INTERNATIONAL MONETARY FUND

# Review of the Fund's Income Position for FY 2012 and FY 2013–14

Prepared by the Finance Department

In consultation with the Legal Department and the Office of Budget and Planning

Approved by Andrew Tweedie

April 12, 2012

Contents Page

Boxes



Annexes

## I. INTRODUCTION

1. **This paper reviews the Fund's income position for FY 2012 and FY 2013–14**.[1] The paper updates projections provided at the FY 2012 midyear review and proposes decisions for the current and next two financial years. These decisions include setting the margin for the rate of charge under the new Rule I-6(4) that the Executive Board adopted in December 2011.[2] The new rule is based on principles endorsed by the Executive Board in April 2008 and that have guided decisions on setting the margin since FY 2009.

2. **The paper is structured as follows**: Section II reviews the FY 2012 income position and main changes from the midyear projections; Section III makes proposals on the disposition of net income, and placement to reserves; Section IV discusses the margin on the rate of charge for FY 2013–14, the income outlook for that period, and projected burden sharing adjustments; and Section V reviews special charges.

## II. REVIEW OF THE FY 2012 INCOME POSITION

3. **FY 2012 net operational income (excluding surcharges) is now projected at SDR 527 million, slightly above the earlier estimate** (see Table 1). Changes from the midyear estimate of SDR 500 million are as follows:[3]

- ***Lending income is SDR 10 million (or about 1 percent) lower than projected earlier***. Consistent with established practice, the projections only include income from arrangements already approved, and assume that purchases under these arrangements take place as scheduled with no advance repurchases. The revision primarily reflects rephasing of purchases under existing arrangements, resulting in modestly lower income from the margin and service charges, which was partially offset by higher commitment fees following the cancellation of a large arrangement.

- ***Investment income is SDR 28 million higher than the midyear estimate of SDR 143 million***. In the ten months through end-February, Investment Account (IA) income totaled SDR 164 million, an unannualized net return of 123 basis points. The full year projection is based on an assumption that end-February yields are unchanged for the remainder of the financial year.

- ***Implicit returns on interest-free resources are SDR 5 million lower than projected earlier.***[4] This reflects a decline in the projected average SDR interest rate for FY 2012.

[1] A companion paper provides an update on the consolidated medium-term income and expenditure framework. See *The Consolidated Medium-Term Income and Expenditure Framework* (4/12/12).

[2] Under the new rule, the margin will be set for a period of two financial years. See *A New Rule for Setting the Margin for the Basic Rate of Charge* (11/23/11).

[3] *The Fund's Income Position for FY 2012—Midyear Review* (12/5/11).

Table 1. Projected Income Position—FY 2012
(in millions of SDRs)

| | | |
|---|---|---|
| **1** | **Net operational income projected (EBS/11/178)** | **500** |
| 2 | Income variances (A+B+C+D) | **12** |
| | Changes due to: | |
| | A. Lending income | -10 |
| | Service charges | -10 |
| | Margin | -11 |
| | Commitment fees | 11 |
| | B. Investment Account returns | 28 |
| | Non-gold portfolio | 25 |
| | Gold profits portfolio | 3 |
| | C. Income from interest-free resources | -5 |
| | D. Reimbursements | -1 |
| 3 | Expenditure variance | **-15** |
| | Updated estimates for capital budget items expensed and depreciation | -7 |
| | Effect of average US$/SDR exchange rate | -8 |
| **4** | **Net operational income position now projected (1+2-3)** | **527** |

- ***Net expenditures***. Expenditures are expected to be lower than anticipated at the midyear review by about SDR 15 million. Spending on capital budgets (IT projects and the HQ1 renewal project) during FY 2012 was lower than previously estimated by SDR 7 million, and movements in the U.S. dollar/SDR exchange rate resulted in lower administrative expenditures in SDR terms by about SDR 8 million.[5]

4. **FY 2012 reimbursements to the General Resources Account (GRA) total just under SDR 3 million**. The GRA is generally reimbursed for the expenses of conducting the business of the SDR Department and of administering SDA resources in the MDRI-I and the PCDR Trusts (other than expenses already attributed to other accounts or trusts administered by the Fund or to the GRA). The Executive Board decided in July 2009 that for FY 2010 to FY 2012, the GRA would forego reimbursement from the PRG Trust and instead an amount equivalent to the estimated cost of administering the PRG Trust should be transferred from the PRG Trust Reserve Account (through the Special Disbursement Account) to the General Subsidy Account of the PRG Trust. The estimated expenses for FY 2012 are SDR 63.133 million (proposed Decision No. 1). The GRA will be reimbursed for the expenses of conducting the business of the SDR Department in FY 2012 through an

[4] GRA interest-free resources comprise primarily the SCA-1 and sale proceeds equivalent to the book value of gold sold in 2009-10, which were retained in the GRA, thereby reducing members' reserve tranche positions and the Fund's remuneration expense, which is based on the SDR interest rate.

[5] The projected budget outturn is unchanged from the midyear review at US$968 million. See *FY2013-FY2015 Medium-Term Budget* (3/30/12).

assessment on participants in SDR Department (proposed Decision No. 2).[6] The expenses are estimated at SDR 2.380 million, slightly below the mid-year estimate. Expenses of conducting the business of the MDRI-I and PCDR Trusts are estimated at SDR 0.054 million and SDR 0.061 million, respectively (proposed Decisions No. 3 and 4).

5. **Updated projections point to an overall FY 2012 net income position of SDR 1.5 billion (Table 2)**. The net income position includes the following below-the-line items, which are not considered part of operational income:[7]

- ***Surcharges***. FY 2012 surcharges are lower than previously projected owing to the above mentioned rephasing of purchases under existing arrangements, which also resulted in an overall decrease in the projected average Fund credit outstanding for the financial year.

- ***Gain on sale of assets***. In January 2012, the Fund concluded the sale of the Bond building, formerly a part of the Concordia property. The final sale price of US$22 million generated a gain of SDR 13 million.

- ***IAS 19 timing difference***. The Fund's pension and employee benefit expense is determined by the provisions of IAS 19, under International Financial Reporting Standards (IFRS). A timing difference results between the actuarially determined IAS 19 expense related to benefits earned by employees during the financial year and the amount actually funded from the budget. The IAS 19 expense for FY 2012 of SDR 100 million is lower than funding projected at SDR 107 million, which gives rise to a timing difference of SDR 7 million that increases net income.

[6] Consistent with paragraph 5(b) of Schedule M, the SDRs taken into account for purposes of calculating the assessment do not include SDR 87 million that, due to the overdue financial obligations of certain members, are being held in an escrow account pursuant to paragraph 5(a) of Schedule M.

[7] Restructuring costs are winding down and are discussed in Annex I.

## Box 1. Decisions in Effect Related to the FY 2012 Income Position[1]

The Executive Board has taken the following decisions affecting the Fund's income position for FY 2012:

**Rate of Charge**
The margin for calculating the basic rate of charge in FY 2012 was set at 100 basis points. This decision was adopted under the *exceptional circumstances* clause of the old Rule I-6(4). In December 2011, as part of the new income model, the Executive Board adopted a new Rule I-6(4) for setting the margin for the rate of charge effective for FY 2013 onwards.

**Poverty Reduction and Growth Trust (PRGT) Administrative Expenses**
For financial years 2010 through 2012, no reimbursement shall be made to the General Resources Account (GRA) from the Reserve Account of the PRGT for the cost of administering the PRGT. The estimated cost of administering the PRGT shall be transferred after the end of each such financial year from the PRGT Reserve Account (through the Special Disbursement Account) to the General Subsidy Account of the PRGT.

**Burden Sharing for Deferred Charges**
Income losses resulting from unpaid charges are shared equally between debtor and creditor members under the burden sharing mechanism largely pursuant to a decision taken in 2000. Unless amended by the Board, this mechanism will continue for as long as overdue obligations to the Fund persist.

**Post-Catastrophe Debt Relief (PCDR) Trust Administrative Expenses**
Reimbursement shall be made to the GRA for the costs of administering the Special Disbursement Account (SDA) resources in the PCDR Trust, other than expenses already attributable to other accounts or trusts administered by the Fund, or to the GRA.

**Multilateral Debt-Relief Initiative (MDRI-I) Trust Administrative Expenses**
The GRA shall be reimbursed annually by the MDRI-I Trust, from resources transferred to the MDRI-I Trust from the SDA, in respect of expenses of administering SDA resources in the MDRI-I Trust, other than expenses already attributed to other accounts or trusts administered by the Fund or to the GRA.

[1] See *Review of the Fund's Income Position for FY 2011 and FY 2012* (4/7/11).

Table 2. Projected Income and Expenditures—FY 2012
(in millions of SDRs)

| | FY 2012 | | |
|---|---|---|---|
| | Initial Projections 1/ | Midyear Projections 2/ | Current Projections |
| **A. Operational income** | **1160** | **1168** | **1180** |
| Lending income | **975** | **1002** | **992** |
| Margin for the rate of charge | 835 | 816 | 805 |
| Service charges | 135 | 173 | 163 |
| Commitment fees | 5 | 13 | 24 |
| Investment income | **144** | **143** | **171** |
| Non-gold portfolio | 89 | 115 | 140 |
| Gold profits portfolio | 55 | 28 | 31 |
| Interest free resources | **37** | **19** | **14** |
| SCA-1 and other | 16 | 8 | 6 |
| Gold book value | 21 | 11 | 8 |
| Reimbursements | **4** | **4** | **3** |
| MDRI-I, PCDR Trusts, and SDR Department | 4 | 4 | 3 |
| **B. Expenses** | **678** | **668** | **653** |
| Net administrative expenditures | 635 | 625 | 617 |
| Capital budget items expensed | 9 | 9 | 3 |
| Depreciation | 34 | 34 | 33 |
| **C. Net operational income position (A-B)** | **482** | **500** | **527** |
| Other income/expenses: | | | |
| Surcharges | 981 | 926 | 905 |
| Gain on sale of assets | | | 13 |
| IAS 19 timing adjustment 3/ | | | 7 |
| **Net income position 4/** | **1,463** | **1,426** | **1,452** |
| Memorandum Items: | | | |
| Fund credit (average stock, SDR billions) | 83.5 | 81.6 | 80.5 |
| Net operational income excluding income from the gold portfolio | 427 | 472 | 496 |
| SDR interest rate (in percent) | 0.8 | 0.4 | 0.3 |
| US$/SDR exchange rate | 1.55 | 1.55 | 1.57 |

1/ *Review of the Fund's Income Position for FY 2011 and FY 2012* (4/7/11).
2/ *The Fund's Income Position for FY 2012—Midyear Review* (12/5/11).
3/ IAS 19 is the accounting standard that prescribes the accounting treatment of pensions and employee benefit expenses, and involves actuarial valuations. The IAS 19 expense was determined in the actuarial valuation completed in June 2011.
4/ Net income on the basis presented in the Fund's IFRS annual financial statements.

## III. Disposition Decisions

6. **The Executive Board needs to consider the disposition of the FY 2012 net income projected at SDR 1.5 billion**. This includes net operational income of SDR 0.5 billion and surcharges of SDR 0.9 billion (Table 2).[8] In addition, the Board needs to consider the disposition of IA investment income, which is included in the determination of GRA net operational income. These elements are discussed below, beginning with the disposition of IA investment income.

[8] In addition, net income includes some SDR 20 million from other income on the gain on sale of asset and the IAS 19 timing difference (see Table 2).

7. **Under the Fund's Articles, investment income from the IA may be invested, held in the IA, or used for meeting the expenses of conducting the business of the Fund**.[9] The IA currently has two separate portfolios: (i) a new portfolio funded by the gold profits and invested in short-term deposits as an interim measure pending further Board decisions on the implementation of the expanded investment authority and the use of the remaining windfall gold sale profits; and (ii) the original portfolio funded by transfers of currencies from the GRA in amounts equivalent to the Fund's total reserves in June 2006, plus subsequent transfers of GRA net income, excluding the March 2011 transfer of gold profits. The estimated FY 2012 returns on the two portfolios are SDR 31 million and SDR 140 million, respectively. The disposition of these earnings is discussed below.

