

EBS/86/283

CONFIDENTIAL

December 24, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Review of the System of Special Charges on Overdue Financial
Obligations to the Fund

The attached paper on the first review of the system of special charges on overdue financial obligations to the Fund is tentatively scheduled for discussion by the Executive Directors on Wednesday, January 7, 1987. Draft decisions appear on pages 12 and 13.

Mr. Blalock (ext. 8341) or Mr. Berthet (ext. 7633) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

Review of the System of Special Charges
on Overdue Financial Obligations to the Fund

Prepared by the Treasurer's Department

(In consultation with the Legal Department)

Approved by W. O. Habermeier

December 23, 1986

I. Introduction

A system of special charges was established on December 30, 1985, to recover direct financial costs and losses to the Fund arising from members' overdue financial obligations to the Fund. ^{1/} The system became effective on February 1, 1986. At the time the system was considered by the Executive Board, it was agreed that it would be important to review its operation on a regular basis, and that a first review would be held around the time of the FY 1987 mid-year review of the Fund's income and against the general background of the six-monthly report on overdue obligations which would be issued at about that time.

This paper is provided as background for the first review of the system of special charges and covers primarily the period February-October 1986. Section II provides information on the operation of the system and a preliminary assessment of its effectiveness to date. Certain issues with regard to the method of calculation of special charges and the question of applying a system of special charges to the Structural Adjustment Facility are discussed in Section III. The final section provides a brief summary and draft decisions for consideration by the Executive Board.

^{1/} See Executive Board Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, which is reproduced in Attachment I. See also "Special Charges on Overdue Financial Obligations to the Fund" (EBS/85/121, 5/13/85); "Financial Remedies in Connection with Overdue Financial Obligations to the Fund - Legal Aspects" (SM/85/131, 5/13/85); and "Special Charges to Recover Costs and Losses Arising from Members' Overdue Financial Obligations to the Fund - Further Consideration" (EBS/85/242, 10/29/85) and Supplement 1 (12/17/85).

II. Operation of the System

The system of special charges entered into effect on February 1, 1986. It applies to overdue financial obligations, with the exception of net SDR charges and repurchase obligations financed with borrowed resources, that were outstanding on that date or become overdue after that date, unless the obligations are settled within ten business days of February 1, 1986 or their due date, whichever is the later.

1. Rates of special charge

Under the system of special charges, the rates of special charge vary over time in accordance with movements in the rate of charge on ordinary resources and the SDR interest rate, as explained below.

a. General Department

A special charge is levied on overdue repurchase obligations financed with ordinary resources to the extent, if any, that the SDR rate of interest exceeds the rate of charge on use of ordinary resources. As the SDR interest rate over the February-October period covered by this report fluctuated within a range of 5.74-7.60 percent and, for most of the period, was below the rate of charge, special charges on overdue repurchases were levied during only a small part of the period, all of which was during the financial quarter ended April 30, 1986. For overdue charges, the system provides for a special charge equal to the rate of interest on the SDR, which was applied throughout the period.

b. Trust Fund

A special charge on overdue interest on Trust Fund loans is levied at a rate equal to one half of the sum of the rate of interest on Trust Fund loans (i.e., 0.5 percent) and the rate of interest on the SDR. During the period under review, this rate of special charge varied between 3.12-4.05 percent reflecting weekly changes in the SDR interest rate. Overdue repayments of Trust Fund loans are subject to special charges at a rate equal to one half of the sum of the rate of interest on Trust Fund loans and the SDR interest rate, less one-half percent, and the rate of special charge for this type of overdue obligation has ranged from 2.62-3.55 percent, again reflecting weekly changes in the SDR interest rate.

