

Document: EB 2008/93/R.22
Agenda: 11(c)(i)
Date: 7 March 2008
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

Status report on arrears in principal, interest and service charge payments

Executive Board — Ninety-third Session
Rome, 22-23 April 2008

For: **Information**

Note to Executive Board Directors

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Status report on arrears in principal, interest and service charge payments

1. The present document provides information on the status of arrears as at 31 December 2007 with respect to the payment of principal, interest and service charges due under the Regular Programme and the Special Programme for Sub-Saharan African Countries Affected by Drought and Desertification (SPA). The report comprises five tables, as described below.

Table 1: Principal, interest and service charge payments in arrears by region and lending programme

2. Payments in arrears for 15 days or more increased to US\$105.0 million as at 31 December 2007 (US\$103.5 million under the Regular Programme and US\$1.5 million under the SPA), from US\$102.6 million at 31 December 2006 (US\$100.9 million under the Regular Programme and US\$1.7 million under the SPA). This situation was concentrated mainly in Africa, with 59.2 per cent of total arrears (44.6 per cent in the Western and Central Africa region and 14.6 per cent in the Eastern and Southern Africa region); in one country of the Latin America and the Caribbean region (Cuba), which accounted for 23.2 per cent; and in one country of the Near East and North Africa region (Somalia), which accounted for 15.6 per cent. The amount for countries with outstanding arrears in excess of three years for which there was no settlement plan (by length of time: Liberia, Cuba, Somalia, Togo, Solomon Islands¹, the Central African Republic and Zimbabwe) accounted for 86.3 per cent of the total arrears figure. It should be noted that the number of loans in arrears as at 31 December 2007 compared to 31 December 2006 decreased from 70 to 55.

Table 2: Principal, interest and service charge payments in arrears by borrower and number of days overdue

3. This table details the overdue amounts by duration. The time periods reflect the procedure followed by IFAD when the amount exceeds US\$10,000 or its equivalent. Sanctions begin on the 75th day of arrears with the suspension of disbursements for any active loans in arrears. At 120 days of arrears, the entire portfolio of active loans is suspended for the borrower. At 180 days of arrears, loans are placed in non-accrual status and reported as such in the year-end financial statements. This table also includes borrowers with debt relief approved under the Debt Initiative for Heavily Indebted Poor Countries, as the amounts are still outstanding on IFAD's books.
4. The number of borrowers with arrears of 75 days or over decreased from 17 at 31 December 2006 to 13 at 31 December 2007, and the total number of borrowers with arrears increased from 23 at 31 December 2006 to 24 at 31 December 2007.

Table 3: Historical data on loans with principal, interest and service charge payments in arrears for 75 days or more

5. This table gives a historical comparison of loans that had reached the critical 75th day, i.e. when disbursements for active loans in arrears are suspended. As can be seen from the table, although the amount in arrears continued to rise, the number of loans with arrears of over 75 days (total of 34) remains relatively stable at 6 per cent.

Table 4: Principal, interest and service charge payments in arrears by lending terms

6. This table gives a breakdown of amounts in arrears by lending-term category (i.e. highly concessional, intermediate and ordinary terms).

¹ Paid as at 31 January 2008.

Table 5: Cumulative loan payments, arrears and reflows

7. This table shows cumulative amounts paid for principal and interest on IFAD loans since 1979, total arrears as at 31 December 2007 and total reflows for the period 1979-2007. As at 31 December 2007, arrears represented 3.2 per cent of total loan reflows (principal plus interest) since IFAD began operations.

Table 1
**Principal, interest and service charge payments in arrears
 by region and lending programme^a**

(As at 31 December 2007 at historical exchange rates)

	<i>Number of loans</i>	<i>Thousands of United States dollars</i>		
		<i>Principal</i>	<i>Interest and service charges</i>	<i>Total arrears</i>
Regular Programme				
Western and Central Africa	28	30 356	14 977	45 333
Eastern and Southern Africa	10	11 515	3 771	15 286
Asia and the Pacific	5	1 123	561	1 684
Latin America and the Caribbean	2	14 637	10 130	24 767
Near East and North Africa	5	12 281	4 183	16 464
Subtotal	50	69 912	33 622	103 534
Special Programme for Sub-Saharan African Countries (SPA)				
Western and Central Africa	5	1 113	396	1 509
Subtotal	5	1 113	396	1 509
Combined Regular Programme and SPA				
Western and Central Africa	33	31 468	15 374	46 842
Eastern and Southern Africa	10	11 515	3 771	15 286
Asia and the Pacific	5	1 123	561	1 684
Latin America and the Caribbean	2	14 637	10 130	24 767
Near East and North Africa	5	12 281	4 183	16 464
Total	55	71 024	34 019	105 043

^a Amounts reported were delinquent for 15 days or more. Arrears of US\$10,000 or less were not included in this report.

Table 2
**Principal, interest and service charge payments in arrears by borrower
 and number of days overdue**

(As at 31 December 2007 at historical exchange rates)