- ***Gold profits portfolio***. A separate work program is underway, in the context of the work on the new Rules and Regulations for the expanded investment authority of the IA, to establish an endowment of SDR 4.4 billion funded with gold sale profits. The IA currently also includes gold windfall profits of SDR 2.45 billion, pending a partial distribution of the general reserve to the membership of SDR 0.7 billion to be funded with these resources and further discussions later this year on the use of the remaining gold windfall profits.[10] Staff proposes that, consistent with the approach taken last year, the earnings from this portfolio (about SDR 31 million) be retained in the IA pending further discussions by the Executive Board. No Board decision is required for reinvestment of the earnings.

- ***Second (non-gold) portfolio***. Since the IA was established in June 2006, the Executive Board has adopted annual decisions to transfer income from this portfolio to the GRA. Consistent with this practice, staff proposes that an amount equivalent to the income from the non-gold portfolio be transferred to the GRA (proposed Decision No. 5).[11] This income, estimated at SDR 140 million, will be used for meeting the administrative expenses of the Fund in FY 2012 consistent with the principles of the new income model.

8. **Assuming the above transfer of income from the IA, staff proposes that GRA net operational income estimated at SDR 516 million be placed in the special reserve**.[12, 13]

---

[9] Article XII, Section 6 (f)(iv). The Board could also, by a 70 percent majority of the total voting power, decide to reduce the principal invested in the IA (Article XII, Section 6 (f)(vi)).

[10] In February 2012, the Board approved the distribution of SDR 0.7 billion from the Fund's general reserve to the membership subject to the receipt of satisfactory assurances that members will provide new PRGT subsidy contributions equivalent to at least 90 percent of the amount to be distributed. See *Partial Distribution of the General Reserve Attributed to Windfall Gold Sale Profits* (2/3/12) and *Use of Windfall Gold Sale Profits—Further Considerations* (8/5/11).

[11] Transfer of IA income to the GRA raises net income and reserves of the GRA.

[12] This represents the net operational income position of SDR 527 million (Table 2) less IA gold portfolio returns of SDR 31 million to be retained in the IA, plus other income (SDR 20 million) on the gain of the sale of assets and the IAS 19 timing difference.

Since the 1970s, the Fund's practice has been to place GRA annual net income to the special reserve, which is also the first line of defense for any income shortfalls, while surcharge income in the period FY 1998–2006, and in FY 2011 (see below), was placed to the general reserve.[14] Thus, placing the FY 2012 GRA net operational income to the special reserve would be consistent with the Fund's long-standing practice (proposed Decision No. 6). Placement of these resources to the special reserve will add to the Fund's precautionary balances.

9. **The practice of placing surcharges income to the general reserves was resumed in FY 2011 when the Fund returned to a positive net income position.**[15] Consistent with this practice, staff proposes that net income equivalent to the FY 2012 surcharges estimated at SDR 905 million be placed to the general reserve (proposed Decision No. 6). The placement to the general reserve of net income equivalent to the surcharges will also contribute to the accumulation of precautionary balances and will help build needed reserves to protect against the elevated credit risks facing the Fund.

10. **On the above basis, following the transfer of the FY 2012 net income to reserves, the total precautionary balances at the end of FY 2012 are projected at SDR 9.5 billion**. The balances would comprise SDR 3.4 billion in the special reserve, SDR 4.9 billion in the general reserve, and the SCA-1 balance of SDR 1.2 billion.[16]

11. **In the past two years, FY 2010-11, reserves have been climbing thereby providing scope for further transfers of GRA currencies to the IA**. The current objective of the IA is to achieve investment returns that exceed the SDR interest rate over time while minimizing the frequency and extent of negative returns and underperformance over a 12-month investment horizon. The IA's past performance has been successful in this regard (Figure 1).[17] While risks of under-performance are higher in the current low interest rate environment (see Annex II), staff proposes to transfer the full available amount of the increase in reserves, currently estimated at SDR 1.4 billion, to the IA for investment.[18] This

---

[13] Article XII, Section 6(a) permits the Fund's net income to be distributed to members or placed to the general or special reserve.

[14] A 1957 Board decision provides that any administrative deficit for any financial year of the Fund shall be written off first against the special reserve.

[15] This is also consistent with Directors' views at the December 2008 Board discussion on precautionary balances to resume this practice once the Fund returned to a positive net income position.

[16] For policy and analytical purposes, precautionary balances exclude profits of SDR 6.85 billion from the limited gold sales concluded in December 2010. These gold profits have been placed to the Fund's reserves.

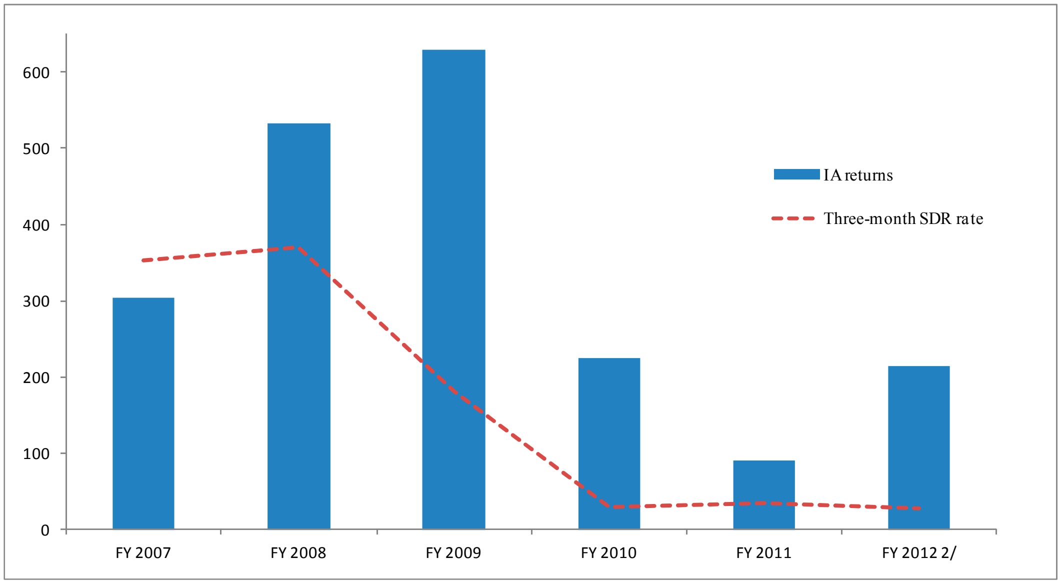
[17] In FY 2007, the IA return fell short of the three-month SDR interest rate by 49 basis points. However, it exceeded the 1–3 year government bond benchmark endorsed by the Board.

[18] The actual amount will be based on final audited figures. For FY 2011, the final net amount for transfer was SDR 725 million. The actual transfer made in July 2011, however, was SDR 671 million, owing to an error in the methodology used to calculate the final net amounts for transfer, which inadvertently excluded an amount of SDR 54 million related to FY 2011 earnings of the IA. Staff has initiated plans to complete the transfer of this

(continued…)

would be consistent with the expectation that the IA will over time achieve a higher return than the SDR interest rate (proposed Decision No. 7).

Figure 1. Investment Account Performance (FY 2007–12) 1/
(in basis points)




1/ Investment Account (IA) returns excluding the gold profits portfolio.
2/ Based on FY 2012 projection.

## IV. FY 2013–14 Income Outlook

12. **The income outlook for FY 2013–14 shows a positive outturn, reflecting the high demand for Fund financing**. Demand is expected to remain strong, although the full extent of the demand is difficult to predict and projections are sensitive to the timing of purchases and repurchases. Consistent with past practice, the projections include only lending income from current approved arrangements and assume full disbursement of purchases under non-precautionary arrangements and no advance repurchases.[19] The projections are also sensitive to assumptions on the SDR interest rate and the U.S. dollar/SDR exchange rate.

13. **In December 2011, the Executive Board adopted a new rule for setting the basic rate of charge**. The new Rule I-6(4), which comes in to effect on May 1, 2012, is based on principles that were endorsed by the Executive Board in 2008 and have guided the decisions

shortfall to the IA by April 30, 2012. In addition, staff has implemented strengthened controls to prevent a recurrence through (i) development of standardized worksheets to ensure the transfer amounts reconcile to the Fund's balance sheet (total audited reserves) and income statement (total net income), and (ii) additional high-level checks for review of the worksheets prior to the actual transfer.

[19] Projections include arrangements approved through end-March 2012.

in setting the margin since FY 2009.[20] Under this new rule, the margin of the rate of charge will be set for two financial years, beginning with the period FY 2013–2014 (Box 2).

**Box 2. The Rule for Setting the Margin for the Basic Rate of Charge**

Effective May 1, 2012, Rule I-6(4) reads as follows:

"(4) The rate of charge on holdings (i) acquired as a result of a purchase under a policy that has been the subject of an exclusion under Article XXX(c), or (ii) that exceed the amount of the member's quota after excluding any balances referred to in (i), shall be determined in accordance with (a) and (b) below.

(a) The rate of charge shall be determined as the SDR interest rate under Rule T-1 plus a margin expressed in basis points. The margin shall be set at a level that is adequate (i) to cover the estimated intermediation expense of the Fund for the period under (b) below, taking into account income from service charges, and (ii) to generate an amount of net income for placement to reserves. The appropriate amount for reserve contribution shall be assessed taking into account, in particular, the current level of precautionary balances, any floor or target for precautionary balances, and the expected contribution from surcharges and commitment fees to precautionary balances; provided, however, that the margin shall not be set at a level at which the basic rate of charge would result in the cost of Fund credit becoming too high or too low in relation to long-term credit market conditions as measured by appropriate benchmarks. Notwithstanding the above, in exceptional circumstances, the margin may be set at a level other than that which is adequate to cover estimated intermediation expenses of the Fund and to generate an amount of net income for placement to reserves.

(b) The margin shall be set for a period of two financial years. A comprehensive review of the Fund's income position shall be held before the end of the first year of each such two-year period and the margin may be adjusted in the context of such a review, but only if this is warranted in view of fundamental changes in the underlying factors relevant for the establishment of the margin at the start of the two-year period."

14. **Under the new rule the margin should be set to cover only the Fund's intermediation costs and help build up reserves**. Adoption of the new rule was an important step in implementing the new income model, designed to move away from a reliance on lending income to finance non-lending activities. However, as staff noted during the Board discussion on the new rule, investment income, the main source of the Fund's non-lending income, is severely constrained by the unusually low level of interest rates. While establishment of the gold endowment is expected to make a significant contribution to Fund income over the long-term, income from non-lending sources is not expected to fully cover non-lending expenses until interest rates rise to the more normal levels that were assumed at the time of the endorsement of the new income model. As a result, in the absence of other avenues to generate non-lending income, the exceptional circumstances clause of the new rule will need to be applied as long as lending income continues to cover a significant proportion of the Fund's non-lending related operating costs.

[20] Previously, the margin on the rate of charge was set to generate income to cover all of the Fund's annual expenses and to meet a specific net income target. An exceptional circumstances clause, adopted in 2006, provided for the margin to be set on a basis other than the estimated income and expenses of the Fund.

15. **Application of the new rule to set the margin for FY 2013–14 is discussed below**. As noted, the margin would be set under the exceptional circumstances clause of the new rule. Nonetheless the principles underlying the new rule, which have guided decisions on setting the rule since FY 2008, are applied. Thus the coverage of intermediation costs by margin income is considered first, before assessing the contribution of margin income to reserve accumulation. The important implication of the use of the exceptional circumstances clause is that the contribution of the margin to reserve accumulation is less than it would be if non-lending activities were covered by non-lending income. The discussion concludes with a cross-check to ensure that the margin on the rate of charge is not too high or too low in relation to long-term market conditions.

**Coverage of intermediation costs**

16. **Intermediation costs are estimated at US$110 million and US$111 million in FY 2013 and FY 2014 respectively (Table 3).** These estimates benefited from the new Analytical Costing and Estimation System (ACES), which became operational during FY 2012.[21] Intermediation costs were derived from Fund-wide estimates of costs related to generally available facilities (GAF) including direct personnel, travel and other administrative expenses, as well as indirect support and governance costs. In addition, capital and depreciation expenses (which are not yet part of the ACES methodology) were allocated separately to derive total intermediation costs. Given the inherent difficulty of projecting the demand for Fund credit and thus intermediation over a longer horizon, for purposes of this analysis FY 2014 intermediation costs are based on the FY 2013 projection adjusted by the Fund's estimated Global External Deflator.[22]

17. **Income associated with the current high lending levels is expected to remain well in excess of intermediation costs in FY 2013–14**. In addition to the margin, service charges on disbursements contribute to the Fund's operational lending income.[23] Income from service charges (Table 3, row B) is projected to be higher than intermediation costs in FY 2013, as in the period FY 2009–12, and would cover almost 80 percent of intermediation costs in FY 2014.[24] Income from the margin, which moves in tandem with the level of Fund credit outstanding, is projected to provide further income of about SDR 1 billion (US$1.5 billion) in each of the next two financial years assuming an unchanged margin of 100 basis points.

