

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 remained broadly unchanged since the last review. Total arrears to the Fund amounted to SDR 1,303.9 million at end-June 2011, a decline of about SDR 5.5 million since the last review. While payments to the Fund by Sudan and Zimbabwe were in excess of new obligations falling due since the last review, Somalia’s arrears increased further.
- **Three members remain in protracted arrears to the Fund—Somalia, Sudan, and Zimbabwe.** All overdue financial obligations to the Fund as of end-June 2011 were protracted arrears, with Sudan alone accounting for 76 percent of total arrears. The record of cooperation with the Fund on policies and payments by the current protracted arrears cases varied widely during the period under review:

 - **Somalia’s** review of overdue financial obligations and cooperation with the Fund continued to be postponed due to the absence of a government recognized by the Fund, and the lack of official information on economic and financial developments.
 - **Sudan’s** cooperation with the Fund on policies was generally satisfactory against the backdrop of significant uncertainty related to the July 2011 secession of South Sudan. Although payments to the Fund in 2010 were consistent with the authorities’ commitment and continued to exceed new obligations falling due, the reduction in payments significantly weakened payments indicators in 2010.
 - **Zimbabwe’s** arrears to the Poverty Reduction and Growth Trust (PRGT) have decreased slightly. While cooperation on payments remained poor, cooperation on policies improved in 2010 before policy setbacks in 2011 cast significant uncertainties on economic prospects. In January 2011, the Executive Board saw significant merit in continuing regular staff visits and also decided to add public finance management (PFM) and anti-money laundering and combating the financing of terrorism (AML/CFT) to the targeted areas for which the suspension of the Fund’s technical assistance had been lifted in May 2009.
- **It is proposed that the availability of the rights approach be extended by another year, to end-August 2012.** The rights approach remains an important option for arrears clearance for the remaining two eligible members (Somalia and Sudan). A decision is proposed to extend the availability of the rights approach.
- **No changes are proposed to the Fund’s strategy on arrears,** which remains broadly effective in dealing with both short-term and protracted arrears. Remedial measures are in place against the three protracted arrears cases.

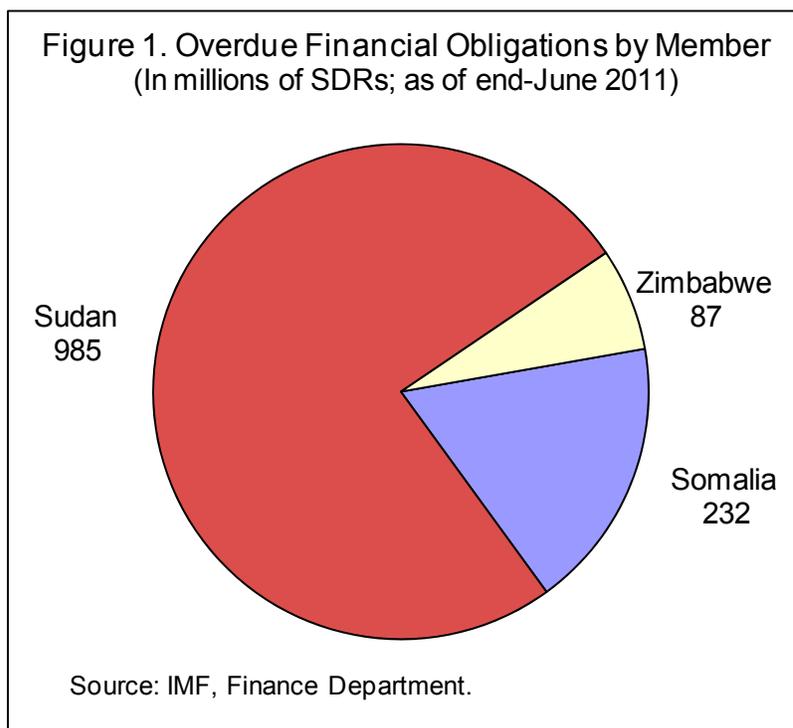
I. INTRODUCTION

1. **This paper provides an update on progress under the Fund’s strengthened cooperative strategy on overdue financial obligations since the last review and proposes to extend the availability of the rights approach by another year, to end-August 2012.**¹ Section II presents an overview of overdue financial obligations to the Fund through end-June 2011 and the recent reviews of the protracted arrears cases. Section III discusses progress under the Fund’s strategy on arrears and proposes a decision to extend the availability of the rights approach to end-August 2012.