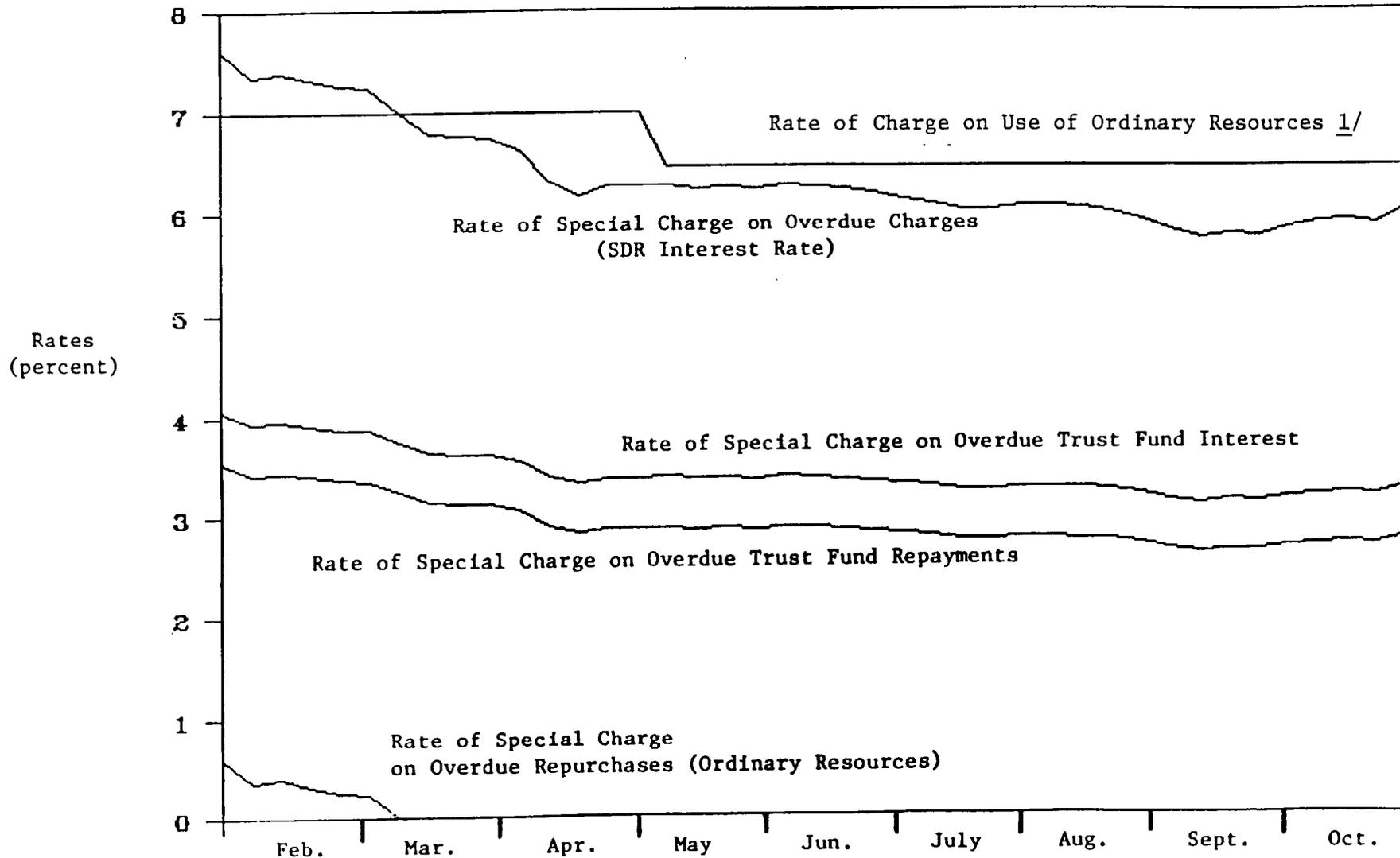
Chart 1 sets out the rate of charge, the SDR interest rate, and the rates of special charge for different types of overdue obligations for the period February-October 1986.

2. Members subject to special charges and amounts levied

As shown in Table 1, during the nine months from February to October 1986, 25 individual members were subject to special charges.

CHART 1

Rates of Special Charge
by Type of Overdue Obligation
(February-October, 1986)



1/ As adjusted under burden sharing.