---

[21] Intermediation costs for FY 2012 are now estimated at US$108 million, slightly lower than the estimate of US$117 million at the time of the last income discussion.

[22] Although the margin is set for a two-year period, the new rule requires that a comprehensive review of the Fund's income position be held before the end of the 1st year of each such two-year period and the margin may be adjusted in the event of fundamental changes in the relevant factors for setting the margin. The income review in April 2013 will accordingly use more current data to estimate the FY 2014 intermediation costs.

[23] Commitment fees are included in the analysis as a source of income that contributes to reserve accumulation. Under this approach, the analysis in setting the margin is insulated from the volatility of commitment fees.

[24] Service charges are levied at 50 basis points for each disbursement under a GRA arrangement and have increased from around SDR 7 million (US$11 million) in FY 2008 before the financial crisis to about SDR 163 million (US$256 million) in FY 2012.

**Reserve accumulation**

18. **The Fund is facing increased credit risk in light of a surge in program lending in the context of the global crisis**. The Fund is heavily engaged to meet member countries' needs in line with its mandate and Fund credit has risen to record levels. While the Fund has a multi-layered framework for managing credit risks, including the strength of its lending policies and its preferred creditor status, there is a need to increase the Fund's reserves in order to help mitigate the elevated credit risks.

19. **The pace of reserve accumulation is projected to accelerate significantly in the next few years**. This reflects the projected rise in Fund credit outstanding as disbursements are made under current arrangements, as well as income from commitment fees on arrangements that are not drawn upon. Much of the credit outstanding is subject to surcharges, on top of the margin for the rate of charge, which are projected to generate annual contributions of about SDR 1.2 billion (US$1.9 billion) to reserves in FY 2013–14 (Table 3, row F and Table 4).[25] [26]

20. **The Board has just completed a review of the adequacy of precautionary balances**. Directors supported an increase in the medium-term indicative target for precautionary balances to SDR 20 billion in light of the increase in total Fund credit and commitments since the last review in 2010. Directors also broadly agreed that the projected pace of reserve accumulation is currently adequate but should be kept under close review. That said, there was a minority view in favor of accelerating the pace of reserve accumulation, while others cautioned against increasing the cost of Fund credit given that many borrowers face tight fiscal space and high debt.

21. **Table 3 simulates reserve accumulation at three different levels of the margin (50, 100, and 150 basis points).** The baseline projections underlying the Board's review of the adequacy of precautionary balances assumed an unchanged margin for the rate of charge of 100 basis points. At this level for the margin, after covering intermediation costs, income from service charges, the margin, commitment fees and surcharges would yield potential reserve accumulation of US$4.2 billion and US$3.5 billion in FY 2013 and FY 2014, respectively (Table 3, row G). However, because lending income continues to cover a proportion of non-lending costs, actual reserve accumulation is lower by about US$1.2 billion over this two year period with projected net income of US$3.5 billion (SDR 2.3

---

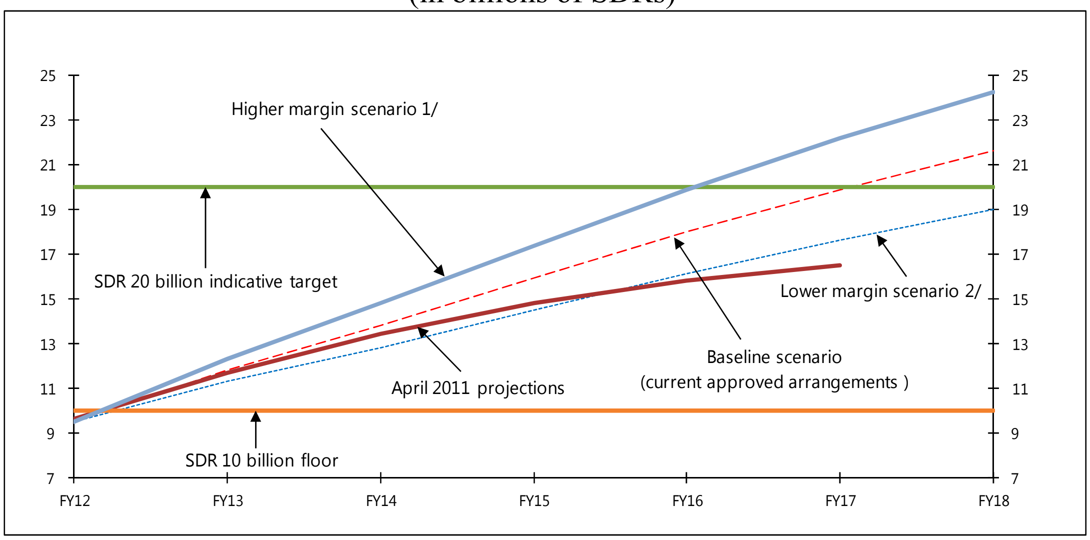
[25] Consistent with the practice resumed in FY 2011, net income equivalent to these surcharges would be placed to general reserves at the end of the financial year. The projections assume the current surcharge policy remains unchanged when the doubling of quotas under the 14$^{th}$ General Quota Review comes into effect, so that surcharge income will decline for a given level of credit outstanding. The required acceptances and consents are assumed to be attained by the Annual Meetings, with members subject to surcharges making their quota payments within 30 days, and lower surcharges applying thereafter.

[26] Income from commitment fees is projected at SDR 0.5 billion (US$0.8 billion) in FY 2013 when two large FCL arrangements are scheduled to expire and at SDR 9 million (US$14 million) in FY 2014. Commitment fees are refundable if drawings are made under an arrangement and therefore income from the fees is only recognized at the cancellation or expiration of the arrangement.

billion) and US$3.1 billion (SDR 2.1 billion) in FY 2013 and FY 2014, respectively (Table 3, row I and Table 4). This level of reserve accumulation remains substantial and provides significant contributions toward the revised indicative medium-term target of SDR 20 billion (Figure 2). The alternative scenarios illustrate the impact on reserve accumulation of higher and lower levels of the margin. Actual reserve accumulation would increase by about SDR 1 billion in FY 2013 and FY 2014 if the margin were raised to 150 basis points; conversely it would decrease by an equivalent amount if the margin were lowered to 50 basis points over the same period.

22. **The accelerated pace of reserve accumulation projected in coming years will also increase non-lending income**.[27] The accelerated pace reflects the historically high levels of Fund credit, much of which is subject to surcharges, in addition to the margin on the rate of charge. In addition, the contribution of non-lending income, primarily investment income, is expected to increase as interest rates rise from their current low levels and with the full implementation of the new income model. For example, in FY 2018 investment income is projected to contribute over 105 percent of the Fund's annual expenses.

Figure 2. Projected Reserve Accumulation
(in billions of SDRs)




1/ Assumes the margin for the rate of charge is increased to 150 basis points from FY 2013.
2/ Assumes the margin on the rate of charge is decreased to 50 basis points from FY 2013.

[27] *The Consolidated Medium-Term Income and Expenditure Framework* (4/12/12).

## Table 3. Income from the Margin and Reserve Accumulation 1/
(in millions of U.S. dollars, unless otherwise indicated)

| | Actual FY 2009 | Actual FY 2010 | Actual FY 2011 | Projected FY 2012 | FY2013 | FY2014 |
|---|---|---|---|---|---|---|
| A. Intermediation costs 2/ | 104 | 119 | 111 | 108 | 110 | 111 |
| *Less* | | | | | | |
| B. Service charges | 126 | 164 | 205 | 256 | 164 | 85 |
| C. Costs to be covered by income from margin (A-B) | -22 | -45 | -94 | -148 | -54 | 26 |
| D. Income from margin 3/ | | | | | | |
| 50 basis points | 96 | 267 | 413 | 632 | 780 | 753 |
| 100 basis points | 191 | 534 | 827 | 1264 | 1559 | 1505 |
| 150 basis points | 287 | 800 | 1240 | 1896 | 2339 | 2258 |
| E. Commitment fees 4/ | 5 | 127 | 254 | 38 | 721 | 14 |
| E.1 FCL | 0 | 125 | 222 | 8 | 704 | 14 |
| E.2 Other | 5 | 2 | 32 | 30 | 17 | 0 |
| F. Surcharges | 122 | 406 | 779 | 1421 | 1885 | 1969 |
| G. Potential reserve accumulation 5/ (D+E+F-C) | | | | | | |
| 50 basis points | 245 | 845 | 1540 | 2238 | 3440 | 2710 |
| 100 basis points | 340 | 1112 | 1954 | 2870 | 4219 | 3462 |
| 150 basis points | 436 | 1378 | 2367 | 3502 | 4999 | 4215 |
| H. Potential reserve accumulation (as a percent) 6/ | | | | | | |
| 50 basis points | 2.3% | 7.6% | 13.7% | 17.6% | 23.4% | 15.5% |
| 100 basis points | 3.2% | 10.0% | 17.4% | 22.6% | 28.7% | 18.9% |
| 150 basis points | 4.1% | 12.4% | 21.1% | 27.5% | 33.9% | 22.1% |
| I. Actual reserve accumulation 7/ | | | | | | |
| 50 basis points | 145 | 87 | 789 | 1648 | 2735 | 2331 |
| 100 basis points | 240 | 354 | 1203 | 2280 | 3514 | 3083 |
| 150 basis points | 336 | 620 | 1616 | 2912 | 4294 | 3836 |
| J. Actual reserve accumulation (as a percent) 7/ | | | | | | |
| 50 basis points | 1.4% | 0.8% | 7.0% | 13.0% | 18.6% | 13.3% |
| 100 basis points | 2.3% | 3.2% | 10.7% | 17.9% | 23.9% | 16.9% |
| 150 basis points | 3.2% | 5.6% | 14.4% | 22.9% | 29.2% | 20.1% |
| K. Precautionary balances at the beginning of FY (in SDR billions) 8/ | | | | | | |
| 50 basis points | … | … | … | … | 9.5 | 11.3 |
| 100 basis points | 6.9 | 7.1 | 7.3 | 8.1 | 9.5 | 11.8 |
| 150 basis points | … | … | … | … | 9.5 | 12.3 |
| <u>Memorandum items</u> | | | | | | |
| Average Fund credit outstanding (in SDR billions) | 12.4 | 34.2 | 53.7 | 80.5 | 100.6 | 97.1 |
| Number of active arrangements (average) 9/ | 10 | 20 | 24 | 23 | … | … |
| Average exchange rate U.S dollar/SDR | 1.54 | 1.56 | 1.54 | 1.57 | 1.55 | 1.55 |

Source: Finance Department and Office of Budget and Planning

1/ For analytical purposes, surcharges and commitments fees are considered for reserve accumulation only.
2/ Costs related to the Fund's "generally available facilities."
3/ Derived by applying the margin against average Fund credit outstanding at the average US$/SDR rate.
4/ Includes commitment fees for expired or cancelled arrangements in FY 2009–12.
5/ Potential reserve accumulation assumes other sources of income sufficient to cover non-intermediation costs.
6/ Potential reserve accumulation as a percent of precautionary balances at the beginning of the financial year.
7/ Additions to reserves based on net income for the year (excluding gold profits). See Table 4 for FY 2012–14.
8/ Precautionary balances include the Fund's reserves and SCA-1 balance less gold sale profits in FY 2010–11.
9/ Excludes FCL arrangements.

