INTERNATIONAL MONETARY FUND

April 30, 2013

REVIEW OF THE FUND'S INCOME POSITION FOR FY 2013 AND FY 2014

EXECUTIVE SUMMARY

FY 2013 net income is now projected at SDR 2.0 billion, including surcharges, broadly in line with the midyear estimate of SDR 2.1 billion. The income will help build the Fund's precautionary balances, which are expected to reach SDR 11.5 billion at the end of FY 2013, consistent with the earlier estimates.

The paper includes decisions relating to the disposition of FY 2013 income, which are in line with the practice in recent years. A decision is proposed to resume the reimbursement of the General Resources Account for the expenses of conducting the business of the PRG Trust in line with the Executive Board's approval of a long-term financing strategy for the PRGT in September 2012.

In April 2012, the Executive Board applied for the first time the new rule for setting the margin for the basic rate of charge and established a margin of 100 basis points for the two financial years FY 2013–14. As required under this new rule, staff has completed a full analysis of the underlying factors relevant for setting the margin and has determined that there have not been fundamental changes that would warrant a change in the margin for FY 2014.

The updated projections for FY 2014 point to a net income position of SDR 1.6-1.8 billion, compared with the April 2012 estimate of SDR 2.1 billion. The updated projections reflect lower lending income, primarily due to the expiration of arrangements with undrawn balances and lower non-lending income as a result of the low global interest rates and the agreement to phase in investments under the new gold-sales funded endowment. The projections are subject to considerable uncertainty and are sensitive to a number of assumptions.

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Prepared by the Finance Department in consultation with the Legal Department and the Office of Budget and Planning

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INTRODUCTION

1. **This paper reviews the Fund's income position for FY 2013 and FY 2014**.[1] The paper updates projections provided at the FY 2013 midyear review and proposes decisions for the current and next financial year. The paper includes a comprehensive review of the Fund's income position as required under the new Rule I-6(4) adopted in December 2011 (see Box 1). Based on this review, no change in the margin for the rate of charge is proposed.

2. **The paper is structured as follows**: The first section reviews the FY 2013 income position and the main changes from the midyear projections; the second section makes proposals on the disposition of FY 2013 net income, and placement to reserves; the third section discusses the margin on the rate of charge for FY 2014, updates the income projections, and reviews the projected burden sharing adjustments; and the last section reviews special charges.

REVIEW OF THE FY 2013 INCOME POSITION

3. **FY 2013 net income is now projected at SDR 2.0 billion, compared with SDR 2.1 billion at the midyear update (see Table 1).**[2] Key factors affecting the latest projections are as follows:

- **Lending income:** Operational lending income (margin, service charges, and commitment fees) is estimated at about SDR 1.5 billion, consistent with the earlier estimate. The slightly higher income of SDR 5 million reflects higher commitment fees earned on the cancellation of some arrangements, partially offset by reduced margin income and service charges following the rephasing of scheduled disbursements under existing arrangements. Surcharge income is estimated at SDR 1.2 billion, in line with earlier estimates.

- **Investment income:** Investment income for FY 2013 is estimated at SDR 58 million for the fixed-income subaccount (reserves portfolio), SDR 6 million for the endowment subaccount (gold profits portfolio) and SDR 0.036 million for the temporary windfall profits subaccount. Total IA income of SDR 64 million is expected to be about SDR 9 million lower than the midyear estimate due to lower-than-projected returns on government bonds.

- **Reimbursements to the General Resources Account (GRA):** The GRA is reimbursed annually for the expenses of conducting the business of the SDR Department, of administering the PRGT Trust, and of administering SDA resources in the MDRI-I and the PCDR Trusts.[3] The GRA will be reimbursed for the expenses of conducting the business of the SDR Department in FY 2013

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[1] A companion paper provides an update on The Consolidated Medium-Term Income and Expenditure Framework (04/30/13).

[2] The Fund's Income Position for FY 2013—Midyear Update (12/21/12).

[3] Reimbursement to the GRA from the MDRI-I and the PCDR Trusts is for expenses not already attributable to other accounts or trusts administered by the Fund, or to the GRA.

Box 1. 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."

through an assessment on participants in the SDR Department (proposed Decision 1).[4] These expenses are estimated at SDR 1.149 million. Expenses of conducting the business of the MDRI-I and PCDR Trusts are estimated at SDR 0.019 million and SDR 0.039 million, respectively (proposed Decisions 2 and 3). Starting in FY 2013, the practice of reimbursing the GRA for the expenses of conducting the business of the PRG Trust will be resumed (see Box 2). The reimbursement is an important element of the Fund's income model endorsed in 2008 and the resumption of the reimbursement was part of the financing strategy approved in September 2012 for the PRGT aimed at placing concessional lending on a self-sustaining basis over the longer term. Reimbursement had been included in the earlier projections. The estimated PRGT expenses for FY 2013 to be reimbursed to the GRA are SDR 52.21 million (proposed Decision 4).

- **Expenses:** Net expenses are expected to be lower than projected by about SDR 22 million. The decrease reflects lower-than-projected expenses on capital projects (IT and facilities) of about SDR 4 million. The FY 2013 net administrative expenditures are also projected to be about

[4] 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.

SDR 31 million lower than budgeted. The lower expenses are partially offset by movements in the U.S. dollar/SDR exchange rate of about SDR 13 million.[5]

- **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 2013 of SDR 249 million is higher than funding projected at SDR 102 million, which gives rise to a timing difference of SDR 147 million that decreases net income.

Box 2. Reimbursement to the GRA from the PRG Trust

In 1987, the Executive Board adopted a decision providing for the annual reimbursement of the GRA for the expenses of conducting the business of the then-ESAF Trust (now PRGT). While this reimbursement was frequently suspended by the Executive Board (see paragraph 2 below), a key element of the new income model endorsed by the Fund in 2008 was the resumption of the reimbursement of the GRA for PRGT administrative expenses. However, an exception was provided pursuant to which the Fund should 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.

Since the inception of the Trust Fund in 1976, all administrative expenses associated with the cost of administering the Fund's concessional lending have been accounted for, and normally the costs have been reimbursed to the GRA. Exceptions to the general rule have been agreed by the Executive Board in the context of funding initiatives since 1998 to increase concessional lending capacity or provide debt relief. During fiscal years 1998-2004, the Board agreed to suspend reimbursement and redirect SDR 366.2 million of such payments from the GRA to the PRGF-HIPC Trust, to help finance both subsidy needs and debt relief. Similarly, during fiscal years 2005-2009 SDR 237.3 million was redirected to benefit the PRGF-ESF Trust.

As part of the 2009 LIC financing package, the Executive Board decided that for a period of three years (FY 2010–12), an amount equivalent to the expenses of operating the PRGT would be transferred from the PRGT Reserve Account to the General Subsidy Account of the PRGT instead of to the GRA. Suspending PRGT reimbursement to the GRA during these three years generated additional PRGT subsidy resources of SDR 147.9 million.

In September 2012, the Executive Board approved a financing strategy for the PRGT aimed at placing concessional lending on a self-sustaining basis over the longer term. This strategy involves establishing a base lending envelope of SDR 1¼ billion annually by using already available resources and contributions from members linked to the remaining windfall profits from recent gold sales and also assumes the reimbursement of the GRA for PRGT administrative expenses to resume in FY 2013. If, however, demand for PRGT borrowing exceeds the base envelope by a substantial margin for an extended period, the strategy for the self sustained PRGT allows for the possibility that a further temporary suspension of reimbursement could be considered by the Executive Board (see Proposal to Distribute Remaining Windfall Gold Sales Profits and Strategy to Make the Poverty Reduction and Growth Trust Sustainable, 9/17/2012).