Table 1. Summary of Special Charges for the Period
February-October 1986

(In thousands of SDRs)

	Type of Overdue Obligation			Total
	Repurchases	Charges	Trust Fund	
<u>February-April</u>				
Number of members	13	14	13	20
Amount levied	80	2,236	452	2,768
Amount paid	10	359	128	497
<u>May-July</u>				
Number of members	--	17	17	21
Amount levied	--	2,353	431	2,784
Amount paid	--	196	114	310
<u>August-October</u>				
Number of members	--	14	11	16
Amount levied	--	3,052	438	3,490
Amount paid	--	273	36	309
<u>Total (February-October)</u>				
Number of members	13	18	21	25
Amount levied	80	4,642	1,321	9,043
Amount paid	10	828	279	1,117
<u>Unpaid as of</u>				
<u>November 30, 1986</u>	70	6,814	1,042	7,926

Special charges levied amounted to a total of SDR 9.0 million, of which SDR 1.1 million or 12 percent had been paid as of November 30, 1986. Of the 25 members subject to special charges during this period, 17 have settled the special charges in full. As of November 30, 1986, unpaid special charges of the remaining 8 members totaled SDR 7.9 million or 88 percent of the total amount levied. The members having unpaid special charges outstanding at end-November included the five members that have been declared ineligible to use the general resources of the Fund, and three other members, two of which are currently subject to outstanding complaints under the Fund's Rules and Regulations. Almost half of outstanding special charges were due from one member (Sudan) and almost two thirds from two members (Sudan and Peru). (For details, see Attachment II.) In each of these eight cases, the uncollected special charges represent only a very small proportion of the member's total overdue obligations to the Fund.

3. Accounting for special charges

For the period February-October 1986, special charges totaling SDR 6.3 million were placed in deferred status. Special charges are not taken into account in projections of the Fund's income position, and deferred special charges are not included in the calculation of the adjustments to charges and remuneration in respect of deferred charges pursuant to Executive Board Decision No. 8348. 1/

Special charges in the General Resources Account are treated in the same way as other charges as regards accrual or nonaccrual. 2/ Thus, if a member has overdue obligations for six months or more, special charges are recorded as deferred income unless the member has remained current with respect to charges, including special charges. Special charges that have been deferred are reflected in the Fund's income only when they are actually paid to the Fund.

4. The effectiveness of the system of special charges

In requesting regular reviews of the system of special charges, Executive Directors expressed interest in reviewing both the experience in recovery of costs and losses to the Fund resulting from overdue obligations and the effectiveness of the system as an incentive for timely payment by members.

1/ Decision on Principles of "Burden Sharing", the Fund's Income Target for FY 1987 and 1988, Rate of Charge, and Rate of Remuneration (Executive Board Decision No. 8348-(86/122), 7/25/86).

2/ See EBS/85/242, Supplement 1, page 5, paragraph (g).

a. Recovery of costs of overdue obligations to the Fund

The main purpose of the system of special charges that was adopted is to recover the direct financial costs and losses to the Fund resulting from overdue obligations, from the members whose failures to make timely payments give rise to these costs. The direct financial costs to the Fund of overdue obligations can be measured in terms of interest paid or forgone by the Fund as a result of the nonpayment of obligations on their due dates, and it was agreed that the SDR rate of interest would serve as a reasonable standard to assess these costs for overdue obligations in the General Resources Account.

When deciding to base the calculation of special charges on the SDR interest rate, some Executive Directors raised the question whether the rate of remuneration could be taken better to reflect the cost to the Fund of overdue obligations in the General Resources Account. ^{1/} A question was also raised as to whether, when the rate of charge on ordinary resources exceeded the SDR interest rate (resulting in no special charge on overdue repurchases), there was not an asymmetry of treatment as between repurchases and charges and thus an implied financial incentive to remain in arrears on repurchases. The staff has reviewed these questions and continues to believe, for the reasons discussed in detail in EBS/85/121 (5/13/85), that the SDR interest rate is an appropriate and reasonable basis for the measurement of direct financial costs (or earnings forgone) of overdue obligations in the General Resources Account, both charges and repurchases of ordinary resources, and therefore for the calculation of special charges designed to recover the costs associated with those obligations. With respect to the question concerning differences between the rate of remuneration and the SDR rate of interest, it is to be noted also that the differences that gave rise to this question have been reduced and will be eliminated when the two rates are harmonized on February 1, 1987.