Table 4. Projected Income Sources and Uses, FY 2012–14
(in millions of SDRs, unless otherwise stated)

| | FY 2012 | FY 2013 | FY 2014 |
|---|---|---|---|
| **A. Operational income 1/** | **1180** | **1789** | **1404** |
| Lending income | **992** | **1577** | **1035** |
| Margin for the rate of charge | 805 | 1006 | 971 |
| Service charges | 163 | 106 | 55 |
| Commitment fees | 24 | 465 | 9 |
| Investment income | **171** | **130** | **282** |
| Non-gold portfolio | 140 | 65 | 148 |
| Gold profits portfolio | 31 | 65 | |
| Gold endowment pay-out 2/ | | | 134 |
| Interest free resources 3/ | **14** | **15** | **20** |
| SCA-1 and other | 6 | 7 | 9 |
| Gold book value | 8 | 8 | 11 |
| Reimbursements | **3** | **67** | **67** |
| MDRI-I, PCDR Trusts, and SDR Department | 3 | 3 | 3 |
| PRG Trust | 0 | 64 | 64 |
| **B. Expenses** | **653** | **683** | **685** |
| Net administrative expenditures | 617 | 643 | 643 |
| Capital budget items expensed | 3 | 7 | 9 |
| Depreciation | 33 | 33 | 33 |
| **C. Net operational income position (A-B)** | **527** | **1106** | **719** |
| Other income/expenses: | | | |
| Surcharges | 905 | 1216 | 1270 |
| Gain on sale of assets | 13 | | |
| IAS 19 timing adjustment | 7 | | |
| Retained endowment income 4/ | | | 89 |
| **Net income position 5/** | **1452** | **2322** | **2078** |
| Memorandum Items: | | | |
| Fund credit (average stock, SDR billions) | 80.5 | 100.6 | 97.1 |
| SDR interest rate (in percent) | 0.3 | 0.3 | 0.4 |
| US$/SDR exchange rate | 1.57 | 1.55 | 1.55 |
| Precautionary balances (end of period, SDR billions) | 9.5 | 11.8 | 13.8 |

Source: Finance Department and Office of Budget and Planning

1/ Surcharges are excluded from operational income and assumed to be placed to reserves.

2/ FY 2013 is assumed to be a transition year, with the endowment commencing annual pay-outs in FY 2014.

3/ Interest free resources include income from the currency holdings in the GRA equivalent to the book value of gold sold under the limited 2009–10 gold sales (SDR 2.7 billion) of the recent gold sales and SCA-1 balances (SDR 1.2 billion).

4/ Estimate of gold endowment income retained in the IA to preserve the real value of the endowment.

5/ Net income on the basis presented in the Fund's IFRS annual financial statements.

### Cross-check on alignment

23. **The new rule includes a mechanism to cross-check the alignment of the proposed margin against long-term credit market conditions**. This mechanism aims to ensure that the cost of borrowing from the Fund is not too high or too low compared with the costs that members face in private credit markets. The market cross-check provides useful guide posts but is not mechanistic, requiring judgment on the measures used and on taking account of the global financial environment and potential future developments. For this purpose, staff has used EMBI spreads as the main basis for comparison with long-term market conditions. Two

adjustments are made to this metric (see Annex III for additional discussion on the appropriateness of the comparator measure):[28]

- *Risk premium adjustment*—an adjustment to take account of the lower credit risks the Fund faces as a cooperative public policy institution. The Fund's preferred creditor status and its lending policies are key factors in reducing these risks. To reflect this, the measure compares the margin to the borrowing costs of the most creditworthy Fund members, approximated by the lowest quartile of EMBI spreads; and,

- *Term premium adjustment*—an adjustment is made to account for the difference between the SDR interest rate (based on a floating rate composed of three-month instruments) and the comparator EMBI measure (based on five year fixed instruments).

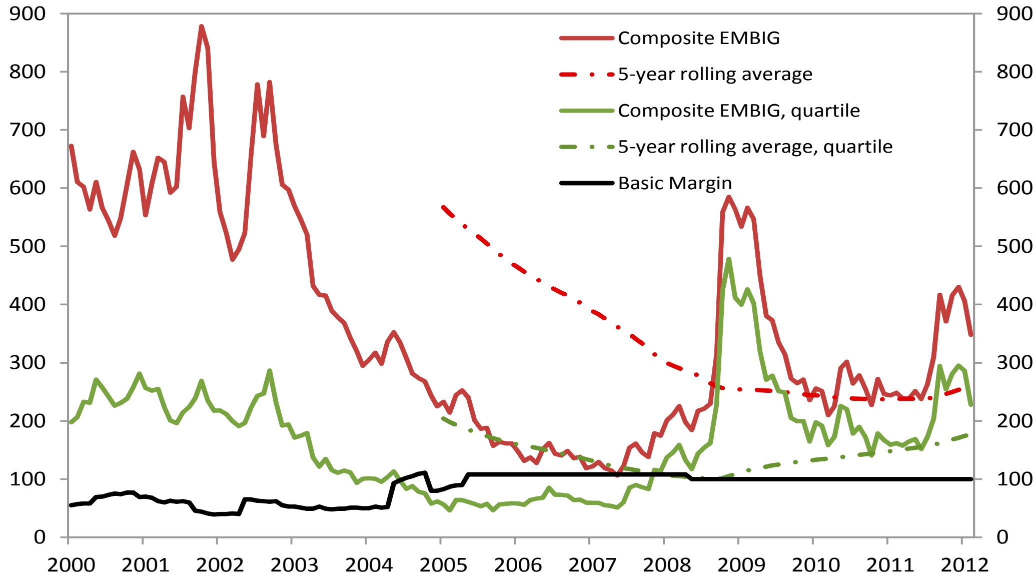
24. **The adjusted market comparator suggests that the cost of Fund credit at the current margin of 100 basis points is somewhat below long-term credit market conditions** (Table 5). Emerging market spreads eased markedly from their recent peak in 2009, before increasing in the second half of last year (see Figure 3). More recently, spreads have again eased somewhat, but considerable uncertainty remains and the improvement in market sentiment in early 2012 remains fragile. In the most recent five-year period ending in February 2012, the lowest quartile of the EMBI adjusted for the term premium was about 55 basis points higher than the current margin. This differential is modestly wider than those applying over the previous decade, but would not of itself appear sufficient to conclude that the cost of Fund credit has become too low relative to long-term market conditions. This is particularly the case given that many Fund borrowers are also subject to surcharges, which raise the overall cost of borrowing from the Fund,[29] and that the basic rate of charge is unusually low at present given the historically low SDR rate, which is likely to be a short-term cyclical development.

---

[28] As noted in the December paper on the new rule, the EMBI-based comparator remains the most appropriate measure of long-term market conditions. While it does not include advanced countries, which now represent a large portion of the Fund's portfolio, recent spread data suggest it provides a sufficiently good proxy for these borrowers. Annex III provides an updated comparison of advanced country and EMBI spreads at the time of Fund arrangement approvals.

[29] For example, based on projected income from surcharges and projected credit outstanding, average surcharge rates are estimated to add about 120 and 130 basis points to the cost of Fund credit in FY 2013 and FY 2014, respectively. At end-March 2012, about 60 percent of total credit outstanding was subject to surcharges. In addition, service charges are levied at 50 basis points on each disbursement.

Figure 3. EMBIG Spreads: Total Composite and Bottom Quartile
(in basis points)




Source: Bloomberg, Staff calculations.

Table 5. Long Term Credit Market and Comparator Spreads
(in basis points)

| | 2001 - 2005 | 2006 - 2010 | Feb 2007 - Feb 2012 |
|---|---|---|---|
| | (Median spread, in SDR-equivalent basis points) 1/ | | |
| Country risk--EMBI-based measures 2/ | | | |
| Composite EMBI | 402 | 219 | 251 |
| Countries in the lowest quartile | 118 | 150 | 172 |
| Term premium 3/ | 1.5 | 13 | 18 |
| Term premium adjusted country risk spread | | | |
| Composite EMBI | **401** | **206** | **233** |
| Countries in the lowest quartile | **117** | **137** | **154** |
| *Memorandum item* | | | |
| Past users of Fund resources 4/ | 326 | 229 | 256 |
| Margin on the basic rate of charge 5/ | 69 | 104 | 102 |

Source: Bloomberg, JP Morgan and Fund staff calculations.

1/ SDR-equivalent rates are calculated using the currency weights in the SDR basket.

2/ Table reports linear combination of spreads in EMBIG-U.S. dollar and EMBIG-Euro composites. Series were combined using the weights of the U.S. dollar and Euro in the SDR basket (normalized to 100). During the sample period, the combined EMBIG indices contained spreads for a total of 40 countries.

3/ Difference in yields between a five-year fixed-rate SDR bond and the five-year average 3-month SDR interest rate as implied in futures market contracts, adjusted for the higher risk premium of instruments in future markets.

4/ Median level of the SDR weighted U.S. dollar and euro EMBIG spreads for the members with Fund arrangements between 1996 and 2011, excluding advanced countries.

5/ Margin reduced to 100 bps from 108 bps in May 2008. Between 1989 and 2005, the rate of charge was determined by a coefficient to the SDR interest rate that was adjusted with the Fund's total administrative expenses and the volume of Fund credit outstanding. Since May 2005, the margin has been defined in absolute basis points over the SDR interest rate.

25. **Based on the foregoing analysis, including the cross-check on alignment with long-term market conditions, staff proposes that the margin for the rate of charge be kept at 100 basis points for FY 2013–14** (proposed Decision No. 8). At this level, the margin will cover intermediation costs, generate a substantial contribution to reserves, and is not significantly out of line with long-term market conditions. As aforementioned, since the margin is also expected to cover part of the Fund's non-intermediation costs in the next two financial years, the proposed decision is based on the exceptional circumstances clause of the new Rule I-6(4).

26. **Key factors that affect the FY 2013–14 income outlook are discussed below**. Table 6 provides a sensitivity analysis on the income effects of changes in some assumptions.

- A 25 percent increase in average Fund credit outstanding to a historic peak of SDR 100 billion in FY 2013 (and SDR 97 billion in FY 2014). The projected increase in operational lending income of about 60 percent in FY 2013 reflects the above rise in Fund credit outstanding and commitment fee income at the expiration of two large FCL arrangements, while a more modest increase of five percent, from current levels, is expected in FY 2014.[30]

- A decrease of investment income in FY 2013 owing to the depressed interest rate environment, followed by an increase in FY 2014 as the gold endowment becomes operational for a full year and the broadening of the investment mandate also takes effect for the non-gold portfolio of the IA. The projections assume a 100 basis points spread of IA income in the non-gold portfolio over the SDR interest rate throughout FY 2014.[31]

- A flat outlook in the level of income from interest free resources owing to the low interest rate environment which is expected to prevail in coming years. Reimbursement to the GRA for the expenses of conducting the business of the PRGT is assumed to resume.[32]

[30] Current arrangements will have largely disbursed most of the undrawn balances by then and therefore service charge income is lower relative to FY 2012–13.

[31] Consistent with past practice, the projections take the long-run assumption for the non-gold portfolio of a projected added value of 50 basis points intended to provide an indication of the additional returns from the IA over the medium term. A sharp rise in interest rates could see a period of weaker performance (see Annex II). Broadening of the investment mandate is assumed to take effect in FY 2014, allowing the added value to increase to 100 basis points.

[32] The Fund can temporarily suspend annual reimbursements of the GRA in respect of the expenses of conducting the business of the PRGT if a determination is made that the resources of the Trust are likely to be insufficient to support anticipated demand for PRGT assistance and the Fund has been unable to obtain additional subsidy resources.

- Net administrative and capital expenditures consistent with those set in the budget paper.[33]

- Surcharges are projected to remain high at about SDR 1.2 billion annually, an increase of just over a third from the FY 2012 levels. This reflects the further rise in Fund credit outstanding as discussed above, and will help build reserves consistent with the Board's discussion during the April 2012 precautionary balances review.

Table 6. Sensitivity Analysis—Effect of Changes in Selected Assumptions in FY 2013
(in millions of SDRs)

| | |
|---|---|
| Change in: | |
| SDR interest rate by 50 basis points | |
| Implicit returns 1/ | 25 |
| Credit tranche purchases (non-FCL) by SDR 10 billion 2/ | 290 |
| U.S. dollar exchange vis-à-vis SDR by five percent | 32 |
| Investment income margin by 50 basis points | 76 |

1/Implicit returns on GRA interest-free resources.
2/ Assumes May 1 transaction with full drawing of SDR 10 billion and access of 1,000 percent of quota. Includes service charges, margin on the basic rate of charge and surcharges (commitment fees are excluded).