[5] The projected outturn is approximately US$47 million lower than budgeted (FY2014-FY2016 Medium Term Budget, 3/29/13) and the updated US$/SDR exchange rate is about 1.52 compared with the earlier projection of 1.55.

Table 1. Projected Income and Expenditures—FY 2013
(in millions of SDRs)

		FY 2013			
		Initial Projections 1/	Midyear Projections 2/	Current Projections	
A.	**Operational income**	**1,789**	**1,597**	**1,573**	
	Lending income	**1,577**	**1,452**	**1,457**	
	Margin for the rate of charge	1,006	933	919	
	Service charges	106	71	57	
	Commitment fees	465	448	481	
	Investment income	**130**	**73**	**58**	
	Reserves	65	67	58	
	Gold profits portfolio	65	6	-	3/
	Interest free resources 4/	**15**	**5**	**5**	
	Reimbursements	**67**	**67**	**53**	
	MDRI-I, PCDR Trusts, and SDR Department	3	3	1	
	PRG Trust	64	64	52	
B.	**Expenses**	**683**	**683**	**661**	
	Net administrative expenditures	643	643	625	
	Capital budget items expensed	7	7	6	
	Depreciation	33	33	30	
C.	**Net operational income position (A-B)**	**1,106**	**914**	**912**	
	Surcharges	1,216	1,155	1,242	
	IAS 19 timing adjustment 5/			-147	
	Retained gold endowment income			6	3/
	Net income position 6/	**2,322**	**2,069**	**2,013**	
Memorandum Items:					
	Fund credit (average stock, SDR billions)	100.6	93.3	91.9	
	SDR interest rate (average, in percent)	0.3	0.1	0.1	
	US$/SDR exchange rate (average)	1.55	1.55	1.52	
	Precautionary balances (end of period, SDR billions)	11.8	11.6	11.5	

Source: Finance Department and Office of Budget and Planning

1/ Review of the Fund's Income Position for FY 2012 and FY 2013-14 (4/12/12).
2/ The Fund's Income Position for FY 2013—Midyear Update (12/21/12).
3/ Consistent with the recently endorsed rules and regulations for the IA, the earnings from the endowment subaccount will be retained in the IA and therefore they are excluded from operational income.
4/ Interest free resources reduce the Fund's costs and therefore provide implicit returns. Since the Fund invests its reserves in the IA to earn a higher return, the interest free resources retained in the GRA are mainly attributable to the SCA-1, unremunerated reserve tranche positions not represented by gold holdings, and GRA income for the year not transferred to the IA. These resources reduce members' reserve tranche positions and the Fund's remuneration expense resulting in implicit income for the Fund.
5/ 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 2012.
6/ Net income on the basis presented in the Fund's IFRS annual financial statements.

DISPOSITION DECISIONS

4. Projected net income includes net operational income of about SDR 912 million and surcharge income of SDR 1.2 billion (Table 1). The Executive Board needs to consider the disposition of net income and the use of IA investment income, which may impact the determination of GRA net operational income. Each of these elements is discussed below, and presented in Figure 1, beginning with the disposition of IA investment income.

5. The IA has three subaccounts.[6] Under the recent Board-approved Rules and Regulations for the IA, the IA has three separate subaccounts holding three portfolios of assets: (i) a fixed-income subaccount 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 not associated with gold profits; (ii) the endowment subaccount funded with gold profits (other than windfall profits) as part of the new income model aimed at diversifying the Fund's sources of income; and (iii) the temporary windfall profits subaccount funded GRA currency transfers attributed to windfall gold profits, which is to be used to fund a partial distribution of the general reserve to the membership for the benefit of the Poverty Reduction and Growth Trust.[7]

6. The use of IA income is guided by the Fund's Articles. Under the 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.[8] Further, Article XII, Section 6(f)(ii), permits the transfer of GRA currencies to the IA when the Fund's reserves are above the cumulative amount of previous transfers of currencies from the GRA to the IA. Accordingly, in prior years a two-step approach has been taken with respect to the fixed-income subaccount; first, a transfer of IA income from this subaccount to the GRA is made to meet administrative expenses, which increases net income, and in turn increases available resources for placement to the GRA reserves. Second, the increase in reserves provides scope for further transfers of GRA currencies to the IA, thereby expanding the corpus of the IA which has generally provided higher returns.

7. Staff proposes that income in the subaccounts of the IA be used as follows:

- **Fixed-Income Subaccount (reserves portfolio):** Consistent with past practice, staff proposes that the estimated FY 2013 income of SDR 58 million be transferred to the GRA to be used towards meeting the expenses of the Fund (proposed Decision 5). By so doing the IA income will contribute to the GRA net operational income, which will be placed in the Fund's reserves.

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[6] See Press Release No. 13/37 on the new rules and regulations of the Investment Account.

[7] In September 2012, the Board approved the partial distribution of the general reserve in an amount equivalent to the remainder of the windfall gold profits of SDR 1.75 billion and that the distribution be funded through a reduction in IA assets attributed to these profits, 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.

[8] 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)).

- **Endowment Subaccount:** Staff proposes that the projected income of SDR 6 million be retained in the IA. According to the Rules and Regulations for the Investment Account, no income from the endowment subaccount may be used for meeting the expenses of the Fund pending the completion of the phasing period, which is expected to start in mid-FY 2014.[9] This approach is also consistent with the practice over the last two years. No Board decision is required for reinvestment of earnings.

- **Temporary Windfall Profits Subaccount:** The income from this portfolio of about SDR 0.036 million will be retained in the IA until the partial distribution of the general reserve is executed in accordance with already approved Board decisions.

8. Assuming the above dispositions of the IA income, staff proposes that the GRA net operational income estimated at SDR 765 million be placed in the special reserve.[10] Article XII, Section 6(a) permits the Fund's net income to be distributed to members or placed to the general or special reserve. 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 2011–2012 (see below), was placed to the general reserve. Thus, placing the FY 2013 GRA net operational income to the special reserve would be consistent with the Fund's long-standing practice (proposed Decision 6).

9. Staff proposes that net income equivalent to the FY 2013 surcharges estimated at SDR 1.2 billion be placed to the general reserve (proposed Decision 6). This approach is consistent with the past practice since FY 1998, except for the period FY 2007–10 where net income equivalent to surcharge income was not placed to the General Reserve and instead was used towards meeting the expenses of conducting the business of the Fund.[11] Following the transfer of the FY 2013 net income to reserves, the total precautionary balances at the end of FY 2013 are projected at SDR 11.5 billion.[12] The balances would comprise SDR 4.2 billion in the special reserve, SDR 6.1 billion in the general reserve, and the SCA-1 balance of SDR 1.2 billion. Thus the special reserve, which unlike the general reserve is not available for potential distribution to the membership, remains well below the SDR 10 billion floor that the Board has established for precautionary balances.

10. Consistent with past practice, staff proposes to transfer currencies equivalent to the increase in the general and special reserves of SDR 2.0 billion from the GRA to the IA for

[9] See paragraphs 12 and 30 of the Rules and Regulations for the Investment Account.