II. RECENT DEVELOPMENTS

A. Overview

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

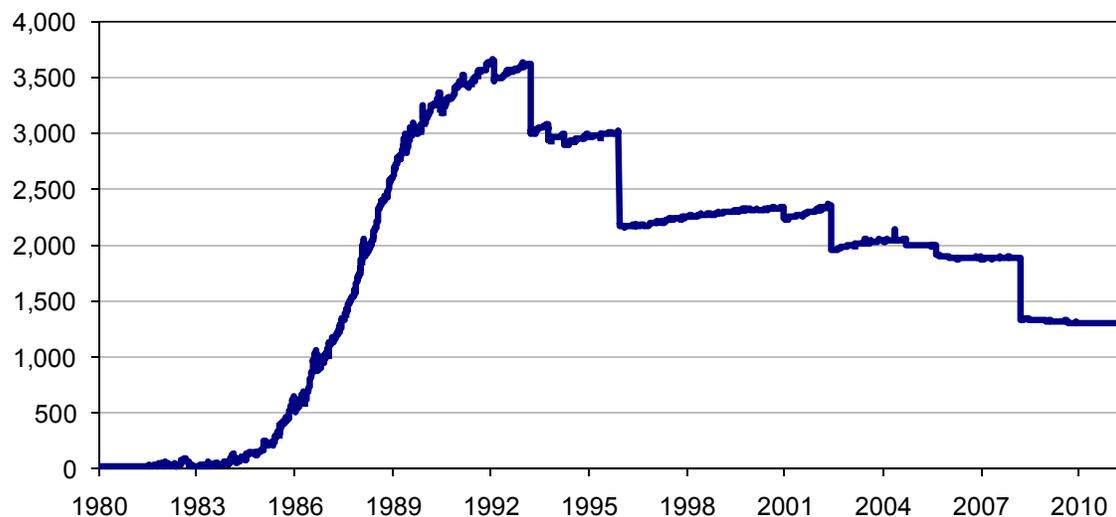


¹ The last review was concluded in August 2010; see [Review of the Fund’s Strategy on Overdue Financial Obligations](#) (IMF Policy Paper, 8/16/10); and [Decision No. 14724-\(10/84\)](#), adopted on August 31, 2010.

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

3. **Total arrears to the Fund declined by SDR 5.5 million to SDR 1,303.9 million since the last review, reflecting payments by Sudan and Zimbabwe (Figure 2 and Table 1).** The majority of the arrears to the Fund (86 percent) were to the General Resources Account (GRA), with the remainder to the Trust Fund (6.8 percent), the PRGT (6.7 percent), and the Structural Adjustment Facility (SAF) (less than 1 percent).

Figure 2. Overdue Financial Obligations to the Fund 1/
(In millions of SDRs; 1980–end-June 2011)



Source: IMF, 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, 2010–11
(In millions of SDRs)

	End-June 2010	End-June 2011
Total arrears	1,309.5	1,303.9
Principal	439.6	429.4
GRA	292.1	283.7
PRGT	72.9	71.1
Other 1/	74.5	74.5
Interest	869.9	874.5
GRA	829.8	833.7
PRGT	15.9	16.2
Other 2/	24.2	24.6

Source: IMF, Finance Department.

1/ Comprises Trust Fund and SAF overdue principal obligations.

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

4. **Overdue financial obligations to the Fund continue to impose a significant financial cost on the Fund and its membership.** The ongoing cost of deferred charges to the GRA is borne by debtor and creditor members through the burden-sharing mechanism, which relies on an adjustment to the rate of charge and the rate of remuneration to make up for the income loss associated with the nonpayment of GRA charges. As of end-June 2011, total burden-shared deferred charges amounted to SDR 700 million, an increase of SDR 2.0 million from a year ago. Zimbabwe's arrears to the PRGT have also reduced the balances available in the Reserve Account, as SDR 71.9 million has been drawn from the Reserve Account to repay PRGT lenders.

5. **Only one member (one instance) incurred short-term arrears (less than six months) in the 12-month period to end-June 2011.** This reflects a reduction from six instances (six members) in the 12 months to end-June 2010. These short-term arrears were related to technical difficulties that faced the member, and were settled before a formal communication from the Managing Director was called for under the timetable of remedial measures.

6. **The members with protracted overdue financial obligations to the Fund have also accumulated arrears to other international financial institutions** (Table 2). As of end-June 2011, their arrears amounted to SDR 1,090 million to the World Bank and SDR 587 million to the African Development Bank Group (AfDB). The overall increase of arrears to these institutions amounted to SDR 65 million since the last review.