27. **Burden sharing adjustments are expected to remain low in FY 2013 (see Table 7 below)**. Given current levels of overdue obligations, sharply higher lending and the prevailing low interest rate environment, burden sharing adjustments remain at very low levels. The Board amended the decision on burden sharing in FY 2010 to take account of the low burden sharing adjustments and allow for a "carry-forward" of excess amounts generated from a minimum adjustment of 1 basis point to the rate of charge and the rate of remuneration.[34] If the amounts brought forward are sufficient to offset deferred charges in subsequent quarter(s), no adjustments are necessary for such quarters. This was the case for the first and fourth quarters of FY 2012. Going forward, burden sharing adjustments are expected to remain low, with adjustments projected for the third quarter of FY 2013.

[33] *FY2013-FY2015 Medium-Term Budget* (3/30/12).

[34] See *The Fund's Income Position for FY 2010—Midyear Review* (12/8/2009), paragraphs 8–10.

Table 7. Recent Burden Sharing Adjustment Rates and FY 2013 Quarterly Rates
(In basis points, unless otherwise stated)

| | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | | | | FY13 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | | | | (projected) | | | | |
| Rate of Remuneration 1/ | | | | | | | | | | | | | | | |
| Total average adjustment | 12 | 23 | 23 | 14 | 5 | 1 | –[3] | 1 | – | – | 1 | – | – | 1 | – |
| Deferred charges | 2 | 5 | 13 | 14 | 5 | 1 | –[3] | 1 | – | – | 1 | – | – | 1 | – |
| SCA-1 | 10 | 18 | 10 | – | – | – | – | – | – | – | – | – | – | – | – |
| Rate of Charge 1/ | | | | | | | | | | | | | | | |
| Total average adjustment | 11 | 19 | 23 | 16 | 5 | 1 | –[3] | 1 | – | – | 1 | – | – | 1 | – |
| Deferred charges | 2 | 4 | 13 | 16 | 5 | 1 | –[3] | 1 | – | – | 1 | – | – | 1 | – |
| SCA-1 | 9 | 15 | 10 | – | – | – | – | – | – | – | – | – | – | – | – |
| Average SDR interest rate (in percent) 2/ | 2.09 | 2.93 | 3.96 | 3.64 | 1.79 | 0.29 | 0.35 | 0.55 | 0.35 | 0.16 | 0.14 | 0.17 | 0.25 | 0.32 | 0.29 |
| Average basic rate of charge (in percent) | 3.01 | 4.00 | 5.04 | 4.72 | 2.79 | 1.29 | 1.35 | 1.55 | 1.35 | 1.16 | 1.14 | 1.17 | 1.25 | 1.32 | 1.29 |

1/ The average rates have been calculated using the quarterly burden sharing rates and SDR interest rates.
2/ The SDR interest rates are projected to average 0.3 percent in FY 2013.
3/ Less than 0.5 basis points.

## V. Review of Special Charges

28. The decision on special charges on overdue financial obligations in the GRA and the Trust Fund calls for an annual review. Under the current system, special charges are to be levied on repurchases and charges that are in arrears for more than 10 days. However, special charges on GRA obligations that are overdue for six months or more were eliminated effective May 1, 1992.[35] No special charges have arisen during FY 2012 and no new considerations have arisen during the financial year. Accordingly, no changes are proposed to the current system (proposed Decision No. 9).

[35] Special charges were established to provide members with an incentive to settle their financial obligations to the Fund in a timely manner. It was also recognized that these charges may complicate the efforts of a member in protracted arrears and those of its donors and creditors to resolve its arrears problem, by increasing the financing needs and making it more difficult for the member to make payments to the Fund equivalent to obligations falling due.

## Proposed Decisions

The following decisions are proposed:

**Decisions pertaining to FY 2012**

- Decision No. 1 provides for the transfer of an amount equivalent to the estimated costs of administering the PRGT from the PRGT Reserve Account (through the Special Disbursement Account) to the General Subsidy Account of the PRGT consistent with the decision taken by the Executive Board in the context of the LIC facilities reform in July 2009 on such transfers for FY 2010-2012.

- Decision No. 2 provides for the assessment on SDR Department participants for the reimbursement of the General Department for the expenses of conducting the business of the SDR Department in FY 2012.

- Decision No. 3 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the MDRI-I Trust in FY 2012.

- Decision No. 4 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the PCDR Trust in FY 2012.

- Decision No. 5 provides for the transfer of income from the Investment Account to the General Resources Account for use in meeting FY 2012 administrative expenses.

- Decision No. 6 provides for the placement of FY 2012 net income to the Fund's Special Reserve and General Reserve.

- Decision No. 7 provides for the transfer of net income attributable to GRA net operational income, other income, and surcharges to the Investment Account.

**Decisions pertaining to FY 2013**

- Decision No. 8 sets the rate of charge on the use of Fund resources for FY 2013–14 at 100 basis points over the SDR interest rate.

- Decision No. 9 reviews the system of special charges.

Decisions 1, 2, 3, 4, 5, 6, and 9 may be adopted by a majority of the votes cast. Decisions 7 and 8 may be adopted by a 70 percent majority of the total voting power.

**Decision No. 1**

**PRGT Reserve Account Transfer to Subsidy Account**

In accordance with paragraph 19 of Decision No. 14354-(09/79), adopted on July 23, 2009, in lieu of reimbursement to the General Resources Account, an amount equivalent to SDR 63.133 million, representing the cost of administering the Poverty Reduction and Growth Trust (PRGT) for FY 2012, shall be transferred from the Reserve Account of the PRGT (through the Special Disbursement Account) to the General Subsidy Account of the PRGT.

**Decision No. 2**

**Assessment under Article XX, Section 4 for FY 2012**

Pursuant to Article XVI, Section 2 and Article XX, Section 4 of the Articles of Agreement and Rule T-2 of the Fund's Rules and Regulations, it is decided that:

(i) The General Department shall be reimbursed for the expenses of conducting the business of the SDR Department for the period of May 1, 2011 through April 30, 2012; and

(ii) An assessment shall be levied on all participants in the SDR Department. The special drawing right holdings accounts of participants shall be debited on April 30, 2012 with an amount equal to 0.00116656 percent of their net cumulative allocations of special drawing rights. The total assessment shall be paid into the General Department.

**Decision No. 3**

**MDRI-I Trust Reimbursement for FY 2012**

In accordance with paragraph 6 of Decision No. 13588-(05/99) MDRI, adopted November 23, 2005, effective January 5, 2006, the General Resources Account shall be reimbursed the equivalent of SDR 0.054 million by the MDRI-I Trust in respect of the expenses of administering SDA resources in the MDRI-I Trust during FY 2012.

**Decision No. 4**

**PCDR Trust Reimbursement for FY 2012**

In accordance with paragraph 3 of Decision No. 14649-(10/64) PCDR, adopted June 25, 2010, the General Resources Account shall be reimbursed the equivalent of SDR 0.061 million by the PCDR Trust in respect of the expenses of administering SDA resources in the PCDR Trust during FY 2012.

**Decision No. 5**

**Transfer of Investment Income for FY 2012 to General Resources Account**

The income of the Investment Account for FY 2012 that is not attributable to earnings from gold profits transferred to the Investment Account shall be transferred to the General Resources Account for use in meeting the expenses of conducting the business of the Fund during FY 2012.

## Decision No. 6

### Placement of FY 2012 net income of the General Resources Account to the Special Reserve and the General Reserve

The net income of the General Resources Account for FY 2012 shall be placed to the Fund's Special Reserve and General Reserve as follows: Net income not attributable to surcharge income shall be placed to the Fund's Special Reserve, and net income attributable to surcharge income shall be placed to the General Reserve.

## Decision No. 7

### Transfer of Currencies to the Investment Account

Pursuant to Article XII, Section 6(f)(ii) of the Articles of Agreement, the Fund shall transfer from the General Resources Account to the Investment Account currencies in an amount equivalent to the difference between the Fund's general and special reserves as of April 30, 2012 and the cumulative amount of previous transfers of currencies from the General Resources Account to the Investment Account. This transfer of currencies to the Investment Account shall be effected in the context of the Financial Transactions Plan covering the period July through September 2012. The currencies transferred to the Investment Account pursuant to this decision shall be used for immediate investment in accordance with the provisions of Article XII, Section 6(f)(iii) of the Articles of Agreement and the Rules and Regulations adopted thereunder.

**Decision No. 8**

**The Rate of Charge on the Use of Fund Resources for FY 2013 and FY 2014**

Pursuant to Rule I-6(4)(a), last sentence of the Fund's Rules and Regulations, the rate of charge for FY 2013 and FY 2014 shall be 100 basis points over the SDR interest rate under Rule T-1 of the Fund's Rules and Regulations.

**Decision No. 9**

**Review of the System of Special Charges**

The Fund has reviewed Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, effective February 1, 1986, as amended, on Special Charges on Overdue Financial Obligations to the Fund.

## Annex I. Restructuring Costs

In FY 2008, the Fund established a restructuring provision of SDR 68 million in accordance with IFRS to cover costs for which no services were expected to be rendered (e.g., the modified SBF payments during the delay period prior to formal separation) and the costs of outplacement and retraining of separating staff. At the end of the third quarter of FY 2012 (January 31, 2012), the restructuring provision amounted to SDR 2 million reflecting costs of SDR 4 million incurred for separating staff and a reduction of SDR 2 million in the estimate for outsourcing costs since the beginning of the fiscal year.

Costs related to salaries during the staff delay period of up to 12 months under the separation plan were not included in the provision and are recognized as those expenditures are incurred. For FY 2012, delay costs amount to SDR 0.1 million reflecting the winding down phase of the Fund's restructuring. Other costs during the year relate to SRP contributions for separating staff amounting to SDR 0.7 million, which are taken into account as part of the IAS 19 expense.

Restructuring Provision as at end-January 2012
(in millions of SDRs)

| | |
|---|---|
| **Restructuring provision at April 30, 2008 1/** | **68** |
| Amounts utilized | -71 |
| Additions 2/ | 12 |
| Reversals 3/ | -7 |
| **Restructuring provision at January 31, 2011** | **2** |

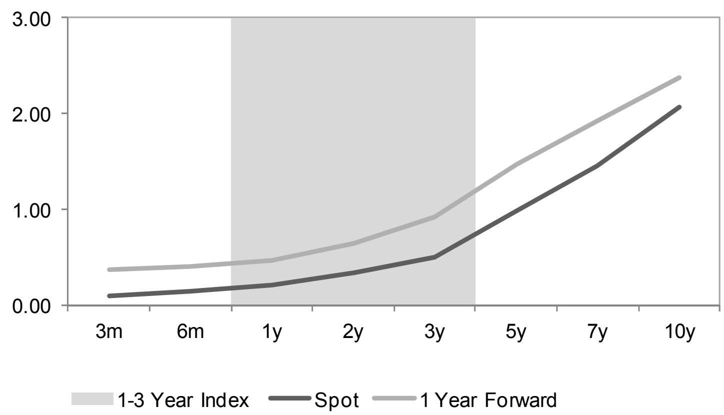
1/ See *Audited Financial Statements for the Financial Years Ended April 30, 2008 and 2007*.
2/ Reflects additional costs associated with outsourcing (SDR 5 million) plus the effects of changes in the SDR/U.S. dollar exchange rate (SDR 7 million).
3/ Reduction in the costs estimated for retraining and outplacement of separating staff.

Total restructuring costs from April 2008 through end-January 2012 amount to SDR 122 million, and comprise SBF costs (SDR 71 million), delay costs (SDR 34 million) and SRP contributions (SDR 17 million). The actual outcome paper on the Fund's income position for FY 2012 will provide final audited figures on restructuring costs in FY 2012.

## Annex II. Investment Account (IA) Portfolio Performance Scenarios[36, 37]

Government bond yields in the markets of the SDR basket are close to their historic lows and those within the 1–3 year index range are near the zero bound. With growth and inflation expectations increasing only slowly, and policy makers in SDR markets committed to keeping low rates for an extended period, investors are anticipating only a minor increase in bond yields: one-year forward yields in SDR terms for bonds in the 1–3 year segment of the curve are about 26 basis points higher than current levels (Figure 1). This magnitude of rate increase is much lower than as expected a year ago (80 bps),[38] in part due to lower growth and inflation expectations in Europe.