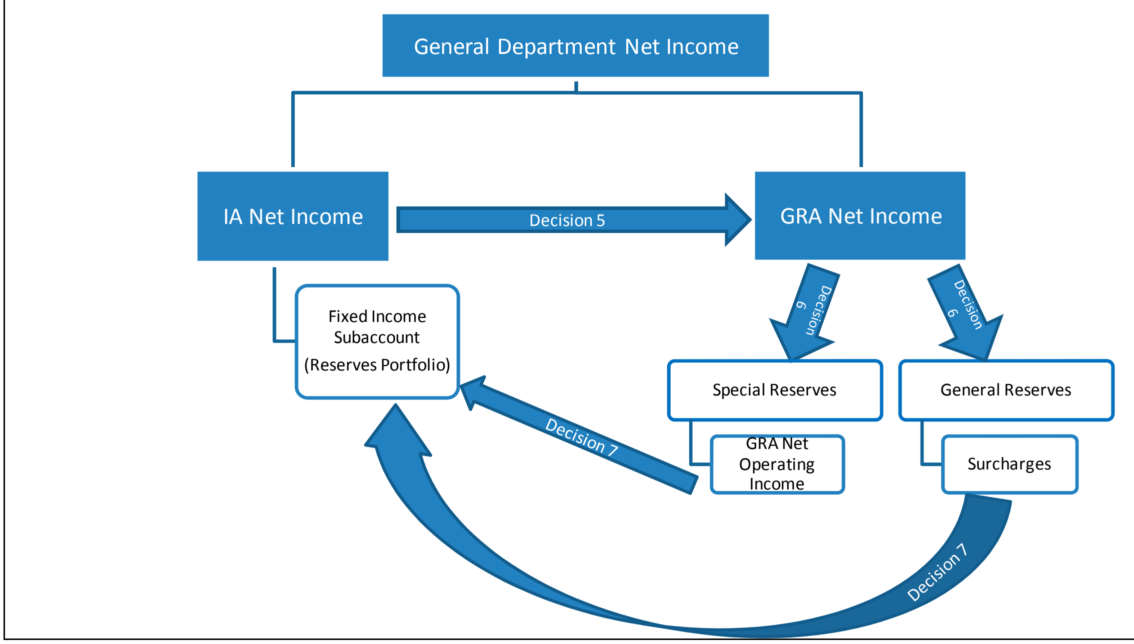
[10] This represents the net operational income position of SDR 912 million (Table 1) less IAS 19 timing difference of SDR 147 million.

[11] In the December 2008 discussion on precautionary balances, Directors noted that the practice of placing surcharges to reserves should be resumed once the Fund's income position returned to a sufficiently positive outturn. This practice was resumed in FY 2011.

[12] Precautionary balances comprise of the special and general reserves, as well as SCA-1 balances, except for amounts in the special and general reserves attributed to the limited gold sales concluded in December 2010 of SDR 6.15 billion. For further discussion on the Fund's precautionary balances see Review of the Adequacy of the Fund's Precautionary Balances (03/23/12).

investment in the Fixed-Income Subaccount, the maximum amount permitted under the Articles. The objective of this IA subaccount 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.[13] While risks of under-performance have increased in the current low interest rate environment (see Annex III), staff proposes to transfer the maximum amount permitted under the Articles, currently estimated at SDR 2.0 billion to the IA for investment (proposed Decision 7).[14] Transferring GRA currencies to the IA is consistent with the assumption of the new income model that the IA will over time achieve a higher return than the SDR interest rate.

Figure 1. Summary of Disposition Decisions



FY 2014 INCOME OUTLOOK

11. The income outlook for FY 2014 continues to be positive. Demand for Fund financing is expected to remain strong, although the full extent of the demand is difficult to predict and

[13] Since the inception of the IA, the IA returns have exceeded the three month SDR interest rate with the exception of FY 2007 when the returns fell short by 49 basis points.

[14] The Articles of Agreement provide that the amount of GRA currency transfers to the IA shall not exceed the total amount of the general and special reserve at the time of the decision (Article XII, section 6(f)(ii). Consistent with past practice, and for operational expediency, the income from the Fixed Income Subaccount that staff proposes to use for administrative expenses (SDR 58 million) will remain in the IA and be netted off against the gross amount for the GRA net income transfer to the IA of about SDR 2 billion so that operationally only one transfer will take place from the GRA to the IA.

projections are sensitive to the timing of purchases and repurchases.[15] Other factors that affect the Fund's income position include the level of global interest rates, the U.S. dollar/SDR exchange rate, and decisions on whether and how to adjust the thresholds for the application of surcharges when the 14th General Quota Review comes into effect (see discussion below).[16]

12. **In December 2011, the Executive Board adopted a new rule for setting the basic rate of charge.** The new Rule I-6(4) requires that the margin for the basic rate of charge be set for two financial years. In April 2012, the Executive Board set the margin at 100 basis points for the period FY 2013–2014. Under the new rule, a comprehensive review of the Fund's income position must be held before the end of the first year of each two-year period (for this period the end of FY 2013). The margin may be adjusted by the Board 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.[17] The margin was adopted under the exceptional circumstances clause of Rule I-6(4) as a result of the current constrained non-lending income, which results in lending income financing a portion of the Fund's non-lending activities (see Annex II).[18]

13. **There have been no fundamental changes in the factors relevant for establishing the current margin.** Under the new rule the margin should be set to cover the Fund's intermediation costs and help build up reserves. The new rule also includes a cross-check to ensure that the resulting margin maintains a reasonable alignment with long-term credit market conditions. These factors, discussed below and in more detail in Annex II, have not fundamentally changed since April 2012 when the margin was established, and therefore no change in margin for the rate of charge for FY 2014 is warranted (Decision 8).

- Intermediation costs for FY 2014 are now projected at US$96 million, broadly in line with the estimated level in FY 2013 and slightly lower than projected in April 2012 (US$111 million).[19] Income associated with the current high lending levels is expected to remain well in excess of intermediation costs. Income from the margin is projected at about US$1.3 billion, compared with the earlier estimate of US$1.5 billion and the projected outcome for FY 2013 of about US$1.4 billion.

[15] The projections assume full drawings under existing arrangements which tends to overstate the income projections. However, consistent with past practice, the projections only take account of currently approved arrangements, and not possible arrangements, thus lowering projected income effects. The projections include arrangements approved through end-March 2013.

[16] Currently a surcharge of 200 basis points is applicable when credit outstanding exceeds 300 percent of quota. If credit remains above 300 percent of quota after three years, this surcharge rises to 300 basis points.

[17] Under the new rule, a midyear review of the income position is not required. In FY 2013, staff prepared a midyear paper (for information only) for the Executive Board. Going forward this update will be provided in the context of the consolidated income and expenditure framework.

