears are required to notify the Fund of their intention on payments attribution. In the absence of such a notification, the Fund applies payment by the member concerned to the first maturing obligation regardless of the type of the obligation.¹⁷

25. **In light of these developments, staff has consulted with both the Sudanese and Liberian authorities regarding the attribution of their payments to the Fund.** Staff explained to the authorities that, while they have the right to attribute their payments to overdue GRA principal rather than current GRA charges, doing so imposes a financial burden to the Fund membership. Staff particularly noted that such a burden has increased significantly for a few remaining large debtor countries to the Fund. The Sudanese authorities took note of these concerns, but reiterated their preference to continue attributing payments to overdue GRA principal. The Liberian authorities indicated that they would need more time to consider this issue.

26. **As discussed in the *Review of the Fund's Income Position for FY2007 and FY2008*, burden sharing of deferred charges is essential for protecting the Fund's current income position against the impact of unpaid charges.**¹⁸ It also facilitates the

¹⁶ See Article V, Section 7(a) of the Fund's Articles of Agreement.

¹⁷ See Decision No. 8271-(86/74) adopted April 30, 1986.

¹⁸ See *Review of the Fund's Income Position for FY2007 and FY2008* (4/9/07).

Fund's accounting treatment of showing balances in arrears at face value on the Fund's balance sheet; the burden sharing system for deferred charges enables the Fund to demonstrate that, while GRA principal may be in arrears, on a net present value basis, the Fund does not suffer a loss. Nonetheless, it is apparent that the sustainability of the burden-sharing system for deferred charges is called into question at very low credit levels.¹⁹ While sustainability is not projected to be a problem for FY2008, staff will keep the overall issue under close review.

V. EXTENSION OF AVAILABILITY OF THE RIGHTS APPROACH

27. In light of the considerations in Section III, it is proposed that the availability of the rights approach be extended for another year, to end-August 2008.

¹⁹ The broader question of the sustainability of the burden-sharing mechanism was taken up in paragraph 27 of *Review of the Fund's Income Position for FY2007 and FY2008*.

PROPOSED DECISION

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/07/96.

The Fund reaffirms its support for the strengthened cooperative strategy and agrees to extend the availability of the rights approach until end-August 2008.”

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
Liberia	12/19/84	4/4/85 (4/24/85) 4/8/02 2/ (4/16/02)	1/24/86	3/30/90; lifted on 10/2/06	3/5/03	
Somalia	7/2/87	9/8/87 (9/15/87)	5/6/88			
Sudan	7/12/84	12/12/84 (1/9/85) 1/22/97 (1/24/97) 4/	2/3/86	9/14/90; lifted on 8/27/99	8/9/93; lifted on 8/1/00	4/8/94 3/
Zimbabwe	2/14/01	5/4/01 (5/15/01) 10/17/02 5/ (10/24/02)	9/24/01 6/	6/13/02	6/6/03	2/6/04; withdrawn on 2/15/06 7/

Source: Finance Department.

1/ Under the Articles of Agreement and the Fund's Procedures for dealing with members with overdue financial obligations to the General Department and the SDR Department, a complaint is issued by the Managing Director when a member falls into arrears to the Fund for two months or more. The complaint may lead to different sanctions under Article XXVI of the Fund's Articles of Agreement: declaration of ineligibility to use Fund resources, suspension of voting rights in the Fund, and compulsory withdrawal depending upon the member's persistence in its failure to fulfill its obligations. A complaint can be withdrawn only after the arrears have been cleared. Overdue obligations to the PRGF-ESF Trust are separate from those to the General and SDR Departments, and are not breaches of obligations under the Articles of Agreement. A member in arrears to the General Department, SDR Department or the PRGF-ESF Trust has no access to Fund resources. The Fund also levies additional charges on late payments to the PRGF-ESF Trust. Remedial measures for dealing with arrears to the PRGF-ESF Trust include removal from the list of PRGF-ESF eligible countries, declaration of noncooperation and suspension of technical assistance.