Figure 1. Current Levels of SDR-Weighted Yields and Market-Implied Forward Rates
(in percent)




For the IA, with yields very close to zero and therefore limited income protection, there is a short-term risk of capital loss or underperformance against the three-month SDR rate if yields rise even moderately. However, over time, higher average yields will benefit the IA's performance both in absolute terms and relative to the SDR rate.

---

[36] This annex focuses on the non-gold profit portfolio. Gold profits are invested in fixed-term deposits with the BIS until the Board decides on rules and regulations for the gold endowment and on the disposition of additional windfall profits.

[37] Pending the adoption of new Rules and regulations under the expanded investment authority of the Investment Account, the Rules and Regulations adopted under the former investment authority remain in place for IA assets. Under this authority investments are permitted in marketable obligations of members whose currencies are used for investment, including the obligations of their central banks and official agencies as well as marketable obligations of international financial organizations such as the World Bank, the European Investment Bank and the Bank for International Settlements (BIS). The IA portfolio currently comprises bonds of countries in the euro area, Japan, the United Kingdom, and the United States, with a minimum credit rating of A, and BIS medium-term instruments (MTIs). MTIs are obligations of the BIS; their yield is based on the swap yield curve. They typically provide a higher initial yield than comparable government bonds, but are subject to risk arising from the widening of swap spreads.

[38] See Review of the Fund's Income Position for FY 2011 and FY 2012 (4/7/11).

The analysis below outlines possible future return scenarios for the IA relative to the three-month SDR rate, which the IA seeks to exceed over time. Table 1 presents the un-annualized IA returns in the ten-month period to end-February 2012 and assesses the impact on IA income of seven possible scenarios through end-FY2012 and in FY2013:

1. Yields remain unchanged from end-February 2012 levels;
2. Yields follow market forward rates (as in Figure 1);
3. Yields increase or decrease by 25 basis points above or below market forward rates;
4. Yields increase by 50 basis points above market forward rates;[39]
5. Yields increase 100 basis points above market forward rates;
6. Bond yields increase 100 basis points above market forward rates *and* swap spreads on MTIs widen by an additional 50 basis points (i.e. MTI yields increase by 150 basis points above forwards).

The results of the above scenarios suggest that under the current investment strategy, positive returns could be achieved if rates stay unchanged, but they would be modest. Against the SDR interest rate, the IA could break even if bond yields rise by 17 basis points less than implied by market forwards (i.e. bond yields increase by 9 basis points over the next fiscal year). A rise in yields in line with or above current market expectations could result in capital losses.

The IA follows a long term investment strategy and periods of short-term underperformance should be expected. Gold sales profits, on the other hand, which have been transferred to the IA in March 2011 after the amendment to the Articles of Agreement on the expanded investment authority of the Fund became effective, have been placed in fixed-term deposits with the BIS as an interim measure, pending Board decisions on new Rules and Regulations for the Investment Account and disposition of gold profits. This specific arrangement is intended to ensure the funds are liquid and do not face a risk of capital loss until the time of the relevant Board decisions.

[39] The assumption of rates decreasing by 50 basis points below market forwards is not considered since yields would become negative.

Table 1. Investment Account Performance Scenarios
(unannualized returns in percent)

| | Unchanged Yields 1/ | Forwards -25bps | Forwards | Forwards +25bps | Forwards +50bps | Forwards +100bps | Forwards +100bps +50 bps MTI Spreads Widening |
|---|---|---|---|---|---|---|---|
| Actual Returns FYTD (May 2011-February 2012) | | | | | | | |
| 3-Month SDR/GRA | 0.28 | … | … | … | … | … | … |
| Bond | 2.24 | … | … | … | … | … | … |
| MTIs | 1.96 | … | … | … | … | … | … |
| IA | 2.10 | … | … | … | … | … | … |
| Excess Return | 1.82 | … | … | … | … | … | … |
| Forecast FY 2012 | | | | | | | |
| 3-Month SDR/GRA | 0.30 | 0.30 | 0.31 | 0.31 | 0.32 | 0.33 | 0.33 |
| Bond | 2.29 | 2.29 | 2.22 | 2.14 | 2.07 | 1.92 | 1.92 |
| MTIs | 2.01 | 2.01 | 1.94 | 1.87 | 1.79 | 1.65 | 1.50 |
| IA | 2.15 | 2.15 | 2.08 | 2.00 | 1.93 | 1.78 | 1.71 |
| Excess Return | 1.85 | 1.85 | 1.77 | 1.69 | 1.61 | 1.46 | 1.38 |
| FY 2013 (May 2012-April 2013) | | | | | | | |
| 3-Month SDR/GRA | 0.15 | 0.13 | 0.30 | 0.48 | 0.66 | 1.02 | 1.02 |
| Bond | 0.28 | 0.27 | -0.01 | -0.30 | -0.58 | -1.15 | -1.15 |
| MTIs | 0.31 | 0.31 | 0.02 | -0.26 | -0.55 | -1.11 | -1.68 |
| IA | 0.30 | 0.29 | 0.00 | -0.28 | -0.57 | -1.13 | -1.41 |
| Excess Return | 0.15 | 0.16 | -0.30 | -0.76 | -1.22 | -2.15 | -2.43 |
| Memo Items: Assumed Yields | | | | | | | |
| | Spot | | | | | | |
| 3-Month SDR/GRA | 0.15 | | | | | | |
| Bonds | 0.28 | | | | | | |
| MTIs | 0.31 | | | | | | |

1/ From March 13, 2012.
Note: Actual returns are based on audited performance data provided by State Street. Projections are based on current market levels for SDR weighted 3-month bills, and 2-year government notes, and 2-year MTIs, and on government bond forward rates.
Sources: State Street data, Bloomberg, and staff calculations.

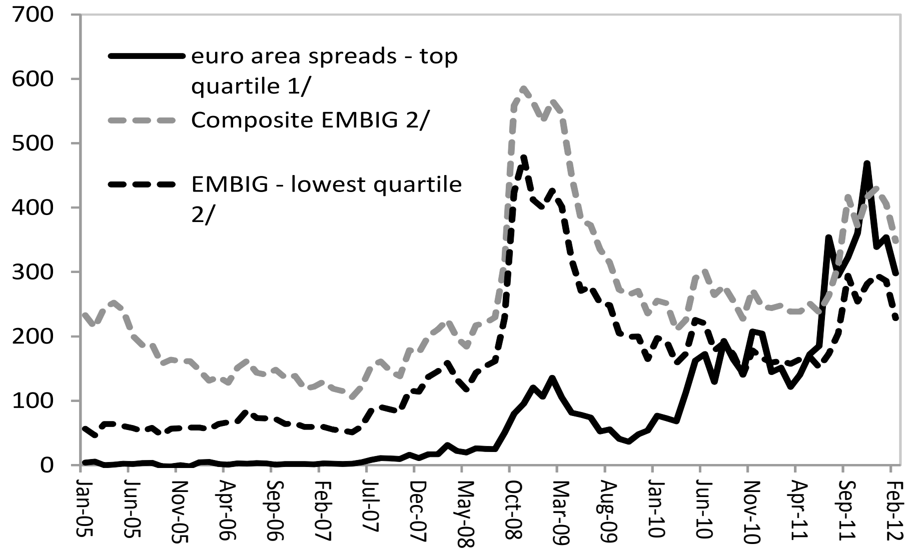
## Annex III. Comparator Measure for Market Cross-Check

In the 2011 discussion on *A New Rule for Setting the Margin*, the Board requested that staff keep the comparator measure under review. Staff's decision on which measure to use to align the margin with long-term credit market conditions is based on:

- Ready availability of regular market quotes;
- Isolation of the risk component of the interest differentials (i.e., excludes exchange rate differences and liquidity constraints); and
- Reflecting market costs faced by members that are currently or likely to borrow from the Fund.

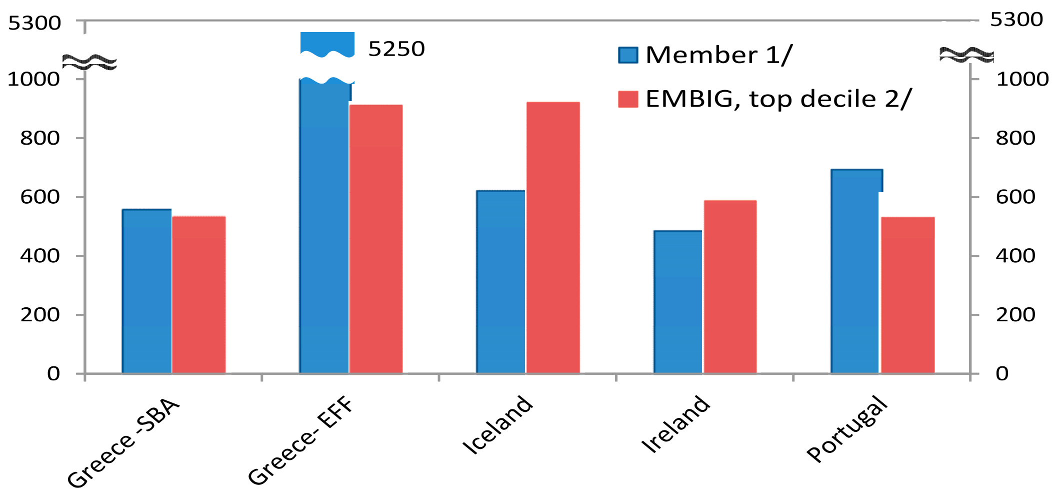
*In the absence of other measures which fulfill these requirements, in staff's view the EMBI-based measure remains the most appropriate measure of long-term market conditions.* As of late March 2012, advanced countries represent over 50 percent of Fund credit outstanding, which is set to increase as they represent over 75 percent of current disbursing commitments. Currently, no measure exists that includes advanced countries and equals the five year EMBI in terms of liquidity, while at the same time accounting for exchange rate differentials. Staff considered a CDS comparator but this market suffers from poor coverage of emerging markets, questionable liquidity in current global conditions, and volatile spreads. At the same time, the shared currency of the euro area makes a euro based measure spread of the 17 members possible. Figure III.1 illustrates that the top quartile of euro area spreads are above the risk adjusted EMBI measure and in line with the composite EMBIG. Furthermore, Figure III.1 shows that advanced country spreads at the time preceding their respective programs were generally in line with or exceeded EMBI spreads by some margin. In view of the cooperative nature of the Fund, aimed at benefiting its membership and with safeguarding its financing stability, the EMBI-based measure remains the most appropriate metric, while possibly under-estimating the market borrowing costs of members currently borrowing from the Fund, in view of the high borrowing costs of some euro area peripherals.

Figure III.1. Euro Area & EMBI Spreads
(in basis points)




Source: Bloomberg, Staff calculations.
1/ 5 year government bonds versus euro area 5 year benchmark.
2/ SDR-equivalent rates are calculated using the currency weights in the SDR basket.

Figure III.2. Advanced Country and EMBI Spreads at Time of Fund Arrangement
(in basis points)




Source: Bloomberg, Staff calculations.
1/ 5 year government bonds versus euro area 5 year benchmark; three-month average preceding program.
2/ Three-month average spread preceding program adoption; rebased for SDR euro and US dollar weights. Average is calculated over the spreads that correspond to the 90th percentile of the sample.

## Annex IV. Assumptions Underlying the Income Projections

| | Actual through end-February 2012 | FY 2012 Midyear Projections | FY 2012 Current Projections | FY 2013 Projections | FY 2014 Projections |
|---|---|---|---|---|---|
| | (In billions of SDRs) | | | | |
| Regular Facilities: | | | | | |
| 1. Purchases (excl. reserve tranche purchases) | 23.7 | 34.6 | 32.5 | 21.1 | 10.9 |
| 2. Repurchases | 3.1 | 3.3 | 3.6 | 13.7 | 20.9 |
| 3. Average balances subject to charges | 78.5 | 81.6 | 80.5 | 100.6 | 97.1 |
| 4. Average SDR holdings | 9.3 | 9.0 | 9.5 | 10.5 | 10.5 |
| 5. Average remunerated positions | 53.8 | 54.0 | 54.4 | 54.6 | 40.3 |
| 6. Average investment account assets 1/ | 6.1 | 6.9 | 6.9 | 8.3 | 10.6 |
| 7. Average investment account assets-gold profits 2/ | 6.8 | 6.8 | 6.8 | | |
| 8. Average borrowings and issued notes | 28.7 | 31.4 | 30.1 | 49.8 | 60.7 |
| | (In percent) | | | | |
| Return on investments 3/ | 2.08 | 0.90 | 2.13 | 0.8 | 1.4 |
| Return on investments-gold profits 2/ | 0.41 | 0.40 | 0.45 | | |
| Average interest rates: | | | | | |
| SDR interest rate and basic rate of remuneration | 0.30 | 0.40 | 0.30 | 0.30 | 0.40 |
| Basic rate of charge | 1.30 | 1.40 | 1.30 | 1.30 | 1.40 |
| Margin on the rate of charge | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

1/ The figures are based on a general assumption that investment income is transferred annually to the GRA.
2/ The gold endowment is assumed to be established in the second half of FY 13 with annual pay-outs of 3 percent beginning in FY 14.
3/ End-February figure is unannualized.