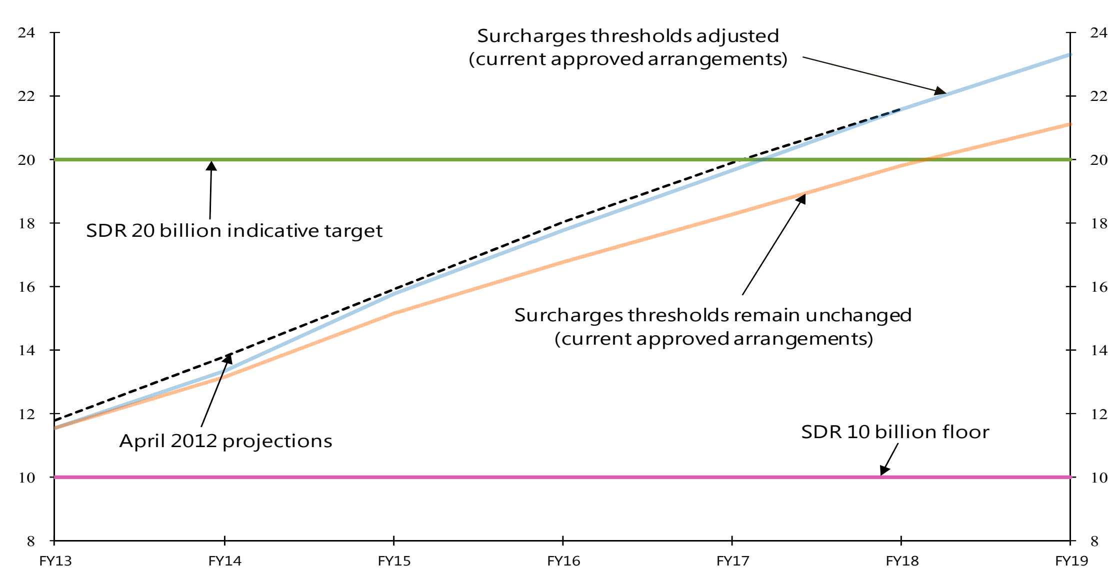
[18] Non-lending income comprises investment income, the implicit returns on the Fund's interest-free resources, and reimbursements from the SDR Department, PRG Trust, MDRI-I Trust, and PCDR Trust.

[19] The lower than earlier projected intermediation costs for FY 2014 are consistent with the recent decline in the number of active GRA arrangements.

- Commitment fee income is projected at about US$29 million substantially lower than in FY 2013 and broadly in line with the earlier estimate.

- Surcharge income is projected at US$1.9–2.2 billion compared with the earlier estimate of US$2.0 billion and a projected outcome in FY 2013 of US$1.9 billion. Surcharge income is sensitive to the timing of the effectiveness of the 14th General Quota Review and future Board decisions on whether and how to adjust the thresholds for the application of surcharges following the quota increase. For purely illustrative purposes, two scenarios are presented. The first assumes that the current surcharge thresholds remain unchanged as a percent of quota implying that surcharge income would decline for a given level of credit outstanding. The second assumes that the surcharge thresholds are adjusted in percent of quota to maintain their SDR value on average when the quota increases under the 14th General Quota Review come into effect, thereby offsetting the effect of the quota increase.[20] This adjustment to the thresholds would require a Board decision. The projected income for FY 2014 is shown in Tables 2 and 5 while the projected reserve accumulation path in the medium-term is illustrated in Figure 2. A specific proposal concerning surcharge thresholds will be presented for Executive Board consideration in due course.

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

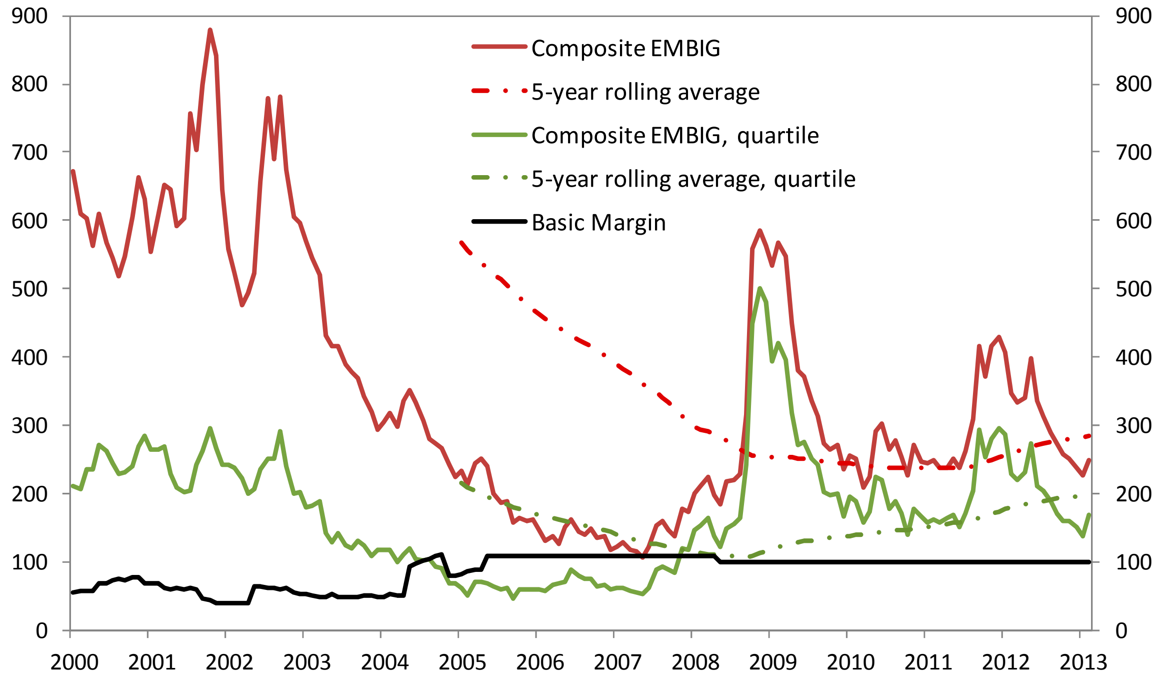


- Actual reserve accumulation in FY 2014 is projected at US$2.4–2.7 billion, compared with the earlier estimate (and projected outcome for FY 2013) of US$3.1 billion.

[20] The initial estimates were based on the assumption that the 14th General Quota Review would be in place at the beginning of FY 2014, while the updated estimates assume that the quota increase will be effective in the second half of FY 2014. The second scenario also assumes that thresholds for the application of commitment fees are adjusted to maintain their SDR value. The impact of this adjustment is relatively modest and does not affect projected commitment fees in FY 2014.

- For the market cross-check, EMBI spreads, adjusted for the risk and term premiums, are used as the main basis for comparison with long term market conditions. While market spreads have declined in the past year, the average spread over the past 5 years is broadly unchanged, and the adjusted market comparator suggests that the alignment of the current margin of 100 basis points with long-term credit market conditions is broadly in line with that applying in recent years (Figure 3).

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



Sources: Bloomberg and staff calculations.

14. Based on the current margin, updated projections for FY 2014 indicate a net income of about SDR 1.6–1.8 billion compared with the earlier estimate of SDR 2.1 billion (Table 2). An update of the FY 2014 income projections is discussed below highlighting the key factors that affect the outlook. Table 3 provides a sensitivity analysis on the income effects of changes in some assumptions.

- **Lending income.** Average credit is now projected to be about SDR 88.2 billion in FY 2014 (see Table 2) or some SDR 9 billion lower than projected last April, due to the rephasing of drawings under existing arrangements and the expiration of arrangements with undrawn balances. The decline has resulted in lower income from the margin of about SDR 90 million, partially offset by increases in service charge and commitment fees of SDR 12 million and SDR 10 million, respectively. Surcharge income is expected to generate about SDR 1.3–1.5 billion towards FY 2014 income.