2/ On April 8, 2002, the Managing Director issued a complaint with respect to the suspension of Liberia's voting and related rights in the Fund.

3/ In light of the lifting of the suspension of Sudan's voting rights on 8/1/2000, the complaint for the compulsory withdrawal of Sudan has been reformulated as a complaint for the suspension of Sudan's voting rights.

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

5/ 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.

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

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, 1981–2007
(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 ^{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	19	1,877	1,898
2007 June	4	2	17	1,871	1,890

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, 1981–2007
(In millions of SDRs; end of period)

	GRA		Net SDR Charges	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	3,099
1990	2,209	987	45	161	20	2,370	1,051	3,421
1991	2,270	1,131	39	158	26	2,428	1,197	3,625
1992	2,176	1,174	47	167	32	2,343	1,253	3,596
1993	1,713	1,037	48	142	30	1,854	1,114	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	999	2,260
1998	999	940	89	233	32	1,232	1,062	2,294
1999	969	971	101	241	33	1,210	1,106	2,316
2000	876	998	94	241	34	1,116	1,126	2,243
2001	864	1,040	106	270	38	1,134	1,184	2,319
2002	732	987	92	156	31	888	1,111	1,999
2003	743	1,004	88	171	33	914	1,125	2,040
2004	732	1,023	35	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	1,142	1,898
2007								
June	558	1,076	41	172	42	730	1,159	1,890

Source: Finance Department.

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

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

Table 6. Number of Countries Incurring Late Payments to the Fund, 1991–2007

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 1/
Number of members with obligations falling due during the period 2/	146	147	157	159	163	163	163	163	163	164	162	162	161	161	159	159	155
Number of members with late payments during the period 3/	45	46	40	36	32	27	32	29	38	27	28	27	32	18	16	15	8
<i>Of which:</i>																	
Protracted cases 4/	11	11	11	8	6	7	7	7	7	6	7	6	5	4	4	4	4
Number of members with late payments as a percent of number of members with obligations falling due during the period	30.8	31.3	25.5	22.6	19.6	16.6	19.6	17.8	23.3	16.5	17.3	16.7	19.9	11.2	10.1	9.4	5.2

Source: Finance Department.

1/ Twelve months to June 30, 2007.

2/ Includes all types of financial obligations falling due to the Fund. Members with multiple obligations falling due during the period are counted only once.

3/ Members paying late during the period and with obligations overdue at the end of the period are counted only once.

4/ Members with arrears outstanding for six months or more at end of period.

Table 7. Countries with Protracted Overdue Financial Obligations to the Fund 1/
(As of end-June 2007)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Liberia	533.9	748.9	222.9	311.0	533.9
Somalia	235.1	531.8	112.0	123.1	235.1
Sudan	1,034.1	609.4	320.4	713.7	1,034.1
Zimbabwe	86.4	24.4	74.9	11.5	86.4
Total	1,889.5		730.3	1,159.3	1,889.5

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. Obligations Falling Due and Payments to the Fund
by Current Protracted Arrears Cases, 1995–2007

(In millions of SDRs)