# Annex V. Projected Income and Expenses (FY 2012–2014)

| | | FY 2012 | | FY 2013 | FY 2014 |
|---|---|---|---|---|---|
| | Actual to end-Feb 2012 | Mid-year Projections | Updated Projections | Projections | Projections |
| **A. Income Sources** | | | | | |
| Periodic charges, including burden sharing | 865 | 1,110 | 1,031 | 1,263 | 1,327 |
| Interest on SDR holdings | 26 | 34 | 28 | 27 | 39 |
| Surcharges | 721 | 926 | 905 | 1,216 | 1,270 |
| Investment income | 134 | 143 | 171 | 130 | 282 |
| Service charges 1/ | 145 | 186 | 187 | 571 | 64 |
| Reimbursements | 3 | 4 | 3 | 67 | 67 |
| Gain on sale of assets | 13 | | 13 | | |
| **Total income** | **1,907** | **2,403** | **2,338** | **3,274** | **3,049** |
| **B. Expenses** | | | | | |
| Remuneration, including burden sharing | 146 | 198 | 158 | 139 | 146 |
| Interest on borrowing and issued notes | 74 | 111 | 82 | 130 | 229 |
| Administrative expenses 2/ | 483 | 668 | 646 | 683 | 685 |
| **Total expenses** | **703** | **977** | **886** | **952** | **1,060** |
| **C. Net operational income position** | **1,204** | **1,426** | **1,452** | **2,322** | **1,989** |
| Retained endowment income | | | | | 89 |
| **Net income position 3/** | **1,204** | **1,426** | **1,452** | **2,322** | **2,078** |

1/ Includes commitment fees, which are refundable (when disbursements take place) so income arises only if planned disbursements are not made.

2/ Administrative expenses presented on an IFRS basis reflect the actuarially determined IAS 19 expense rather than the periodic funding for the pension plan and post employment benefits.

3/ Net income on the basis presented in the Fund's annual IFRS financial statements.

# Annex VI. Cumulative Burden Sharing Adjustments at end-January 2012 1/
# (in millions of SDRs)

| | Adjustments for Deferred Charges | | | | Adjustments for SCA-1 | | | |
|---|---|---|---|---|---|---|---|---|
| Member | Charges | Remuneration | Total | Percentage of total | Charges | Remuneration | Total | Percentage of total |
| Albania | 0.1 | 0.0 | 0.1 | 0.01 | 0.1 | 0.0 | 0.1 | 0.01 |
| Algeria | 7.4 | 0.5 | 7.8 | 1.11 | 13.2 | 0.5 | 13.6 | 1.15 |
| Angola | 0.0 | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Antigua and Barbuda | 0.0 | - | 0.0 | 0.00 | - | - | - | - |
| Argentina | 31.0 | - | 31.0 | 4.41 | 64.7 | - | 64.7 | 5.45 |
| Armenia | 0.1 | 0.0 | 0.1 | 0.02 | 0.2 | 0.0 | 0.2 | 0.02 |
| Australia | - | 2.9 | 2.9 | 0.42 | - | 7.0 | 7.0 | 0.59 |
| Austria | - | 4.6 | 4.6 | 0.65 | - | 7.6 | 7.6 | 0.64 |
| Azerbaijan | 0.3 | - | 0.3 | 0.05 | 0.9 | - | 0.9 | 0.08 |
| Bahamas, The | - | 0.0 | 0.0 | 0.01 | - | 0.0 | 0.0 | 0.00 |
| Bahrain | - | 0.7 | 0.7 | 0.10 | - | 0.9 | 0.9 | 0.07 |
| Bangladesh | 3.1 | - | 3.1 | 0.44 | 2.9 | - | 2.9 | 0.24 |
| Barbados | 0.1 | 0.0 | 0.2 | 0.02 | 0.2 | 0.0 | 0.2 | 0.02 |
| Belarus | 0.7 | - | 0.7 | 0.09 | 1.0 | - | 1.0 | 0.09 |
| Belgium | - | 6.2 | 6.2 | 0.88 | - | 12.3 | 12.3 | 1.04 |
| Belize | 0.0 | 0.0 | 0.1 | 0.01 | 0.0 | 0.0 | 0.1 | 0.01 |
| Bhutan | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Bolivia | 0.9 | - | 0.9 | 0.13 | 0.9 | - | 0.9 | 0.08 |
| Bosnia and Herzegovina | 0.5 | - | 0.5 | 0.08 | 0.8 | - | 0.8 | 0.07 |
| Botswana | - | 0.2 | 0.2 | 0.03 | - | 0.3 | 0.3 | 0.03 |
| Brazil | 23.8 | 0.1 | 23.9 | 3.40 | 57.4 | - | 57.4 | 4.83 |
| Brunei Darussalam | - | 0.1 | 0.1 | 0.01 | - | 0.3 | 0.3 | 0.02 |
| Bulgaria | 3.7 | 0.1 | 3.8 | 0.54 | 8.2 | 0.1 | 8.3 | 0.70 |
| Burkina Faso | - | 0.1 | 0.1 | 0.01 | - | 0.1 | 0.1 | 0.01 |
| Burundi | 0.0 | 0.0 | 0.0 | 0.01 | 0.0 | 0.0 | 0.0 | 0.00 |
| | | | | - | | | | |
| Cambodia | 0.0 | - | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| Cameroon | 0.7 | - | 0.7 | 0.10 | 0.8 | - | 0.8 | 0.06 |
| Canada | - | 6.1 | 6.1 | 0.87 | - | 14.3 | 14.3 | 1.20 |
| Cape Verde | - | 0.0 | 0.0 | 0.00 | - | - | - | - |
| Central African Republic | 0.1 | - | 0.1 | 0.02 | 0.1 | - | 0.1 | 0.01 |
| Chad | 0.1 | - | 0.1 | 0.01 | 0.1 | - | 0.1 | 0.01 |
| Chile | 5.8 | 0.5 | 6.4 | 0.91 | 5.7 | 1.6 | 7.3 | 0.62 |
| China | 4.0 | 7.7 | 11.8 | 1.68 | 3.5 | 16.2 | 19.7 | 1.66 |
| Colombia | - | 1.3 | 1.3 | 0.19 | - | 2.3 | 2.3 | 0.19 |
| Comoros | 0.0 | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Congo, D.R. | 3.4 | - | 3.4 | 0.48 | 3.9 | - | 3.9 | 0.33 |
| Congo, Rep. | 0.1 | - | 0.1 | 0.02 | 0.2 | - | 0.2 | 0.01 |
| Costa Rica | 0.4 | 0.1 | 0.5 | 0.07 | 0.5 | 0.1 | 0.6 | 0.05 |
| Côte d'Ivoire | 2.5 | - | 2.5 | 0.35 | 2.4 | - | 2.4 | 0.20 |
| Croatia | 1.1 | - | 1.1 | 0.15 | 1.6 | - | 1.6 | 0.13 |

# Annex VI. Cumulative Burden Sharing Adjustments at end-January 2012 (continued) (in millions of SDRs)

| | Adjustments for Deferred Charges | | | | Adjustments for SCA-1 | | | |
|---|---|---|---|---|---|---|---|---|
| Member | Charges | Remuneration | Total | Percentage of total | Charges | Remuneration | Total | Percentage of total |
| Cyprus | - | 0.2 | 0.2 | 0.03 | - | 0.4 | 0.4 | 0.03 |
| Czech Republic | 2.2 | 0.2 | 2.4 | 0.34 | 2.7 | 0.6 | 3.3 | 0.28 |
| Denmark | - | 3.5 | 3.5 | 0.50 | - | 6.2 | 6.2 | 0.52 |
| Djibouti | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 | 0.00 |
| Dominica | 0.0 | - | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| Dominican Republic | 2.4 | - | 2.4 | 0.34 | 2.2 | - | 2.2 | 0.18 |
| Ecuador | 2.0 | 0.1 | 2.1 | 0.29 | 2.6 | 0.1 | 2.7 | 0.23 |
| Egypt | 1.4 | 0.1 | 1.5 | 0.21 | 1.5 | 0.2 | 1.7 | 0.14 |
| El Salvador | 0.0 | - | 0.0 | 0.01 | 0.0 | - | 0.0 | 0.00 |
| Equatorial Guinea | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| Estonia | 0.1 | - | 0.1 | 0.02 | 0.3 | - | 0.3 | 0.02 |
| Ethiopia | 0.2 | 0.0 | 0.2 | 0.03 | 0.2 | 0.0 | 0.2 | 0.02 |
| Fiji | 0.0 | 0.1 | 0.1 | 0.02 | 0.0 | 0.2 | 0.2 | 0.01 |
| Finland | - | 2.6 | 2.6 | 0.38 | - | 4.6 | 4.6 | 0.38 |
| France | - | 18.8 | 18.8 | 2.67 | - | 33.5 | 33.5 | 2.82 |
| Gabon | 0.7 | - | 0.7 | 0.09 | 1.0 | - | 1.0 | 0.08 |
| Gambia, The | 0.1 | - | 0.1 | 0.01 | 0.1 | - | 0.1 | 0.01 |
| Georgia | 0.2 | - | 0.2 | 0.03 | 0.4 | - | 0.4 | 0.03 |
| Germany | - | 38.3 | 38.3 | 5.45 | - | 59.1 | 59.1 | 4.98 |
| Ghana | 1.7 | 0.0 | 1.7 | 0.24 | 1.8 | 0.0 | 1.8 | 0.15 |
| Greece | 0.5 | 1.1 | 1.6 | 0.23 | - | 2.1 | 2.1 | 0.18 |
| Grenada | 0.0 | - | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| Guatemala | 0.4 | 0.0 | 0.4 | 0.05 | 0.3 | 0.0 | 0.3 | 0.03 |
| Guinea | 0.1 | - | 0.1 | 0.02 | 0.1 | - | 0.1 | 0.01 |
| Guinea-Bissau | 0.0 | - | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| Guyana | 0.4 | - | 0.4 | 0.06 | 0.4 | - | 0.4 | 0.04 |
| Haiti | 0.2 | - | 0.2 | 0.03 | 0.3 | - | 0.3 | 0.03 |
| Honduras | 0.4 | 0.0 | 0.4 | 0.06 | 0.6 | 0.0 | 0.7 | 0.05 |
| Hungary | 7.0 | 0.4 | 7.4 | 1.05 | 6.9 | 1.3 | 8.2 | 0.69 |
| Iceland | 0.1 | 0.1 | 0.2 | 0.03 | 0.0 | 0.1 | 0.1 | 0.01 |
| India | 24.0 | 2.4 | 26.4 | 3.75 | 28.4 | 3.4 | 31.9 | 2.68 |
| Indonesia | 14.7 | 0.9 | 15.6 | 2.22 | 42.5 | 1.6 | 44.0 | 3.71 |
| Iran, I. Rep. of | - | 0.1 | 0.1 | 0.01 | - | 0.0 | 0.0 | 0.00 |
| Iraq | 0.6 | 0.4 | 1.1 | 0.15 | 0.6 | 0.3 | 0.9 | 0.08 |
| Ireland | 0.2 | 2.0 | 2.1 | 0.30 | - | 3.3 | 3.3 | 0.28 |
| Israel | 0.6 | 0.3 | 0.9 | 0.12 | 0.9 | 0.9 | 1.7 | 0.15 |
| Italy | - | 17.6 | 17.6 | 2.51 | - | 28.2 | 28.2 | 2.37 |
| Jamaica | 2.6 | - | 2.6 | 0.37 | 2.9 | - | 2.9 | 0.25 |
| Japan | - | 39.8 | 39.8 | 5.67 | - | 64.5 | 64.5 | 5.43 |
| Jordan | 1.7 | 0.0 | 1.7 | 0.24 | 3.1 | 0.0 | 3.1 | 0.26 |