Table 2. Arrears to the Fund and Other International Financial Institutions
(In millions of SDRs; as of end-June 2011)

	Fund	World Bank 1/ 2/	AfDB	Total
Total	1,303.9	1,090.3	587.0	2,981.2
Somalia	231.7	148.3	56.8	436.9
Sudan	984.9	405.1	183.6	1,573.5
Zimbabwe	87.4	536.9	346.5	970.8

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, 2011.

7. **Overdue currency valuation adjustments of 12 members amounted to about SDR 1.3 billion at end-June 2011, compared to 8 members amounting to approximately SDR 1.3 billion at end-June 2010** (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 774.3 million, or 60.4 percent of the total.

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.**³ Pursuant to Rule T-2, the accounts of participants in the SDR Department are debited with the amounts of the assessments levied on participant for the expenses of conducting 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 only upon the clearance of their respective arrears.

B. Recent Reviews of Protracted Arrears Cases⁴

9. In the period since August 2010, the record of cooperation with the Fund by the protracted arrears cases varied widely, and remedial measures remained in place in all three cases.

Somalia

10. **The Executive Board has postponed its review of Somalia's overdue financial obligations since October 1990.** There has been no basis for assessing Somalia's cooperation with the Fund owing to the absence of a government recognized by the Fund, continuous political and security problems, and the lack of official information on economic and financial developments. Since the general SDR allocation in August 2009, Somalia has remained current on obligations to the SDR Department and its arrears to the Fund are contained to the GRA, Trust Fund, and SAF. The declaration of ineligibility to use the

³ 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.

⁴ 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.

Fund's general resources remains in place. Staff continues to monitor developments in Somalia—mainly through media reports—and stands ready to work on re-engagement should conditions permit.

Sudan

11. **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 February 2011.**

- **Directors noted that Sudan's cooperation with the Fund on policies was generally satisfactory, set against the backdrop of difficult political conditions related to the January 2011 referendum on the future of South Sudan.**⁵ As detailed in the country report No. 11/86, economic performance under the 2009–10 Staff-Monitored Program (SMP) was broadly satisfactory. Efforts to tighten fiscal and monetary policies in the second half of 2010 helped to reduce domestic liquidity, the authorities allowed a large de facto depreciation of the exchange rate in November to alleviate pressure on international reserves, and good progress was made in implementing important structural reforms. Directors urged the authorities to continue implementing policies to maintain macroeconomic stability while protecting key infrastructure and pro poor programs. In this connection, they stressed the importance of implementing prudent fiscal and monetary policies, allowing greater exchange rate flexibility, and minimizing nonconcessional borrowing in view of the already unsustainable external debt burden.
- **Directors noted Sudan's payment indicators weakened significantly with the reduction in payments to the Fund in 2010.** Sudan's payments to the Fund in 2010 amounted to US\$11.2 million (equivalent to SDR 7.3 million) compared to new obligations falling due of SDR 2.9 million and its commitment to make payments of at least US\$10 million for the year. Directors strongly encouraged the authorities to increase payments to the Fund as payment capacity improves. No further remedial action was taken. So far in 2011, the authorities have made two payments totaling US\$5.0 million (equivalent to SDR 3.2 million) but they have not confirmed the level of payments for 2011.

⁵ [*Sudan—Staff Report for the Second Review Under the 2009–10 Staff Monitored Program*](#) (Country report No. 11/86, 1/24/11).

12. **In July 2011, Directors 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 November 9, 2011.** This will allow the review to benefit from the findings of the July 2011 mission to assess economic developments and discuss the authorities' economic program that could be monitored under a successor SMP.

Zimbabwe

13. **The Executive Board last reviewed Zimbabwe's overdue financial obligations to the PRGT in January 2011.**

- **Directors welcomed the improvement in Zimbabwe's cooperation with the Fund on policies since the previous review.** As detailed in the country report No. 11/135, steps had been taken to improve the Reserve Bank of Zimbabwe's governance, mitigate vulnerabilities in the banking system, and address some of the structural impediments to growth. The authorities also refrained from further conversion of the SDR allocation since March 2010. The renewed efforts to strengthen policies and favorable external shocks had contributed to the improvements in macroeconomic performance. Directors encouraged the authorities to create more policy buffers and mitigate the financial and external vulnerabilities, including by targeting a balanced budget in 2011, and strengthening public expenditure management.
- **Directors also welcomed Zimbabwe's payments since the previous review, but noted that cooperation on payments remained poor.** In 2010, Zimbabwe made five payments to the Fund totaling US\$4.1 million (equivalent to SDR 2.6 million). These payments exceeded Zimbabwe's new obligations falling due for the period and the authorities' commitment to quarterly payments to the Fund of about US\$100,000. Directors strongly encouraged Zimbabwe to make timely payments to the Fund and increase them as payment capacity improves. The Board also saw significant merit in continuing regular staff visits and decided to add PFM and AML/CFT to the targeted areas for the Fund's technical assistance. Zimbabwe has made no payment to the Fund so far in 2011.