Table 2. Projected Income Sources and Uses—FY 2014
(in millions of SDRs)

	FY 2014		
		Updated estimate	
	Initial estimate	Current Surcharge Thresholds	Adjusted Surcharge Thresholds
A. Operational income 1/	**1,404**	**1,046**	**1,046**
Lending income	**1,035**	**968**	**968**
Margin for the rate of charge	971	882	882
Service charges	55	67	67
Commitment fees	9	19	19
Investment income	**282**	**18**	**18**
Reserves	148	18	18
Gold endowment pay-out 2/	134		
Interest free resources 3/	**20**	**5**	**5**
Reimbursements	**67**	**55**	**55**
MDRI-I, PCDR Trusts, and SDR Department	3	1	1
PRG Trust	64	54	54
B. Expenses	**685**	**713**	**713**
Net administrative expenditures	643	671	671
Capital budget items expensed	9	9	9
Depreciation	33	33	33
C. Net operational income position (A-B)	**719**	**333**	**333**
Surcharges 4/	1,270	1,276	1,468
Retained gold endowment income 5/	89	14	14
Net income position 6/	**2,078**	**1,623**	**1,815**
Memorandum Items:			
Fund credit (average stock, SDR billions)	97.1	88.2	88.2
SDR interest rate (average, in percent)	0.4	0.1	0.1
US$/SDR exchange rate (average)	1.55	1.50	1.50
Precautionary balances (end of period, SDR billions)	13.8	13.2	13.3

Source: Finance Department and Office of Budget and Planning

1/ Surcharges are excluded from operational income.
2/ Annual payouts from the endowment are expected to commence in FY 2018.
3/ Interest free resources reduce the Fund's costs and therefore provide implicit returns. Since the Fund invests its reserves in the IA to earn a higher return, the interest free resources retained in the GRA are mainly attributable to the SCA-1, unremunerated reserve tranche positions not represented by gold holdings, and GRA income for the year not transferred to the IA. These resources reduce members' reserve tranche positions and the Fund's remuneration expense resulting in implicit income for the Fund.
4/ The initial projections for surcharges assumed for illustrative purposes that the 14th General Quota Review would be in place by the start of FY 2014 and showed the impact if surcharge thresholds were not adjusted. The updated projections assume the quota increase will be effective in the second half of FY 2014, and illustrate the sensitivity of the projections to adjustments in the surcharge thresholds.
5/ The initial estimate for retained gold endowment income assumed that the gold endowment would be fully operational in FY 2014 with an initial payout to the GRA. The updated projections reflect the phase in of investments to the endowment with the gold profits being invested in short-term deposits during the interim period.
6/ Net income on the basis presented in the Fund's IFRS annual financial statements.

- **IA investment income.** FY 2014 IA investment income is expected to be about SDR 264 million lower than estimated in April reflecting low global interest rates and the recent agreement not to initiate pay-outs from the endowment until the phased investment of the passively-managed gold portion of the endowment has been completed. Projected earnings from the fixed income subaccount (reserves portfolio) have also been updated to reflect lower expected returns due to the historically low interest rates. The FY 2014 projections now reflect an expected return over the SDR interest rate of 7 basis points over the SDR rate (the previous estimates assumed 50 basis points). The projections further assume a gradual build up of the premium to 100 basis points by FY 17 following a phased approach for the investment mandate. As highlighted in Annex III, the performance of the fixed income subaccount is subject to considerable uncertainty in the short term based on the current low interest rate environment in the SDR markets and the risk of rising interest rates.[21] The Executive Board is expected to review the investment mandate of this subaccount in FY 2014.

- **Interest-free resources and reimbursements.** The implicit returns on interest-free resources are about SDR 15 million lower as a result of the low global interest rates and the projected reimbursements to the GRA have also decreased by about SDR 12 million based on updated expenditure projections.

- **Expenditures.** Net administrative and capital expenditures are consistent with those set in the medium-term budget paper.[22]

Table 3. Sensitivity Analysis-Effect of Changes in Selected Assumptions in FY 2014 (in millions of SDRs)

Change in:	
SDR interest rate by 50 basis points	
Implicit returns 1/	24
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	78

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).

15. Burden sharing adjustments are expected to remain low in FY 2014 (see Table 4 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

[21] The investment objective of the fixed income subaccount is to achieve investment returns that exceed the SDR interest rate over the long term. The previous projections assumed a return of 50 basis points over the SDR interest rate, which is the long term premium between the SDR interest rate and SDR-weighted 1–3 year government bonds. However, due to the current low yields in the markets of the SDR basket, this assumption has been revised downwards for FY 2014. The medium term projections retain the assumption that, following a broadening of the investment mandate on this subaccount, a premium of 100 basis points over the SDR interest rate will be attained by FY 17.

[22] See FY2014–FY2016 Medium-Term Budget (03/29/13).

"carry-forward" of excess amounts generated from a minimum adjustment of 1 basis point to the rate of charge and the rate of remuneration.[23] 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 third quarter of FY 2013. Going forward, burden sharing adjustments are expected to remain low, with adjustments projected for the third quarter of FY 2014.

Table 4. Recent Burden Sharing Adjustment Rates and FY 2014 Quarterly Rates
(in basis points, unless otherwise stated)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13				FY14			
								Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
											(projected)				
Rate of Remuneration 1/															
Total average adjustment	23	23	14	5	1	–[3]	–[3]	–	–	1	–	–	–	1	–
Deferred charges	5	13	14	5	1	–[3]	–[3]	–	–	1	–	–	–	1	–
SCA-1	18	10	–	–	–	–	–	–	–	–	–	–	–	–	–
Rate of Charge 1/															
Total average adjustment	19	23	16	5	1	–[3]	–[3]	–	–	1	–	–	–	1	–
Deferred charges	4	13	16	5	1	–[3]	–[3]	–	–	1	–	–	–	1	–
SCA-1	15	10	–	–	–	–	–	–	–	–	–	–	–	–	–
Average SDR interest rate (in percent) 2/	2.93	3.96	3.64	1.79	0.29	0.35	0.30	0.12	0.08	0.07	0.10	0.10	0.14	0.17	0.15
Average basic rate of charge (in percent)	4.00	5.04	4.72	2.79	1.29	1.35	1.30	1.12	1.08	1.07	1.10	1.10	1.14	1.17	1.15

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 0.1 percent in FY 2014.
3/ Less than 0.5 basis points.

REVIEW OF SPECIAL CHARGES

16. 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.[24] No special charges have arisen during FY 2013 and no new considerations have arisen during the financial year. No changes are proposed to the current system (proposed Decision 9).

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

[24] 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

Decisions pertaining to FY 2013

- Decision 1 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 2013.
- Decision 2 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the MDRI-I Trust in FY 2013.
- Decision 3 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the PCDR Trust in FY 2013.
- Decision 4 provides for the reimbursement to the General Resources Account for the cost of administering the PRGT in FY 2013.
- Decision 5 provides for the transfer of income from the Investment Account to the General Resources Account for use in meeting FY 2013 administrative expenses.
- Decision 6 provides for the placement of FY 2013 net income to the Fund's Special Reserve and General Reserve.
- Decision 7 provides for the transfer of currencies from the GRA to the Investment Account equivalent to the increase of the special and general reserve as a result of the placement of FY 2013 net income.

Decision pertaining to FY 2014

- Decision 8 maintains the rate of charge on the use of Fund resources for FY 2014 at 100 basis points over the SDR interest rate.
- Decision 9 reviews the system of special charges.
- Decisions 1, 2, 3, 4, 5, 6, 8, and 9 may be adopted by a majority of the votes cast. Decision 7 may be adopted by a 70 percent majority of the total voting power.

1. Assessment under Article XX, Section 4 for FY 2013

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:

- The General Department shall be reimbursed for the expenses of conducting the business of the SDR Department for the period of May 1, 2012 through April 30, 2013; and
- 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, 2013 with an amount equal to 0.00056283 percent of their net cumulative allocations of special drawing rights. The total assessment shall be paid into the General Department.

2. MDRI-I Trust Reimbursement for FY 2013

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 0.019 million by the MDRI-I Trust in respect of the expenses of administering SDA resources in the MDRI-I Trust during FY 2013.

