
APPENDIX 1. ACCOUNTS WITH THE IMF

INTRODUCTION

466. This appendix describes the recommended treatment of accounts with the IMF (the Fund) in monetary statistics. This subject warrants particular attention because of the special characteristics of member countries' financial relations with the Fund and the special accounting procedures used by member countries for recording their financial positions with the Fund.

467. The Fund is a cooperative intergovernmental monetary and financial institution. Its policies and activities are guided by its charter, known as the Articles of Agreement (the Articles). The Fund is unique among intergovernmental organizations in its combination of regulatory, consultative, and financial functions.⁵¹

468. The Fund maintains a large pool of resources from which it can draw funds to help finance temporary imbalances in the balance of payments of its members. These resources are of a revolving character and are derived from deposits made by member countries at the time they join the Fund or when their quota subscriptions are increased following periodic reviews of the quotas. The Fund can supplement these resources temporarily by borrowing from its members.

469. The use of Fund resources most often takes place within the framework of Stand-By or Extended Fund Facility (EFF) Arrangements between the member and the Fund. In such cases, a member acquires Fund resources by using its currency to purchase SDRs or readily usable foreign exchange from the Fund. To

settle obligations to the Fund arising from the use of Fund resources, a member repurchases its currency from the Fund using SDRs or foreign exchange. All accounts and transactions of the Fund are denominated in SDRs.

470. On several occasions, the Fund has acted as a source of additional international liquidity through the creation and allocation to its members of SDRs, a reserve asset that can be transferred among Fund members and other authorized holders including the Fund. The Fund also maintains a range of additional financial arrangements, including the Poverty Reduction and Growth Facility (PGRF), formerly called the Enhanced Structural Adjustment Facility (ESAF) Trust, in which it technically acts as trustee.

471. The financial transactions and operations of the Fund are conducted through the General Department, the SDR Department, and the Administered Accounts. The bulk of transactions between member countries and the Fund take place through the General Resources Account (GRA), which is part of the General Department. This account handles the receipt of quota subscriptions, purchases and repurchases, receipt and refunding of charges, payment of remuneration on members' loan claims and on creditor positions in the Fund, and repayment of principal to the Fund's lenders. The assets held in the GRA comprise currencies of Fund member countries and the Fund's own holdings of SDRs and gold. The SDR Department records all transactions and operations involving SDRs. Administered Accounts are legally and financially separate from all other accounts of the Fund. They represent resources that have been contributed by members and held by the Fund for purposes that are consistent with the Articles, such as financial and technical assistance.

RECORDING OF IMF ACCOUNTS

472. The principles relating to sectorization, classification of financial instruments, and valuation that this manual recommends apply equally to the treatment of Fund accounts. Thus,

⁵¹For a detailed discussion of the Fund's financial organization and operations, see International Monetary Fund, *Financial Organization and Operations of the IMF*, IMF Pamphlet Series, No. 45 fifth edition (Washington: International Monetary Fund, 1998).

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the central bank's SDR-denominated positions with the Fund should be valued (in local currency) at market exchange rates, and assets and liabilities should be recorded on a gross basis. All transactions with the Fund are with the rest of the world (i.e., nonresidents).

473. The following section describes the procedures in the monetary statistics when all Fund accounts are recorded in the central bank balance sheet. This is followed by a discussion of the statistical treatment of Fund accounts for countries in which positions with the Fund and transactions with the Fund are shared between the central bank and the government.

THE CENTRAL BANK'S BALANCE SHEET INCLUDES ALL FUND ACCOUNTS

474. In the majority of member countries, the central bank is the sole institution that transacts with the Fund. In such cases, the central bank records all of the member's transactions with the Fund and the member's balances in the various Fund accounts. The balance sheet of the central bank will then normally include the following:

On the assets side:

- *Holdings of SDRs* that can be acquired through allocations by the Fund or through transactions with the Fund or other designated holders.
- *Claims on the IMF* arising from (1) the country's payment of its quota subscription in reserve assets and national currency and (2) loans to the Fund.

On the liabilities side:

- *Deposits of the IMF* at the country's central bank that are maintained in the IMF No. 1 and No. 2 accounts and, in some cases, in a securities account. Balances in these accounts are created by (1) the payment of the national currency component of the quota subscription and (2) purchases of the Fund's resources (normally in the form of SDRs or

convertible foreign currency) in exchange for domestic currency.⁵² Such purchases are conducted through the GRA. They can include the use of the country's reserve tranche (discussed below) and use of Fund credit under various Fund facilities, principally Stand-By and Extended Arrangements.

- *Loans received from the IMF* that are provided through accounts administered by the Fund; PRGF loans are the principal example.
- *Allocations of SDRs* that are provided to member countries by the Fund with no requirement to repay and are recorded in the central bank's balance sheet under the category for *shares and other equity* rather than as foreign liabilities.
- *Exchange revaluations*, also recorded under *shares and other equity*, reflect the counterparts to changes, positive or negative, in all of the above positions with the Fund that are due to changes in the market exchange rate between the member's currency and the SDR.