14. **Policy setbacks since the last review weigh heavily on growth prospects.** These setbacks include a sizable fiscal gap in 2011 financed by nonconcessional borrowing, unaddressed financial sector vulnerabilities, and the announced fast-track indigenization of the mining sector. As detailed at the 2011 Article IV consultation, Zimbabwe’s economic recovery remains fragile and a significant improvement in policies is needed to solidify macroeconomic prospects.⁶ The medium-term outlook is clouded by uncertainties on the prospects for addressing structural bottlenecks to growth. To benefit from the findings of the staff visit in late June 2011 and the authorities’ policy intentions in the mid-year budget review (in late-July 2011), the next review of Zimbabwe’s overdue financial obligations to the PRGT was postponed by two months, to no later than September 14, 2011.

III. PROGRESS UNDER THE FUND’S ARREARS STRATEGY AND EXTENSION OF THE RIGHTS APPROACH

15. **The Fund’s strategy on arrears has been broadly effective in dealing with cases that have arisen to date.** The strategy is comprised of three elements: prevention, intensified collaboration (including the rights approach), and remedial measures. The preventive element of the strategy has generally worked well in avoiding new arrears or in bringing about the quick clearance of such arrears should they occur, thereby preventing new cases of protracted arrears. The timetables for remedial measures for overdue financial obligations to the Fund’s General and SDR Departments and the PRGT are provided in Annexes I and II.

16. **The rights approach remains an important option for arrears clearance for the two members that remain eligible (Somalia and Sudan).**⁷ The rights approach was initiated in 1990 and was used in clearing the arrears to the Fund of three members—Peru, Sierra Leone, and Zambia—in the 1990s. Eligibility for the rights approach was restricted to the eleven members that had protracted arrears to the Fund at end-1989. Of these countries, only two—Somalia and Sudan—remain eligible for the rights approach. Use of the rights approach is not required for these members, but it could provide a useful approach for arrears clearance in light of country-specific circumstances. It is, therefore, proposed that the availability of the rights approach be extended for another year, to end-August 2012.

⁶ [Zimbabwe—Staff Report for the 2011 Article IV Consultation](#) (Country report No. 11/135, 5/12/11).

⁷ 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.

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)	2/3/86	9/14/90; lifted on 8/27/99	8/9/93; lifted on 8/1/00	4/8/94 2/
Zimbabwe	2/14/01	5/4/01 (5/15/01) 10/17/02 (10/24/02)	9/24/01 5/	6/13/02 6/	6/6/03; lifted on 2/19/10	2/6/04; withdrawn on 2/15/06 7/

Source: IMF, Finance Department.

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

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

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

4/ On October 17, 2002, the Managing Director issued a complaint with respect to the suspension of Zimbabwe's voting and related rights in the Fund.

5/ Zimbabwe remains excluded from the list of PRGT-eligible countries.

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

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

Table 4. Overdue Financial Obligations to the Fund by Duration, 1981–2011
(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	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 June	3	0.4	2	1,301	1,304

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, 1981–2011
(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								
June	284	834	0	146	41	429	875	1,304

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, 2000–11

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1/
Number of members with obligations falling due during the period 2/	164	162	162	161	161	159	159	155	154	160	186	187	
Number of members with late payments during the period 3/	27	28	27	32	18	16	15	7	10	9	7	3	
<i>Of which:</i>													
Protracted cases 4/	6	7	6	5	4	4	4	4	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	1.6	

Source: Finance Department.

1/ Six months to June 30, 2011.