As regards the question about asymmetries and implied financial incentives to remain in arrears on repurchases, the system that was adopted is intended, with respect to overdue charges, to recover amounts the Fund would have earned (at the SDR interest rate) on the balances received, had the charges been paid on time; and with respect to overdue repurchases, to recover the net cost to the Fund of continuing to finance the outstanding purchase (at the SDR rate of interest less the normal rate of charge that continues to accrue). Insofar as the normal rate of charge is below the SDR interest rate, the system thus works to equalize, at the SDR interest rate, the "effective" rates

^{1/} Regarding overdue obligations to the Trust Fund, although the SDR rate of interest was also adopted as a basis for calculating special charges, a limitation on the rate of special charge on these obligations was introduced to reflect the concessionary nature of the Trust Fund.

of charge (i.e., the normal rate of charge plus the special charge) that apply to overdue repurchases on the one hand and overdue charges on the other. Although it may appear that there is an asymmetry in terms of the added inducement to make payment that results from the application of special charges, the system is not asymmetrical in the narrower terms of the recovery of direct financial costs to the Fund for which it was designed. As also discussed in the papers on which the Board's decision was based, it would be possible to apply higher special charges to overdue repurchases (for example, by applying a fixed or graduated surcharge) than are produced by the present formula, but such a system would go beyond the concept of the recovery of direct financial costs arising from overdue repurchases and would give greater weight to the objective of applying further incentives for payment. 1/

The staff therefore considers that the basic structure of the present system remains appropriate to the recovery of direct financial costs as originally intended. However, further questions have arisen about the interrelationships between special charges and adjustments to the rates of charge and remuneration to cover deferred income. These matters are discussed in Section III below.

As indicated above, special charges of SDR 9.0 million were levied during February-October 1986, of which SDR 1.1 million has been settled. The unpaid special charges are due from eight members, most of which have experienced protracted arrears to the Fund. The recovery of costs so far has therefore been only partial, and full recovery of the costs incurred from the inception of the system to date will depend on settlement in these remaining cases.

b. Incentives for timely settlement of obligations

In the Board discussions and papers on the system of special charges, it was noted that there were a number of conflicting considerations regarding the question of whether special charges could be effective in encouraging the timely settlement of obligations to the Fund. While it was not regarded as likely that special charges would be effective in fostering settlement in cases where members had deep-seated problems and large and protracted arrears, it was felt that they might contribute to prompter settlement in cases where technical or administrative problems or relative yield considerations had led to late payments.

1/ Under the implied powers that are the basis for special charges on overdue charges, the rate of special charge that can be applied is limited to that necessary to recover the cost to the Fund. Such a limitation does not apply with respect to special charges on overdue repurchases.

While the number of members in arrears to the Fund on average has stabilized or even declined somewhat since the system of special charges has been in effect, it is not evident that the system itself played a role in this development. Moreover, an examination of the timing of settlement of overdues does not reveal any significant change since the system has been in operation, as might have occurred if overdue members had endeavored to settle outstanding obligations within the ten-day grace period. Special charges have clearly not contributed to settlement in a number of the more serious cases of arrears to the Fund, and the staff has no reason to believe that they were an important factor in those cases of protracted arrears that have recently been resolved. Although it is possible that the existence of special charges may have positively affected members' efforts to remain current with the Fund, the evidence available at this time is not sufficient to conclude that the system of special charges has influenced members' payments behavior to any significant extent.

III. Operational and Other Issues

1. Special charges and adjustments to cover deferred income

Certain issues have arisen with respect to interactions between the system of special charges and the adjustments that are now being made to ordinary charges and to remuneration in order to cover deferred income pursuant to Decision No. 8348. These issues are examined below, first with respect to the application of special charges on overdue charges and second with respect to the application of special charges on overdue repurchases.

a. Special charges on overdue charges

When charges are not paid on time, the Fund fails to receive an asset on which it would otherwise earn interest. Therefore, apart from the immediate effect on the Fund's income, the Fund sustains a further loss, in terms of earnings forgone on the balances that should have been received, so long as the overdue charges remain outstanding. The special charge on overdue charges, which is levied at the SDR interest rate on the amount of overdue charges outstanding, is intended to recover this loss of earnings.

The introduction of the system of adjustments to ordinary charges and remuneration to cover unpaid charges that are placed in deferred status has a bearing on the loss in question. 1/ That is, when such

1/ While deferred income was also a factor in determining the rate of charge during FY 1986, the system of discrete adjustments in respect of deferred charges, which are refundable when the deferred charges are paid to the Fund, has applied only from the beginning of FY 1987. It

adjustments are made, the Fund's interest-earning balances 1/ are, in effect, restored to the level that would have prevailed had the deferred charges in question been paid. At that point and to that extent, therefore, the Fund no longer incurs the loss whose recovery is the object of the special charge; the loss, again in terms of earnings forgone, is instead borne by the members that contribute to the adjustments for deferred income. However, so long as unpaid charges are not placed to deferred income (which may be a period as long as six months) 2/ and are therefore not covered by the adjustments to charges and remuneration, the Fund continues to sustain the loss of earnings that the special charge is designed to recover.