	Liberia	Somalia	Sudan	Zimbabwe 1/	Total
Obligations falling due					
1995	12.5	7.9	34.8	9.3	64.5
1996	10.5	6.9	28.0	14.3	59.7
1997	10.8	6.2	27.6	26.2	70.8
1998	11.1	5.4	26.8	43.2	86.5
1999	9.4	4.6	21.1	51.9	87.0
2000	12.1	5.9	25.4	61.4	104.8
2001	11.1	5.4	21.1	73.3	110.9
2002	6.9	3.4	12.3	78.5	101.2
2003	5.5	2.7	9.5	50.8	68.5
2004	6.1	3.0	9.9	29.2	48.3
2005	8.4	4.1	12.8	10.8	36.0
2006	11.5	5.7	16.5	3.9	37.6
Jan.–June 2007	6.4	3.2	8.6	2.0	20.2
Payments made to the Fund 2/					
1995	0.1	--	33.8	9.3	43.2
1996	--	--	31.7	14.3	46.1
1997	0.0	--	44.0	26.2	70.2
1998	0.4	--	44.4	43.2	88.0
1999	0.4	--	29.4	51.9	81.7
2000	0.5	--	43.3	61.4	105.2
2001	0.4	--	43.1	9.2	52.7
2002	0.4	--	18.2	2.5	21.1
2003	0.1	--	19.6	3.4	23.2
2004	0.5	--	21.8	14.3	36.6
2005	0.4	--	20.5	111.7	132.7
2006	0.5	--	20.1	18.4	39.0
Jan.–June 2007	0.2	--	25.0	0.4	25.7
Payments made as percent of obligations falling due					
1995	0.8	--	97.1	100.0	67.0
1996	--	--	113.5	100.0	77.2
1997	0.3	--	159.4	100.0	99.2
1998	3.6	--	165.7	100.0	101.7
1999	4.3	--	139.3	100.0	93.9
2000	3.8	--	170.8	100.0	100.4
2001	3.5	--	204.1	12.5	47.5
2002	5.8	--	147.3	3.2	20.9
2003	2.6	--	207.6	6.6	33.8
2004	7.7	--	219.5	49.0	75.8
2005	5.1	--	160.3	1034.3	368.0
2006	4.2	--	122.0	475.7	103.9
Jan.–June 2007	3.7	--	290.7	21.7	127.4

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-2 refunds for members in protracted arrears that are applied to reduce outstanding charges and repurchases.

3/ Excludes the payment of US\$21.1 million (equivalent to SDR 14 million) received on January 2, 2007; this payment was included in the figure for 2007 in this table.

Table 9. Deferred GRA Charges of Countries with Protracted Arrears, FY 2003–2008 1/
(In millions of SDRs, as of end-June 2007)

	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008		
	Balance Apr. 30, 2003	Net deferrals Apr. 30, 2004	Net deferrals Apr. 30, 2005	Balance Apr. 30, 2006	Net deferrals Apr. 30, 2007	Balance Apr. 30, 2007	Net deferrals Apr. 30, 2007	Balance Apr. 30, 2007	Net deferrals Apr. 30, 2007	Balance June 30, 2007	
Liberia	246.3	3.9	250.3	5.8	256.1	8.0	264.1	10.5	274.6	1.8	276.4
Somalia	93.9	2.0	95.9	3.0	98.9	4.0	102.9	5.1	108.0	0.9	108.9
Sudan	648.2	7.2	655.4	10.2	665.6	12.5	678.1	14.9	693.0	2.4	695.4
Zimbabwe	8.3	2.4	10.8	3.6	14.3	-	-	-	-	-	-
Total	996.7	15.6	1,012.3	22.6	1,034.9	24.5	1,045.1	30.5	1,075.6	5.1	1,080.7

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 2007)

Member	FY2007
Angola	226.8
Belarus	196.0
Congo, Dem. Rep. of	60.1
Iraq	515.5
Lebanon	3.2
Liberia	267.8
Marshall Islands	0.1
Micronesia	0.2
Palau	0.3
Samoa	0.6
Sao Tome and Principe	1.6
Somalia 2/	120.1
Sudan 3/	535.3
Suriname 4/	74.5
Syrian Arab Republic	3.8
Trinidad and Tobago	32.9
Zimbabwe	360.1
Total	2,398.9

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, which are required to be settled promptly (within thirty days from date of notifications). Adjustments are payable in local currency and are not included among overdue obligations. This table lists members whose currency valuation adjustments were outstanding on April 30, 2006, and have not been settled before end-June 2007.

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
Up to 15 months	<p data-bbox="570 317 1281 344">considered at the same time as the declaration of ineligibility.</p> <p data-bbox="570 380 1398 499">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.</p>
Up to 18 months	<p data-bbox="570 533 1398 590">A decision on suspension of voting and representation rights will be considered within three months after the declaration of noncooperation.</p>
Up to 24 months	<p data-bbox="570 623 1349 680">The procedure on compulsory withdrawal will be initiated within six months after the decision on suspension.</p>

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 overdues 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.