# Annex VI. Cumulative Burden Sharing Adjustments at end-January 2012 (continued)
# (in millions of SDRs)

| Member | Adjustments for Deferred Charges | | | | Adjustments for SCA-1 | | | |
|---|---|---|---|---|---|---|---|---|
| | Charges | Remuneration | Total | Percentage of total | Charges | Remuneration | Total | Percentage of total |
| Kazakhstan | 0.8 | - | 0.8 | 0.11 | 1.7 | - | 1.7 | 0.15 |
| Kenya | 1.2 | 0.0 | 1.2 | 0.17 | 1.1 | 0.0 | 1.1 | 0.09 |
| Kiribati | - | 0.0 | 0.0 | 0.00 | - | - | - | - |
| Korea | 7.8 | 3.4 | 11.2 | 1.59 | 19.6 | 5.0 | 24.6 | 2.07 |
| Kosovo | 0.0 | 0.0 | 0.0 | 0.00 | - | - | - | - |
| Kuwait | - | 2.7 | 2.7 | 0.39 | - | 4.2 | 4.2 | 0.35 |
| Kyrgyz Republic | 0.1 | - | 0.1 | 0.02 | 0.3 | - | 0.3 | 0.02 |
| Lao P.D.R | 0.0 | - | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| Latvia | 0.4 | - | 0.4 | 0.06 | 0.5 | - | 0.5 | 0.05 |
| Lebanon | 0.1 | 0.3 | 0.4 | 0.06 | - | 0.3 | 0.3 | 0.03 |
| Lesotho | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Liberia | 2.4 | - | 2.4 | 0.33 | 3.1 | - | 3.1 | 0.26 |
| Libya | - | 5.0 | 5.0 | 0.72 | - | 6.4 | 6.4 | 0.54 |
| Lithuania | 0.5 | - | 0.5 | 0.08 | 1.2 | - | 1.2 | 0.11 |
| Luxembourg | - | 0.3 | 0.3 | 0.04 | - | 0.6 | 0.6 | 0.05 |
| Macedonia, F.Y.R. | 0.3 | - | 0.3 | 0.04 | 0.5 | - | 0.5 | 0.04 |
| Madagascar | 0.4 | - | 0.4 | 0.06 | 0.4 | - | 0.4 | 0.03 |
| Malawi | 0.3 | - | 0.3 | 0.04 | 0.3 | - | 0.3 | 0.03 |
| Malaysia | - | 3.2 | 3.2 | 0.45 | - | 5.8 | 5.8 | 0.49 |
| Maldives | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 | 0.00 |
| Mali | 0.2 | 0.1 | 0.2 | 0.03 | 0.2 | 0.1 | 0.2 | 0.02 |
| Malta | - | 0.4 | 0.4 | 0.06 | - | 0.5 | 0.5 | 0.05 |
| Mauritania | 0.2 | - | 0.2 | 0.03 | 0.2 | - | 0.2 | 0.02 |
| Mauritius | 0.2 | 0.0 | 0.2 | 0.03 | 0.1 | 0.1 | 0.2 | 0.02 |
| Mexico | 38.3 | 0.7 | 39.0 | 5.55 | 57.0 | 1.2 | 58.2 | 4.90 |
| Micronesia | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Moldova | 0.5 | - | 0.5 | 0.07 | 1.1 | - | 1.1 | 0.09 |
| Mongolia | 0.1 | - | 0.1 | 0.01 | 0.1 | - | 0.1 | 0.01 |
| Montenegro | - | 0.0 | 0.0 | 0.00 | - | - | - | - |
| Morocco | 2.8 | 0.2 | 2.9 | 0.42 | 2.8 | 0.3 | 3.0 | 0.26 |
| Myanmar | 0.1 | - | 0.1 | 0.01 | 0.1 | - | 0.1 | 0.01 |
| Namibia | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Nepal | 0.1 | 0.0 | 0.2 | 0.02 | 0.1 | 0.0 | 0.1 | 0.01 |
| Netherlands | - | 9.7 | 9.7 | 1.38 | - | 17.7 | 17.7 | 1.49 |
| New Zealand | - | 0.7 | 0.7 | 0.09 | - | 1.8 | 1.8 | 0.15 |
| Nicaragua | 0.1 | - | 0.1 | 0.01 | 0.1 | - | 0.1 | 0.01 |
| Niger | 0.2 | 0.1 | 0.3 | 0.04 | 0.2 | 0.1 | 0.3 | 0.03 |
| Norway | - | 6.4 | 6.4 | 0.91 | - | 9.2 | 9.2 | 0.77 |
| Oman | - | 0.5 | 0.5 | 0.07 | - | 0.7 | 0.7 | 0.06 |
| Pakistan | 6.9 | - | 6.9 | 0.98 | 9.4 | - | 9.4 | 0.79 |

# Annex VI. Cumulative Burden Sharing Adjustments at end-January 2012 (continued)
## (in millions of SDRs)

| Member | Adjustments for Deferred Charges: Charges | Remuneration | Total | Percentage of total | Adjustments for SCA-1: Charges | Remuneration | Total | Percentage of total |
|---|---|---|---|---|---|---|---|---|
| Panama | 1.2 | 0.0 | 1.2 | 0.17 | 1.5 | 0.0 | 1.6 | 0.13 |
| Papua New Guinea | 0.3 | 0.0 | 0.3 | 0.05 | 0.6 | 0.0 | 0.6 | 0.05 |
| Paraguay | - | 0.2 | 0.2 | 0.03 | - | 0.2 | 0.2 | 0.02 |
| Peru | 7.1 | 0.0 | 7.1 | 1.01 | 9.4 | - | 9.4 | 0.80 |
| Philippines | 9.2 | 0.4 | 9.6 | 1.36 | 14.4 | 0.6 | 15.0 | 1.26 |
| Poland | 3.4 | 0.5 | 3.9 | 0.56 | 4.1 | 1.5 | 5.6 | 0.47 |
| Portugal | 0.9 | 2.0 | 2.9 | 0.41 | 0.8 | 3.8 | 4.6 | 0.38 |
| Qatar | - | 0.4 | 0.4 | 0.05 | - | 0.7 | 0.7 | 0.05 |
| Romania | 5.3 | - | 5.3 | 0.75 | 7.4 | - | 7.4 | 0.62 |
| Russian Federation | 23.7 | 0.2 | 23.9 | 3.40 | 61.9 | - | 61.9 | 5.21 |
| Rwanda | 0.0 | 0.0 | 0.1 | 0.01 | 0.1 | 0.0 | 0.1 | 0.01 |
| Samoa | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 | 0.00 |
| San Marino | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Saudi Arabia | - | 10.7 | 10.7 | 1.52 | - | 17.1 | 17.1 | 1.44 |
| Senegal | 0.5 | - | 0.5 | 0.08 | 0.6 | - | 0.6 | 0.05 |
| Serbia | 1.8 | - | 1.8 | 0.26 | 3.2 | - | 3.2 | 0.27 |
| Seychelles | 0.0 | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Sierra Leone | 0.5 | - | 0.5 | 0.07 | 0.5 | - | 0.5 | 0.04 |
| Singapore | - | 1.8 | 1.8 | 0.26 | - | 3.2 | 3.2 | 0.27 |
| Slovak Republic | 1.6 | 0.0 | 1.6 | 0.23 | 2.5 | 0.0 | 2.5 | 0.21 |
| Slovenia | 0.4 | 0.1 | 0.6 | 0.08 | 0.4 | 0.4 | 0.8 | 0.07 |
| Solomon Islands | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 | 0.00 |
| Somalia | 1.1 | - | 1.1 | 0.16 | 1.5 | - | 1.5 | 0.13 |
| South Africa | 1.7 | - | 1.7 | 0.24 | 2.9 | - | 2.9 | 0.25 |
| Spain | - | 11.1 | 11.1 | 1.57 | - | 16.3 | 16.3 | 1.37 |
| Sri Lanka | 2.1 | 0.1 | 2.2 | 0.31 | 2.1 | 0.1 | 2.3 | 0.19 |
| St. Kitts and Nevis | 0.0 | - | 0.0 | 0.00 | 0.0 | - | 0.0 | 0.00 |
| St. Lucia | 0.0 | - | 0.0 | 0.00 | - | - | - | - |
| St. Vincent and the Grenadines | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Sudan | 6.1 | - | 6.1 | 0.87 | 8.3 | - | 8.3 | 0.70 |
| Suriname | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Swaziland | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 | 0.00 |
| Sweden | - | 4.6 | 4.6 | 0.65 | - | 8.2 | 8.2 | 0.69 |
| Switzerland | - | 4.4 | 4.4 | 0.62 | - | 10.8 | 10.8 | 0.91 |
| Tajikistan | 0.0 | - | 0.0 | 0.00 | 0.1 | - | 0.1 | 0.01 |
| Tanzania | 0.3 | - | 0.3 | 0.04 | 0.3 | - | 0.3 | 0.02 |
| Thailand | 4.1 | 1.3 | 5.4 | 0.76 | 9.0 | 2.0 | 11.0 | 0.92 |
| Togo | 0.2 | - | 0.2 | 0.02 | 0.2 | - | 0.2 | 0.01 |
| Tonga | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Trinidad and Tobago | 1.5 | 0.2 | 1.7 | 0.24 | 1.5 | 0.3 | 1.7 | 0.15 |

# Annex VI. Cumulative Burden Sharing Adjustments at end-January 2012 (concluded) (in millions of SDRs)

| | Adjustments for Deferred Charges | | | | Adjustments for SCA-1 | | | |
|---|---|---|---|---|---|---|---|---|
| Member | Charges | Remuneration | Total | Percentage of total | Charges | Remuneration | Total | Percentage of total |
| Tunisia | 2.4 | 0.0 | 2.5 | 0.35 | 2.8 | 0.1 | 2.8 | 0.24 |
| Turkey | 26.2 | 0.3 | 26.5 | 3.77 | 50.9 | 0.5 | 51.4 | 4.33 |
| Tuvalu | - | 0.0 | 0.0 | 0.00 | - | - | - | - |
| Uganda | 0.4 | - | 0.4 | 0.06 | 0.3 | - | 0.3 | 0.03 |
| Ukraine | 6.1 | - | 6.1 | 0.87 | 12.2 | - | 12.2 | 1.03 |
| United Arab Emirates | - | 2.3 | 2.3 | 0.32 | - | 3.3 | 3.3 | 0.28 |
| United Kingdom | - | 13.2 | 13.2 | 1.88 | - | 25.8 | 25.8 | 2.18 |
| United States | - | 101.3 | 101.3 | 14.41 | - | 157.9 | 157.9 | 13.30 |
| Uruguay | 2.2 | 0.0 | 2.2 | 0.31 | 5.8 | 0.0 | 5.9 | 0.49 |
| Uzbekistan | 0.3 | - | 0.3 | 0.04 | 0.8 | - | 0.8 | 0.06 |
| Vanuatu | - | 0.0 | 0.0 | 0.00 | - | 0.0 | 0.0 | 0.00 |
| Venezuela, R. B. de | 15.4 | 2.1 | 17.5 | 2.48 | 19.8 | 2.4 | 22.2 | 1.87 |
| Vietnam | 0.6 | - | 0.6 | 0.08 | 0.9 | - | 0.9 | 0.07 |
| Yemen, Rep. of | 0.3 | 0.0 | 0.3 | 0.04 | 0.7 | 0.0 | 0.7 | 0.06 |
| Zambia | 5.2 | - | 5.2 | 0.74 | 5.5 | - | 5.5 | 0.46 |
| Zimbabwe | 0.8 | - | 0.8 | 0.12 | 1.6 | - | 1.6 | 0.14 |
| | 351.6 | 351.2 | 702.8 | 100.0 | 603.8 | 583.9 | 1,187.7 | 100.0 |

Values of 0.0 represent amounts of less than SDR 0.1 million; "-" denotes no adjustments.
1/ Adjustments to charges and remuneration are billed quarterly.