The adjustments to charges and remuneration in respect of deferred charges therefore have the consequence that the costs to the Fund in terms of earnings forgone on account of overdue charges are compensated to the extent such adjustments are made. But this compensation is at the expense of the generality of members using Fund resources and of members whose currencies finance that use rather than the members whose failures to pay give rise to the costs in question. The staff does not conclude that this situation should lead to a modification in the application of special charges on overdue charges, which are intended

1/ (Cont'd from p. 6) would not be possible to determine in retrospect what decisions would have been taken with respect to the rate of charge in FY 1986 if, for example, there had been no deferred income in FY 1986 or deferred income had been paid at the close of the financial year. Accordingly, the considerations in this section are confined to the adjustments to the rate of charge and rate of remuneration that are made under the system now in effect for FY 1987 and FY 1988, pursuant to Decision No. 8348.

1/ The adjustments for deferred income include both increased payments of charges and reduced payments of remuneration. With respect to higher receipts of charges, the Fund's income-earning balances are increased. With respect to reduced payments of remuneration, either (i) the Fund's income-earning balances are maintained at levels higher than they would otherwise be or (ii) members' remunerated positions and thus the Fund's remuneration expense are lower than they would otherwise be. For the purposes of this discussion, all of these are regarded as equivalent in terms of their recovery of costs to the Fund, although there remain small differences between the rate of remuneration and the SDR rate of interest. These differences will disappear when the two rates are harmonized on February 1, 1987.

2/ Overdue charges are removed from accrued income and placed to deferred income when any financial obligation of the member is overdue for six months or more. Charges from the member will be recorded as income only when paid, and charges will be accrued as income only when the member has become current again in the payment of charges. See "Accounting for Charges from Members with Overdue Obligations" (EBS/86/73, 8/1/86).

to recover damages in terms of income forgone from those members whose failure to pay on time gives rise to those damages. It is suggested, however, that when special charges on deferred charges are actually received by the Fund (which would, all other things being the same, raise the Fund's income above target), consideration could be given during reviews of the Fund's income, depending on the circumstances at the time, to techniques by which that excess could be used in ways that would mitigate the financial consequences for members of the adjustments of charges and remuneration to cover deferred charges.

b. Special charges on overdue repurchases

Members' failures to make repurchases of ordinary resources on time give rise to a cost to the Fund that is measured as the difference, if positive, between the cost of financing the outstanding purchase and the charges that continue to accrue on that purchase. As discussed above, for the purposes of the system of special charges, this cost is calculated as the difference, if positive, between the SDR rate of interest and the rate of charge on ordinary resources.

The mechanism for setting the rate of charge on ordinary resources under the decision on burden sharing raises a question as to the appropriate basis for calculating the rate of special charge on overdue repurchases. For the first half of FY 1987, the rate of special charge on overdue repurchases was calculated on the basis of the rate of ordinary charge after adjustment for deferred income, 1/ in accordance with the decision on special charges. 2/

However, it is not clear whether a strict application of this decision, which resulted in a slight reduction in the amount of special charges levied, still achieves the intended result. The adjustments to the rates of charge and remuneration under the decision on burden sharing do not, in the aggregate, mean that the Fund receives more income than it would have received had all charges been paid on time. For example, the adjustments to charges and remuneration in the first half of FY 1987 did no more than restore the Fund's income position to what it would have been in the absence of any placements to deferred income. The net costs to the Fund that arise from the financing of overdue repurchases are, therefore, not recovered, in full or in part, by these adjustments. Moreover, when deferred income is eventually paid, the proceeds of these payments will not strengthen the Fund's income position at that time, but will be transferred to the members that had borne the cost of the adjustments. From the point of view of

1/ See "Adjustment to the Rate of Charge and the Rate of Remuneration for the First Half of FY 1987" (EBS/86/242, 11/4/86).