<i>Borrower</i>	<i>Thousands of United States dollars</i>						<i>Total amount overdue</i>
	<i>15 to 29 days</i>	<i>30 to 59 days</i>	<i>60 to 74 days</i>	<i>75 to 119 days</i>	<i>120 to 179 days</i>	<i>180 days and over</i>	
Burundi	102	-	-	-	-	-	102 ^a
Central African Republic	-	200	-	387	52	8 074	8 713
Costa Rica	357	-	-	-	-	-	357 ^c
Côte d'Ivoire	30	-	-	-	-	-	30
Cuba	-	-	-	-	253	24 158	24 411
Democratic Republic of the Congo	-	78	-	296	100	5 798	6 272 ^b
Gabon	196	-	-	-	-	-	196 ^a
Gambia (The)	-	-	-	22	-	-	22
Guinea	-	-	164	-	-	-	164 ^a
Guinea-Bissau	57	-	133	-	-	3 073	3 263
Kenya	24	-	-	-	-	-	24 ^a
Democratic People's Republic of Korea	-	102	793	-	-	7	902 ^a
Liberia	-	302	-	-	-	18 398	18 700
Mali	-	436	1 013	-	-	-	1 449
Namibia	-	265	-	-	-	-	265 ^a
Nigeria	207	-	-	-	-	-	207 ^a
Palestine Liberation Organization/ Palestinian Authority	-	-	-	12	-	29	41
Seychelles	-	-	-	-	45	61	106
Solomon Islands	-	-	-	66	-	715	781 ^a
Somalia	-	170	6	-	185	16 062	16 423
Swaziland	-	710	-	-	-	-	710
Chad	279	-	-	-	-	-	279
Togo	43	-	-	456	-	7 048	7 547
Zimbabwe	-	89	-	853	126	13 011	14 079
Total	1 295	2 352	2 109	2 092	761	96 434	105 043

^a Paid as of the date of this report.

^b Borrowers with debt settlement plans or arrears covered under the Debt Initiative for Heavily Indebted Poor Countries.

^c Arrears for Costa Rica result from a correction of the billing process of which the Government was not aware. In fact, two principal instalments were not billed because the amounts disbursed were lower than the amounts to be repaid as per amortization schedule. The necessary explanations have been provided to the borrower and the settlement is now pending Government approval.

Table 3
**Historical data on loans with principal, interest and service charge payments in arrears
for 75 days or more**

(As at 31 December 2007 at historical exchange rates)

<i>Reporting date</i>	<i>Total loans billed</i>	<i>Number of loans billed with arrears of 75 days or more</i>	<i>Loans in arrears 75 days or more as a percentage of total number of loans billed</i>	<i>Thousands of United States dollars</i>		
				<i>Principal in arrears</i>	<i>Interest and service charges in arrears</i>	<i>Total amount in arrears</i>
31-Dec-87	186	15	8	671	792	1 463
31-Dec-88	211	21	10	4 558	3 076	7 634
31-Dec-89	228	28	12	6 667	5 028	11 695
31-Dec-90	250	33	13	15 267	7 710	22 977
31-Dec-91	275	34	12	15 054	8 400	23 454
31-Dec-92	287	38	13	15 870	5 602	21 472
31-Dec-93	313	28	9	16 731	7 916	24 647
31-Dec-94	341	37	11	23 305	10 045	33 350
31-Dec-95	369	44	12	27 635	12 120	39 755
31-Dec-96	395	41	10	29 775	12 797	42 572
31-Dec-97	425	40	9	30 011	12 886	42 897
31-Dec-98	464	35	7	34 179	13 352	47 531
31-Dec-99	488	29	6	35 426	15 737	51 163
31-Dec-00	510	44	9	38 585	17 034	55 619
31-Dec-01	530	43	8	38 907	18 682	57 589
31-Dec-02	549	47	9	47 049	21 092	68 141
31-Dec-03	561	42	7	51 212	23 093	74 305
31-Dec-04	571	36	6	55 594	25 149	80 743
31-Dec-05	575	39	7	59 002	27 184	86 186
31-Dec-06	587	38	6	67 502	31 290	98 800
31-Dec-07	604	34	6	66 767	32 521	99 288

Table 4

Principal, interest and service charge payments in arrears by lending terms

(As at 31 December 2007 at historical exchange rates)

<i>Thousands of United States dollars</i>				
<i>Lending terms</i>	<i>Principal</i>	<i>Interest and service charges</i>	<i>Total</i>	<i>Percentage</i>
Highly concessional	37 079	13 804	50 883	48
Intermediate	33 324	20 177	53 501	51
Ordinary	622	37	659	1
Total	71 025	34 018	105 043	100

Percentage for previous years

<i>Lending terms</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
Highly concessional	44	45	46	50	52
Intermediate	52	52	53	49	48
Ordinary	4	3	1	1	0
Total	100	100	100	100	100

Table 5
Cumulative loan payments, arrears and reflows
 (As at 31 December 2007 at historical exchange rates)

<i>Year</i>	<i>Thousands of United States dollars</i>		
	<i>Interest</i>	<i>Principal</i>	<i>Total</i>
1979	1	-	1
1980	128	-	128
1981	717	-	717
1982	2 129	-	2 129
1983	4 121	1 471	5 592
1984	7 595	15 262	22 857
1985	10 775	12 217	22 992
1986	17 130	23 468	40 598
1987	22 512	18 535	41 047
1988	25 482	30 813	56 295
1989	26 735	38 927	65 662
1990	30 142	47 672	77 814
1991	35 273	69 206	104 479
1992	38 383	76 895	115 278
1993	36 119	81 783	117 902
1994	37 431	89 015	126 446
1995	42 926	109 949	152 875
1996	39 989	110 069	150 058
1997	42 427	116 805	159 232
1998	41 917	122 556	164 473
1999	43 679	133 216	176 895
2000	43 991	136 423	180 414
2001	42 113	127 920	170 033
2002	42 296	127 551	169 847
2003	47 471	139 625	187 096
2004	48 371	171 788	220 159
2005	47 830	154 942	202 772
2006	44 409	148 513	192 922
2007	49 967	171 991	221 958
Total paid	872 059	2 276 612	3 148 671
Arrears as at 31 December 2007 ^a			105 043
Total reflows			3 253 714

^a Total arrears were equivalent to 3.2 per cent of total reflows (principal and interest) since IFAD began operations.