3. PCDR Trust Reimbursement for FY 2013

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 0.039 million by the PCDR Trust in respect of the expenses of administering SDA resources in the PCDR Trust during FY 2013.

4. PRG Trust Reimbursement for FY 2013

In accordance with paragraph 3 of Decision No. 8760-(87/176), adopted on December 18, 1987, an amount equivalent to SDR 52.21 million, representing the cost of administering the Poverty

Reduction and Growth Trust (PRGT) for FY 2013, shall be transferred from the Reserve Account of the PRGT (through the Special Disbursement Account) to the General Resources Account.

5. Transfer of Investment Income for FY 2013 to General Resources Account

The income of the Fixed Income Subaccount of the Investment Account for FY 2013 shall be transferred to the General Resources Account for use in meeting the expenses of conducting the business of the Fund during FY 2013.

6. Placement of FY 2013 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 2013 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.

7. Transfer of Currencies to the Investment Account for FY 2013

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, 2013 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-September 2013. The currencies transferred to the Investment Account pursuant to this decision shall be used for immediate investment in the Fixed Income Subaccount in accordance with the Rules and Regulations for the Investment Account.

8. Review of Fund's Income Position

Pursuant to Rule I-6(4)(b) of the Fund's Rules and Regulations, the Fund has conducted a comprehensive review of the Fund's income position and decides to leave unchanged for FY 2014 the rate of charge established by Decision No. 15148–(12/39) adopted April 26, 2012.

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. Decisions in Effect Related to the FY 2013 Income Position[1]

Decisions in Effect

The Executive Board has taken the following decisions affecting the Fund's income position for FY 2013:

Rate of Charge

The margin for calculating the basic rate of charge in FY 2013 was set at 100 basis points for a period of two years (FY2013-14). This decision was adopted under the *exceptional circumstances* clause of Rule I-6(4), which, in exceptional circumstances, allows the margin for calculating the basic rate of charge to be set at a level other than that which is adequate to cover the estimated intermediation expenses of the Fund and to generate an amount of net income for placement to reserves.

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.

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[1] See Review of the Fund's Income Position for FY 2012 and FY 2013-14 (4/12/12).

Annex II. Framework on the Margin for the Rate of Charge

In December 2011, the Executive Board adopted a new rule for setting the basic rate of charge.[25] Based on the new Rule I-6(4), which came into effect on May 1, 2012, the Executive Board set the margin for the two financial years FY 2013-2014 at 100 basis points. Under the rule a comprehensive review of the Fund's income position is required before the end of the first year of each two-year period (in this case FY 2013) and the margin may be adjusted in the context of such a review, but only if there are fundamental changes in the underlying factors for setting the margin. This annex provides an update for FY 2014 to determine if there are any fundamental changes that would warrant an adjustment to the margin.

In April 2012, the margin was adopted under the exceptional circumstances clause of the new rule. Under the new rule, the margin should be set to cover only the Fund's intermediation costs and help build up reserves. The rule also allows for a cross-check of the alignment of the margin to long-term credit conditions. The rule was designed to move away from a reliance on lending income financing the Fund's non-lending activities. However, investment income, the main source of the Fund's non-lending income, is currently constrained resulting in lending income financing a portion of the Fund's non-lending activities. While the gold endowment is expected to make a significant contribution to Fund income over the long-term, assuming interest rates rise back to more normal levels, non-lending income is unlikely to be sufficient to cover non-lending expenses over the near- and medium-term. As a result, the margin for FY 2013–14 was adopted on the exceptional circumstances clause of the new rule, which in exceptional circumstances, allows the margin for calculating the basic rate of charge to be set at a level other than that which is adequate to cover the estimated intermediation expenses of the Fund and to generate an amount of net income for placement to reserves. A review of the principles for setting the margin for FY 2014 is discussed below and is summarized in Table 5.

The FY 2014 intermediation costs are estimated at US$96 million compared with an estimate of US$111 million in April 2012 (Table 5). Fund-wide intermediation costs related to generally available facilities (GAF) are derived in consultation with departments using the Fund's Analytic Costing and Estimation System (ACES). They cover direct personnel, travel and other administrative expenses, as well as indirect support and governance costs. In addition, capital and depreciation expenses (which are not part of the ACES methodology) are allocated separately to derive total intermediation costs.

[25] *A New Rule for Setting the Margin for the Basic Rate of Charge* (11/23/11).

Income associated with the current high lending levels is expected to remain well in excess of intermediation costs in FY 2014.[26] The income from service charges at US$101 million (SDR 67 million) (Table 5, row B) is projected to cover 100 percent of the intermediation costs in FY 2014 while the income from the margin is projected to provide further income of about US$1.3 billion (SDR 882 million assuming an unchanged margin of 100 basis points).

Table 5. Income from the Margin and Reserve Accumulation[1]
(in millions of U.S. Dollars, unless otherwise indicated)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014		
						Updated estimate	
	Actual	Actual	Actual	Projected	Initial estimate	Current Surcharge Thresholds	Adjusted Surcharge Thresholds
A. Intermediation costs 2/	119	111	108	95	111	96	96
Less							
B. Service charges	164	205	250	87	85	101	101
C. Costs to be covered by income from margin (A-B)	-45	-94	-142	8	26	-5	-5
D. Income from margin (100 basis points) 3/	534	827	1,248	1,397	1,505	1,323	1,323
E. Commitment fees 4/	127	254	37	731	14	29	29
E.1 FCL	125	222	8	660	14	29	29
E.2 Other	2	32	29	71	0	0	0
F. Surcharges	406	779	1,403	1,888	1,969	1,914	2,202
G. Potential reserve accumulation 5/ (D+E+F-C)	1,112	1,954	2,830	4,008	3,462	3,270	3,558
H. Potential reserve accumulation (as a percent) 6/	10.0%	17.4%	22.5%	27.8%	18.9%	19.0%	20.6%
I. Actual reserve accumulation 7/	354	1,203	2,283	3,052	3,083	2,414	2,702
J. Actual reserve accumulation (as a percent) 7/	3.2%	10.7%	18.2%	21.1%	16.9%	14.0%	15.7%
K. Precautionary balances at the end of FY (in SDR billions) 8/	7.3	8.1	9.5	11.5	13.8	13.2	13.3
Memorandum items							
Average Fund credit outstanding (in SDR billions)	34.2	53.7	80.5	91.9	97.1	88.2	88.2
Number of active arrangements (average) 9/	20	24	25	18	…	…	…
Average exchange rate US$/SDR	1.56	1.54	1.55	1.52	1.55	1.50	1.50

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 Tables 1 and 2 for FY 2013–14 estimates.
8/ Precautionary balances include the Fund's reserves and SCA-1 balance less gold sale profits in FY 2010–11.
9/ Excludes FCL arrangements.

[26] 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 (see paragraphs 19–20 in *A New Rule for Setting the Margin for the Basic Rate of Charge* 11/23/11).

Reserve accumulation: In addition to the margin and service charges on disbursements, commitment fees for non-drawing arrangements and surcharges contribute to the Fund's income.

- **In FY 2014, the expected commitment fees are about US$29 million (SDR 19 million).** Commitment fee income is only recognized at the expiration or cancellation of arrangements and is therefore volatile. The decrease in income from FY 2013 reflects the two-year fees earned on the Flexible Credit Line arrangements.