2/ Executive Board Decision No. 8165-(85/189) G/TR.

an individual member having an overdue repurchase, the adjustment to the rate of charge represents its contribution to the coverage of deferred income and does not compensate the Fund for the loss sustained in financing the overdue repurchase. Furthermore, the member will receive a refund of the adjustment as and when the corresponding deferred income is received by the Fund.

On the basis of the foregoing, the staff concludes that during FY 1987 and FY 1988 special charges on overdue repurchases of ordinary resources should be levied at a rate equal to the difference, if positive, between the SDR rate of interest and the rate of charge on ordinary resources determined at the beginning of the financial year 1/ (i.e., before any adjustment in respect of deferred income during the relevant period). This modification would require an amendment of Decision No. 8165-(85/189) G/TR for financial years 1987 and 1988, and such an amendment is proposed below.

2. Special charges on overdue obligations under the Structural Adjustment Facility (SAF)

Special charges are intended to compensate the Fund for direct financial costs and losses incurred as a result of overdue obligations. Similar considerations are relevant with respect to overdue obligations under the SAF. Repayments of principal and payments of interest on SAF loans are available for use under the SAF within the Special Disbursement Account. Overdue obligations, therefore, reduce the available resources of the SAF. In addition, resources of the Special Disbursement Account are to be invested pending their use, and the income from these investments is also available for use under the Facility. SAF recipients and the Fund thus lose the return on investment with respect to amounts overdue to the SAF.

Taking into account the investment return and uses of the resources of the Special Disbursement Account and the concessional nature of Trust Fund operations, it was decided by the Executive Board to adopt a rate of special charge on overdue Trust Fund obligations pitched at a point mid-way between the yield on loans from the Trust Fund and the SDR rate of interest. As the same considerations would seem to apply in the case of the SAF, the staff proposes that the Executive Board adopt a decision which would have the effect of instituting a system of special charges for overdue SAF obligations identical to the one in effect for overdue Trust Fund obligations.

No provision for special charges on overdue interest or repayments is contained in the regulations for the SAF. However, under Article V,

1/ That is, the rate determined under Section III.1 of Decision No. 8348.

Section 12(j) of the Articles, the Fund has the authority to add such provisions to the regulations by a 70 percent majority. A decision prescribing the imposition of special charges on overdue obligations under the SAF would apply to existing loans from the effective date of the decision. 1/ A draft decision for this purpose is proposed below.

IV. Summary and Proposed Decisions

1. Summary

a. This paper provides background for the Executive Board's first review of the system of special charges, which was established on December 30, 1985 and became effective on February 1, 1986. The system is designed to recover direct financial costs to the Fund, in terms of interest forgone or paid by the Fund as a result of the nonpayment of obligations by members. Calculations of special charges are based on the SDR interest rate for overdue obligations in the General Resources Account, and on one half of the sum of the SDR interest rate and the rate of interest on Trust Fund loans for overdue Trust Fund obligations.

b. During the first nine months of operation of the system, 25 individual members were subject to special charges for a total of SDR 9.0 million, of which SDR 1.1 million had been paid by end-November 1986. As of November 30, 1986, unpaid special charges by 8 members totaled SDR 7.9 million or 88 percent of the total amount levied. Five of these members have been declared ineligible to use the general resources of the Fund and among the remaining three members, two are currently subject to outstanding complaints under the Fund's Rules and Regulations.

c. The main purpose of the system of special charges is to recover direct financial costs and losses of income to the Fund resulting from overdue obligations, and the SDR rate of interest was adopted as a standard to assess these costs and losses. The staff believes that this rate continues to be reasonable and appropriate for this purpose. So far, however, the system has been only partly successful in recovering costs to the Fund. In addition, the staff does not believe that there is sufficient evidence to conclude that the system has influenced members' payments performance to any significant extent. The immediate prospects are dependent on the settlement of obligations by a number of members facing protracted difficulties in making payments to the Fund.