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 2011)

	Total Indebtedness 2/		Of which: Overdue (SDR millions)		
	(SDR millions)	(% of quota)	Principal	Interest	Total
Somalia	231.7	524.3	112.0	119.7	231.7
Sudan	984.9	580.4	246.2	738.6	984.9
Zimbabwe	87.4	24.7	71.1	16.2	87.4
Total	1,303.9		429.4	874.5	1,303.9

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, 2001–11
(In millions of SDRs)

	Somalia	Sudan	Zimbabwe 1/	Total
Obligations falling due				
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
Jan.–Jun. 2011	0.8	1.6	0.4	2.8
Payments made to the Fund 2/				
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	2.6	6.4
Jan.–Jun. 2011	--	6.7 3/	0.0	6.7
Payments made as percent of obligations falling due				
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	133.4
Jan.–Jun. 2011	--	421.8	0.0	241.4

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, 2011)

	Balance Apr. 30, 2007	FY 2008		FY 2009		FY 2010		FY 2011		FY 2012	
		Period deferrals	Balance Apr. 30, 2008	Period deferrals	Balance Apr. 30, 2009	Period deferrals	Balance Apr. 30, 2010	Period deferrals	Balance Jun. 30, 2010	Period deferrals	Balance Jun. 30, 2011
Somalia	108.0	3.6	111.6	3.4	115.0	1.3	116.3	1.3	117.6	0.4	118.0
Sudan	693.0	10.0	703.0	7.8	710.8	2.7	713.5	2.6	716.1	0.7	716.8
Zimbabwe	-	-	-	-	-	-	-	-	-	-	-
Total	801.0	13.6	814.6	11.2	825.8	4.0	829.8	3.9	833.7	1.1	834.8

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 2011)

Member	Balance
Angola	322.4
Kazakhstan	13.0
Lebanon	19.3
Marshall Islands	0.4
Micronesia	0.6
Palau	0.5
Panama	14.8
Somalia 2/	136.4
Sudan 3/	637.9
Suriname 4/	77.3
Trinidad & Tobago	18.8
Uganda	39.0
Total	1,280.4

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, 2010 had not been settled as at end-June 2011.

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

Time after emergence of arrears	Action
Up to 15 months	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 considered at the same time as the declaration of ineligibility.
Up to 18 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 24 months	A decision on suspension of voting and representation rights will be considered within three months after the declaration of noncooperation.
	The procedure on compulsory withdrawal will be initiated within six months after the decision on suspension.

1/ Based on the procedures for dealing with members with overdue financial obligations to the Fund, adopted by the Executive Board on August 17, 1989, as amended by [Decision No. 12546-\(01/84\)](#), adopted on August 22, 2001.

**ANNEX II: Overdue Financial Obligations to the Poverty Reduction
and Growth Trust (PRGT)—Timetable of Remedial Measures 1/**

Time after emergence of arrears	Action
Immediately	Staff sends a cable urging the member to make the payment promptly; this communication is followed up through the office of the concerned Executive Director. The member's access to Fund resources, including Trust resources, is suspended.
2 weeks	Management sends a communication to the Governor for the member stressing the seriousness of the failure to meet obligations to the Trust and urging full and prompt settlement.
1 month	The Managing Director notifies the Executive Board that an obligation to the Trust is overdue.
6 weeks	The Managing Director notifies the member that, unless the overdue obligations are settled promptly, a report concerning the arrears to the Trust will be issued to the Executive Board. The Managing Director would also consult with and recommend to the Executive Board that a communication concerning the member's situation should be sent to selected Fund Governors or to all Fund Governors in the event that the member has not improved its cooperation with the Fund.
2 months	A report is issued by the Managing Director to the Executive Board. The report will request that the Executive Board limit the member's use of PRGT Resources.
3 months	The report is given substantive consideration by the Executive Board. A factual statement noting the existence and amount of arrears is posted on the member's country-specific page on the Fund's external website. This statement also indicates that the member's access to Fund resources, including Trust resources, has been and will remain suspended until the arrears are cleared. A press release is issued following the Executive Board's decision to limit the member's use of the PRGT resources. A similar press release will be issued following the decision to lift such limitation.
6 months	The Executive Board reviews its decision on limitation and may remove the member from the list of PRGT-eligible countries. Any reinstatement of the member on the list of PRGT-eligible countries will require a new decision of the Executive Board. A press release is issued following the Executive Board's decision to remove a member from the list of PRGT-eligible countries. A similar press release will be issued upon reinstatement of the member on the list.

Time after emergence of arrears	Action
12 months	A declaration of noncooperation with the PRGT may be issued by the Executive Board depending on the Board's assessment of the member's performance in the settlement of its arrears to the Trust and of its efforts, in consultation with the Fund, to follow appropriate policies for the settlement of its arrears. Upon a declaration of noncooperation, the Fund could decide to suspend the provision of technical assistance. The Managing Director may also limit technical assistance provided to a member, if it is in his judgment that assistance was not contributing adequately to the resolution of the problems associated with overdue to the Trust.

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