- **Surcharge income is projected to be about US$1.9–2.2 billion (SDR 1.3–1.5 billion).** For purely illustrative purposes, two scenarios are presented for the surcharge income following the doubling of quotas under the 14th General Quota Review. The first assumes that the current surcharge thresholds remain unchanged as a percent of quota implying that surcharge income would decline for a given level of credit outstanding. The second assumes that the surcharge thresholds are adjusted in percent of quota to maintain their SDR value on average when the quota increases under the 14th General Quota Review come into effect, thereby offsetting the effect of the quota increase. This adjustment to the thresholds would require a Board decision. Again, for purely illustrative purposes, it is assumed that the quota increase takes effect on November 1, 2013.

- **Estimated potential reserve accumulation for FY 2014 with a margin of 100 bps would be about US$3.3–3.6 billion.** This potential reserve accumulation (Table 5, row G) assumes that non-lending income would cover the remainder of the Fund's administrative expenses. However, because the lending income continues to cover a portion of the non-lending costs, actual reserve accumulation is projected to be lower at about US$2.4–2.7 billion or SDR 1.6–1.8 billion (see Table 5, row I).

Alignment of Fund borrowing costs with market conditions: The new rule includes a mechanism to cross-check the alignment of the margin to long-term credit market conditions. This mechanism aims to ensure that the costs of borrowing from the Fund are not too high or low compared with the costs members face in private credit markets. As in the past, staff has used EMBI spreads as the main basis for the comparison with market borrowing rates.[27] The market cross check provides a useful guide but is not mechanistic, requiring judgment, particularly on the global financial context

[27] EMBI spreads do not include data for advanced countries, which currently represent a large portion of the Fund's portfolio. Based on currently available measures, however, staff considers that the EMBI-based measure remains the most appropriate metric (see Annex III of Review of the Fund's Income Position for FY 2012 and FY 2013-14 4/12/2012).

and future developments. As in the past, two adjustments are made to the metric measuring long-term market conditions:

- 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 market borrowing spreads applying for 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).

The lowest quartile of the EMBI adjusted for the term premium for the most recent five year period ending in February 2013 has remained basically unchanged, up 3 basis points since last year (from 154 to 157 basis points). Hence, while recent EMBI spreads have declined, the alignment of the current margin with long term credit market conditions is broadly unchanged (see Table 6 below).

Table 6. Long-term Credit Market and Comparator Spreads
(in basis points)

	2001 - 2005	2006 - 2010	Mar 2008 - Feb 2013
	(Median spread, in SDR-equivalent basis points) 1/		
Country risk--EMBI-based measures 2/			
Composite EMBI	402	219	253
Countries in the lowest quartile	130	155	173
Term premium 3/	1.8	13	16
Term premium adjusted country risk spread			
Composite EMBI	**400**	**206**	**237**
Countries in the lowest quartile	**128**	**141**	**157**
Memorandum item			
Past users of Fund resources 4/	326	228	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.

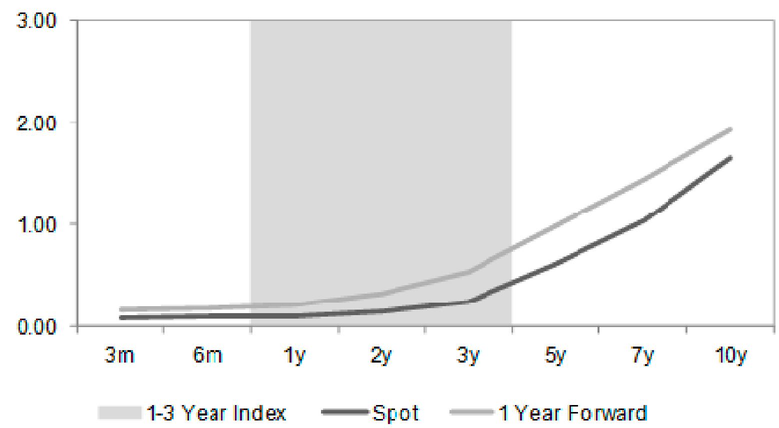
5/ Margin reduced to 100 bps from 108 bps in May 2008. Between 1989 and 2005, the rate of charge was determined by a coefficient to the SDR interest rate that was adjusted with the Fund's total administrative expenses and the volume of Fund credit outstanding. Since May 2005, the margin has been defined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

Annex III. Investment Account (IA) Performance Scenarios[28, 29]

Fixed income subaccount

- Government bond yields in the markets of the SDR basket remain close to their historical lows, and those within the 1–3 year index range are near the zero bound. With growth and inflation expectations increasing only slowly, or being revised down in some cases, policy makers in SDR markets remain committed to keeping low rates for an extended period. As a result, investors are only anticipating 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 19 basis points higher than current levels (Figure 5). This magnitude of rate increase is lower than what was expected a year ago (increase of 26 bps).[30]

Figure 4. Current Levels of SDR-Weighted Yields and Market-Implied Forward Rates (in percent)



- With yields very close to zero, and therefore limited income protection, there is a short-term risk of very low return, or of capital loss or underperformance against the three-month SDR rate if yields rise even moderately. The IA follows a long term investment strategy and periods of

[28] This annex focuses mainly on the non-gold profit portfolio (the fixed income subaccount). Gold profits are invested in fixed-term deposits with the BIS until placed in the endowment or pending transfer of the assets to help make the PRGT self-sustained over the longer term.

[29] The current investment authority of the IA permits investment 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. These rules and regulations may however evolve since the amendment of the Articles for an Expanded Investment Mandate became effective in February 2011.

[30] See Review of the Fund's Income Position for FY 2012 and FY 2013-14 (4/12/12).

short-term underperformance should be expected. However, over time, higher average yields will benefit the IA's performance both in absolute terms and relative to the SDR rate.

- In line with past reviews of the Fund's income position, 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 7 presents the un-annualized IA returns in the ten-month period to end-February 2013 and assesses the impact on IA income of a number of possible scenarios through end-FY 2013 and in FY 2014:[31]

  - Yields remain unchanged from early March 2013 levels;
  - Yields follow market forward rates (as in Figure 4);
  - Yields increase by 25 basis points above market forward rates;
  - Yields increase by 50 basis points above market forward rates;
  - Yields increase by 100 basis points above market forward rates;
  - Bond yields increase by 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 positive returns could be achieved if rates stay unchanged. They would be modest, however (0.17 percent). Against the SDR interest rate, the IA could break even if bond yields rise by 10 basis points less than implied by market forwards (i.e., bond yields increase by 7 basis points over the next fiscal year). A rise in yields in line with or above current market expectations could result in capital losses.

[31] The assumption of rates decreasing by 25 and 50 basis points below market forwards is not considered since yields would become negative.

Table 7. Investment Account Performance Scenarios
(unannualized returns in percent)

	Unchanged Yields 1/	Forwards	Forwards +25bps	Forwards +50bps	Forwards +100bps	Forwards +100bps +50 bps MTI Spreads Widening
Actual Returns FYTD (May 2012-February 2013)						
3-Month SDR/GRA	0.07	...	...	...	...	...
Bond	0.66	...	...	...	...	...
MTIs	0.88	...	...	...	...	...
IA	0.76	...	...	...	...	...
Excess Return	0.68	...	...	...	...	...
FY 2013 (May 2012-April 2013)						
3-Month SDR/GRA	0.09	0.09	0.10	0.10	0.11	0.11
Bond	0.69	0.64	0.56	0.49	0.35	0.35
MTIs	0.92	0.87	0.79	0.72	0.58	0.43
IA	0.79	0.74	0.66	0.59	0.45	0.38
Excess Return	0.70	0.64	0.57	0.49	0.33	0.27
FY 2014 (May 2013-April 2014)						
3-Month SDR	0.10	0.16	0.34	0.52	0.87	0.87
Bond	0.15	-0.05	-0.33	-0.62	-1.18	-1.18
MTIs	0.21	0.01	-0.28	-0.56	-1.13	-1.69
IA	0.17	-0.03	-0.31	-0.59	-1.16	-1.40
Excess Return	0.07	-0.19	-0.65	-1.11	-2.03	-2.27
Memo Items: Assumed Yields						
	Spot	1 year forward				
3-Month SDR/GRA	0.10	0.18				
Bonds	0.15	0.32				
MTIs	0.21	0.38				

Sources: State Street data, Bloomberg, and staff calculations.
1/ From March 6, 2013.
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.