1/ Interest on SAF loans will become payable for the first time on December 31, 1986, while repayment of SAF loans will begin in the first half of 1992.

d. The paper has examined questions that have arisen in connection with interactions between special charges and adjustments to the rates of ordinary charge and remuneration to cover deferred income. No basic modification of the system of special charges is suggested as a result of this examination. However, the staff would propose that for FY 1987 and FY 1988 the calculation of special charges on overdue repurchases be based on the rate of charge determined at the beginning of the financial year (i.e., before any adjustment to cover deferred income), and a decision having that effect is proposed below. Adoption of this decision would require a seventy percent majority of the total voting power. With respect to receipts of special charges on deferred charges that have been subject to adjustments to charges and remuneration, the staff suggests that these receipts be used to mitigate the financial consequences for members of these adjustments by reducing charges and increasing remuneration. The form of such mitigation would be considered in the course of the Executive Board's reviews of the Fund's income, in light of actual receipts of such special charges and other aspects of the Fund's income position.

e. Subsequent to adoption of the system of special charges, the Fund has established the Structural Adjustment Facility. The staff believes that the considerations which led to the adoption of special charges on overdue Trust Fund obligations apply equally to overdue obligations under the SAF. It is therefore proposed to amend the Regulations for the Administration of the SAF (Annex to Decision No. 8238(86/56) SAF) to provide for special charges on overdue SAF obligations on terms identical to those in effect for overdue Trust Fund obligations. Adoption of this decision would require a 70 percent majority of the total voting power.

2. Proposed decisions

The following draft decisions are proposed for adoption by the Executive Board.

- a. Special charges on overdue financial obligations to the Fund - review of decision

The Fund has reviewed Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, which became effective on February 1, 1986.

- b. Calculation of special charges on overdue repurchases of ordinary resources - amendment of decision

The following sentence shall be added at the end of paragraph I.3 of Decision No. 8165-(85/189) G/TR, adopted December 30, 1985:

For the purposes of this calculation, any adjustment in the rate of charge referred to in Rule I-6(4) that may be made under Section V, paragraph 2(b) of Decision No. 8348-(86/122), adopted July 25, 1986, shall not be taken into consideration.

c. Special charges on overdue repayments and interest on loans under the SAF

The following sentence shall be added at the end of paragraph 7, subparagraph 1 of the Regulations for the Administration of the SAF (Annex to Decision No. 8238-(86/56) SAF, adopted March 26, 1986):

Additional interest shall be charged on (i) the amount of overdue interest on Structural Adjustment Facility loans, at a rate equal to one half of the sum of the rate of interest on loans under the Structural Adjustment Facility and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of loans under the Structural Adjustment Facility, at a rate equal to one half of the sum of the rate of interest on loans under the Structural Adjustment Facility and the rate of interest on the SDR, less one-half percent, and subject to the rules on waiver, notification, and payment of special charges under Executive Board Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, or any subsequent decision of the Fund thereon.

INTERNATIONAL MONETARY FUND

Special Charges on Overdue Financial Obligations to the Fund

(Executive Board Decision No. 8165-(85/189) G/TR,
Adopted December 30, 1985)

I. Overdue Repurchases

1. Pursuant to Rule I-6(8) the Fund has reviewed the rates of charge to be levied under Article V, Section 8(c) on its holdings of a member's currency that have not been repurchased in accordance with the requirements of the Articles or decisions of the Fund.

2. Within three business days after (i) the due date for the repurchase by a member of the Fund's holdings of its currency resulting from purchases of the Fund's ordinary resources or (ii) the effective date of this decision, whichever is the later, the Fund shall consult with the member on the reduction of the Fund's holdings of the member's currency that should have been repurchased. The consultation shall take place by rapid means of communication.

3. Unless the Fund's holdings of the member's currency are reduced within the period referred to in Section IV below by the amount that should have been repurchased, the rate of charge on the holdings that should have been repurchased shall be increased by a percentage equal to the excess, if any, of the rate of interest on the SDR over the rate of charge levied on the holdings under Rule I-6(4) or (11).

II. Overdue Charges in the General Resources Account

A special charge equal to the rate of interest on the SDR shall be paid by a member on the unpaid amount of charges owed by it under Article V, Section 8(a) and (b).

III. Overdue Interest and Repayments on Trust Fund Loans

The Fund shall levy a special charge on (i) the amount of overdue interest on Trust Fund loans, at a rate equal to one-half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, and (ii) the overdue amounts of repayments of Trust Fund loans, at a rate equal to one-half of the sum of the rate of interest on Trust Fund loans and the rate of interest on the SDR, less one-half percent.