475. A country's financial position with the Fund can also be presented in an analytic format that focuses on the components of IMF-related assets that are considered to be reserve assets and IMF-related liabilities that arise from the use of Fund credit and loans. This presentation, shown in Table 1, identifies the following IMF-related positions:

- *Holdings of SDRs*. This item can be directly identified in the balance sheet of the central bank.
- *Reserve tranche position in the IMF*. The reserve tranche position in the Fund is an international reserve asset that represents a member's automatic (unconditional) drawing right in the Fund, created by the payment of the foreign exchange component of the quota subscription and capable of being expanded by the Fund's use of the member's currency in its

⁵²Balances in the IMF No. 2 account, which can be used to cover a country's administrative expenses associated with its membership in the Fund, are created by the Fund's transferring up to one-tenth of one percent of quota from the IMF No. 1 account.

transactions with other member countries.⁵³ A country's reserve tranche position is equal to its quota *less* the Fund's holdings of the member's currency that are not related to use of Fund credit. The domestic currency component of a member's quota subscription (about three-quarters of the total subscription) is a foreign asset of the member but is not considered a reserve asset because it is not readily available to the member to finance the member's external payments. A member's reserve tranche position cannot be constructed directly from information in the sectoral balance sheet of the central bank; detailed accounting records of the country's transactions with the Fund are required to identify separately the components of Fund holdings of the member's currency that are needed for the calculation.

- *Loans to the IMF.* This item can be directly identified in the balance sheet of the central bank.
- *Use of Fund credit.* This item measures the member's outstanding purchases of Fund resources through the GRA, the counterparts of which are increases in the member's national currency liabilities to the Fund. Outstanding purchases of Fund resources through the GRA are equal to all purchases minus repurchases, excluding transactions within the reserve tranche. Detailed records of the member's transactions with the Fund are required to identify the component of the Fund's holdings of the member's currency that arise from the use of Fund credit.
- *Loans from the IMF.* This item can be directly identified in the balance sheet of the central bank.

⁵³For example, if member A purchases member B's currency in the course of using Fund resources, the Fund's holdings of B's currency fall, and there is an equal increase in B's reserve tranche position. This increase in B's reserve tranche position recognizes the possibility that A will ask B to exchange its national currency for reserve assets such as U.S. dollars or SDRs.

Table 1. IMF-Related Reserve Assets and Reserve-Related Liabilities – Analytical Presentation

Assets		Liabilities	
(i)	SDR holdings	(i)	Use of Fund credit
(ii)	Reserve tranche position	(ii)	Loans from IMF
(iii)	Loans to the IMF		

FUND ACCOUNTS ARE INCLUDED IN THE BALANCE SHEETS OF THE CENTRAL BANK AND THE MINISTRY OF FINANCE

476. In a number of countries, not all transactions with the Fund are undertaken by the central bank. In most of these countries, the Ministry of Finance undertakes transactions with the Fund without central bank involvement. The central bank's balance sheet may record only minimal balances in the IMF No. 1 and No. 2 accounts, while all other positions with the Fund are financial assets and liabilities of the government. A typical example of such a situation would have the quota subscription, holdings of SDRs, the allocation of SDRs, and balances in the securities account outside the balance sheet of the central bank. It should be noted that, while the accounting presentation for this case differs from that in the previous section, the consolidated analytical format (as shown in Table 1) would be the same.

477. Many users of monetary statistics find it useful for analytical and financial programming purposes to consolidate all of the members' positions with the Fund. This technique is also often applied to currency issue and transactions in other international reserve assets undertaken by the Ministry of Finance or other agencies outside the central bank. The resulting augmented central bank balance sheet is commonly known as the monetary authorities account.

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478. The consolidation of Fund account positions of the government in the monetary authorities account expands the gross foreign assets and liabilities recorded in that account and enables it to be linked directly to the changes in Fund-related international reserve assets and reserve-related liabilities that are recorded in the balance of payments statistics. It also creates counterpart relationships between the monetary authorities and the central government that must be recorded in the monetary authorities account to ensure the integrity of the double-entry accounting system. For example, when a country's quota position in the Fund is moved from the balance sheet of the Ministry of Finance to the monetary authorities account, the monetary authorities acquire a foreign asset and a corresponding liability to the government. Similarly, when the monetary authorities acquire from the government liabilities to the Fund in the form of balances in the securities account, they also acquire a corresponding claim on the government.

479. One way of recording the counterparts arising from the consolidation of the government's positions into the monetary authorities' account is to record the counterparts on a net basis in a separate government account ("Fund consolidation account") on the asset side either as a component of net credit to government or as a separate asset category. This treatment gives explicit recognition to the consolidation process. With this treatment, a transaction with the Fund undertaken by the government may or may not result in changes in net credit to government, as recorded in the monetary authorities account.

480. For example, when the Ministry of Finance sells SDRs to the Fund to acquire foreign

exchange, the monetary authorities account would record a reduction in holdings of SDRs and an increase in foreign exchange assets. Counterpart entries in the Fund consolidation account would net to zero, that is, there would be no change in net credit to government. If the government subsequently spends the foreign exchange obtained in this transaction to finance its budget deficit, the monetary authorities account would record a decrease in foreign exchange assets and an increase in net claims on the government in the Fund consolidation account.

481. Similarly, use of Fund credit by the Ministry of Finance would be recorded in the monetary authorities account as an increase in foreign liabilities (a change in the securities account balance), an increase in foreign exchange assets, and no change in net claims on government in the Fund consolidation account. If the government uses the proceeds of a purchase from the Fund to finance its budget deficit, the Fund consolidation account in the monetary authorities account would record an increase in net credit to the government.

482. In compiling a monetary authorities account that includes government positions with the Fund, care should be taken to avoid the introduction of valuation and other adjustments that can distort, among other things, the measurement of net claims on government in the Fund consolidation account. Statistical compilers are encouraged to base the consolidation of Fund account positions of the government on national records, after verifying their completeness and accuracy. Calculation of the government's positions with the Fund as a residual—determined as the difference between the Fund's records of the member's positions and the central bank's records of its positions—often results in distortions in the value of net credit to government recorded in the Fund consolidation account.