IV. Waiver of Special Charges

Special charges under Sections I, II, and III above shall be levied in respect of an overdue financial obligation as of the due date or the effective date of this decision, whichever is the later, unless the obligation is discharged within ten business days after the applicable date.

V. Notification and Payment of Special Charges

1. Special charges levied under this Decision shall be payable following the end of each of the Fund's financial quarters and the member shall be notified promptly of any special charges due. The charges shall be payable on the third business day following the dispatch of the notification.

2. Special charges in respect of overdue repurchases and charges in the General Resources Account shall be paid in SDRs to that Account. Special charges in respect of overdue repayments and interest on Trust Fund loans shall be paid in U. S. dollars to the Special Disbursement Account.

VI. Entry into Effect and Review

This Decision will enter into effect on February 1, 1986. It will be reviewed shortly after October 31, 1986 at the time of the mid-year review of the Fund's income position for the financial year ending April 30, 1987, and thereafter annually in connection with the annual reviews of the Fund's income position.

Attachments

Special Charges for the period February-October 1986

Member	For quarter ended April 30, 1986				For quarter ended July 31, 1986				For quarter ended October 31, 1986				Total Unpaid as of 11/30/86
	of which:				of which:				of which:				
	GRA	Trust Fund	Total	Paid	GRA	Trust Fund	Total 1/	Paid	GRA	Trust Fund	Total	Paid	
Cent. Afr. Rep.	--	1,153	1,153	1,153	--	--	--	--	--	--	--	--	--
Dominica	40	--	40	40	--	--	--	--	--	--	--	--	--
Equatorial Guinea	--	--	--	--	--	68	68	68	--	874	874	874	--
Gambia, The	19,820	8,317	28,137	28,137	16,923	8,801	25,724	25,724	--	--	--	--	--
Grenada	--	--	--	--	60	1	61	61	56	--	56	56	--
Guatemala	2,015	--	2,015	2,015	--	--	--	--	--	--	--	--	--
Guinea	--	451	451	451	3,069	442	3,511	3,511	--	--	--	--	--
Guinea-Bissau	160	--	160	160	286	--	286	286	320	--	320	320	--
Guyana	107,576	--	107,576	--	108,079	--	108,079	--	128,602	2,915	131,517	--	347,172
Haiti	14,469	3,768	18,237	18,237	7,035	682	7,717	7,717	1,770	2,140	3,910	3,910	--
Jamaica	19,490	--	19,490	19,490	95,752	--	95,752	--	316,311	--	316,311	--	412,063
Liberia	281,203	56,190	337,393	--	283,006	56,388	339,394	--	353,854	68,830	422,684	--	1,099,471
Morocco	--	--	--	--	--	417	417	417	39,789	8,107	47,896	47,896	--
Peru	426,064	--	426,064	--	454,125	--	454,125	--	460,428	--	460,428	--	1,340,617
Romania	36,963	--	36,963	36,963	41,701	--	41,701	41,701	196,547	--	196,547	196,547	--
St. Lucia	--	--	--	--	5	--	5	5	--	--	--	--	--
Sierra Leone	94,954	35,751	130,705	130,705	94,208	40,500	134,708	134,708	34,701	25,047	59,748	59,748	--
Somalia	124,665	7,932	132,597	132,597	6,672	932	7,604	7,604	22,987	622	23,609	--	23,609
Sudan	1,047,899	164,701	1,212,600	--	1,035,487	163,254	1,198,741	--	1,122,507	192,967	1,315,474	--	3,726,815
Tanzania	33,384	59,937	93,321	93,321	26,138	59,559	85,697	85,697	--	--	--	--	--
Uganda	23,434	6,278	29,712	29,712	--	265	265	265	--	--	--	--	--
Viet Nam	84,272	102,760	187,032	--	75,542	97,693	173,235	--	78,940	117,020	195,960	--	556,227
Yemen, PDR	--	3,685	3,685	3,685	--	--	--	--	--	--	--	--	--
Zaire	--	491	491	491	--	53	53	53	--	16	16	16	--
Zambia	--	--	--	--	105,300	1,844	107,144	1,844	295,650	19,385	315,035	--	420,335
	2,316,408	451,414	2,767,822	497,157	2,353,388	430,899	2,784,287	309,661	3,052,462	437,923	3,490,385	309,367	7,926,309

1/ As adjusted following the retroactive adjustment of the rate of charge.