Income of gold sales proceeds in the endowment subaccount

With the approval by the Executive Board of the Rules and Regulations for the IA, work is under way to begin investing gold sales proceeds in the endowment subaccount in line with the endowment's strategic asset allocation (SAA). This is expected to take place gradually, starting in the course of the third quarter of FY 2013, and spanning a three-year period. The share of gold sales profits to be placed in the IA's endowment subaccount is currently invested in fixed-term deposits with the BIS as an interim measure. This specific arrangement is intended to ensure the funds are liquid and do not face any risk of capital loss. Setting an income projection in FY 2014 for the endowment subaccount is subject to considerable market uncertainty, in part due to the higher volatility of the markets in which funds will be invested, compared with the current IA's fixed income subaccount.

Annex IV. Assumptions Underlying the Income Projections

	Actual through end-February 2013	FY 2013		FY 2014
		Midyear Projections	Current Projections	Updated
		(In billions of SDRs)		
Regular Facilities:				
1. Purchases (excl. reserve tranche purchases)	9.5	14.1	11.3	13.3
2. Repurchases	13.0	14.1	14.6	20.4
3. Average balances subject to charges	92.1	93.3	91.9	88.2
4. Average SDR holdings	11.5	11.1	11.6	12.4
5. Average remunerated positions	55.6	54.7	54.8	41.8
6. Average investment account assets-reserves 1/	8.0	8.3	8.1	10.1
7. Average investment account assets-gold profits 2/	6.5	6.5	6.5	5.3
8. Average borrowings and issued notes	42.1	43.5	42.8	52.6
		(In percent)		
Return on investments-reserves 3/	0.74	0.8	0.7	0.17
Return on investments-gold profits 4/	0.08	0.1	0.09	0.3
Average interest rates:				
SDR interest rate and basic rate of remuneration	0.10	0.10	0.10	0.10
Basic rate of charge	1.10	1.10	1.10	1.10
Margin on the rate of charge	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 shortly after the year-end based on the final audited figures.
2/ This balance represents the IA portion funded from the gold endowment and the temporary windfall gold profits subaccount. The projections assume that the windfall profits will be distributed in the second half of FY 2014.
3/ End-February figure is unannualized.
4/ The FY 2014 projected returns for the gold endowment reflect the phase in of investments under the strategic asset allocation and the earnings from the short-term deposits held in the interim.

Annex V. Projected Income and Expenses—FY 2013–14

	Actual to end-Feb 2013	FY 2013 Projections		FY 2014 Updated estimate	
		Mid-year	Updated	Current Surcharge Thresholds	Adjusted Surcharge Thresholds
	(In millions of SDRs)				
A. Income Sources					
Periodic charges, including burden sharing	831	1,036	1,001	1,002	1,002
Interest on SDR holdings	8	13	9	18	18
Surcharges	1,035	1,155	1,242	1,276	1,468
Investment income	55	73	58	18	18
Service charges 1/	516	519	538	86	86
Reimbursements	3	67	53	55	55
Total income	**2,448**	**2,863**	**2,901**	**2,455**	**2,647**
B. Expenses					
Remuneration, including burden sharing	40	61	48	58	58
Interest on borrowing and issued notes	30	50	38	75	75
Administrative expenses 2/	625	683	661	713	713
Total expenses	**695**	**794**	**747**	**846**	**846**
C. Net operational income position	**1,753**	**2,069**	**2,154**	**1,609**	**1,801**
IAS 19 timing adjustment 3/			-147		
Retained gold endowment income	6		6	14	14
Net income position 4/	**1,759**	**2,069**	**2,013**	**1,623**	**1,815**

1/ Includes commitment fees, which are refundable (when disbursements take place) so income arises only if planned disbursements are not made.
2/ Administrative expenses include net administrative expenditures, capital budget items expensed, and depreciation.
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 2012.
4 / Net income on the basis presented in the Fund's annual IFRS financial statements.

Annex VI. Cumulative Burden Sharing Adjustments at end–January 2013[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	0.0	0.1	0.0	0.1	0.0
Algeria	7.4	0.5	7.8	1.1	13.2	0.5	13.6	1.1
Angola	0.1	0.0	0.1	0.0	-	0.0	0.0	0.0
Antigua and Barbuda	0.0	-	0.0	0.0	-	-	-	-
Argentina	31.0	-	31.0	4.4	64.7	-	64.7	5.4
Armenia	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0
Australia	-	3.0	3.0	0.4	-	7.0	7.0	0.6
Austria	-	4.6	4.6	0.6	-	7.6	7.6	0.6
Azerbaijan	0.3	-	0.3	0.0	0.9	-	0.9	0.1
Bahamas, The	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Bahrain	-	0.7	0.7	0.1	-	0.9	0.9	0.1
Bangladesh	3.1	-	3.1	0.4	2.9	-	2.9	0.2
Barbados	0.1	0.0	0.2	0.0	0.2	0.0	0.2	0.0
Belarus	0.8	-	0.8	0.1	1.0	-	1.0	0.1
Belgium	-	6.2	6.2	0.9	-	12.3	12.3	1.0
Belize	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0
Bhutan	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Bolivia	0.9	-	0.9	0.1	0.9	-	0.9	0.1
Bosnia and Herzegovina	0.6	-	0.6	0.1	0.8	-	0.8	0.1
Botswana	-	0.2	0.2	0.0	-	0.3	0.3	0.0
Brazil	23.8	0.1	23.9	3.4	57.4	-	57.4	4.8
Brunei Darussalam	-	0.1	0.1	0.0	-	0.3	0.3	0.0
Bulgaria	3.7	0.1	3.8	0.5	8.2	0.1	8.3	0.7
Burkina Faso	-	0.1	0.1	0.0	-	0.1	0.1	0.0
Burundi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				-				
Cambodia	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Cameroon	0.7	-	0.7	0.1	0.8	-	0.8	0.1
Canada	-	6.2	6.2	0.9	-	14.3	14.3	1.2
Cape Verde	-	0.0	0.0	0.0	-	-	-	-
Central African Republic	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Chad	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Chile	5.8	0.5	6.4	0.9	5.7	1.6	7.3	0.6
China	4.0	7.8	11.9	1.7	3.5	16.2	19.7	1.7
Colombia	-	1.3	1.3	0.2	-	2.3	2.3	0.2
Comoros	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0
Congo, D.R.	3.4	-	3.4	0.5	3.9	-	3.9	0.3
Congo, Rep.	0.1	-	0.1	0.0	0.2	-	0.2	0.0
Costa Rica	0.4	0.1	0.5	0.1	0.5	0.1	0.6	0.0
Côte d'Ivoire	2.5	-	2.5	0.3	2.4	-	2.4	0.2
Croatia	1.1	-	1.1	0.2	1.6	-	1.6	0.1

Cumulative Burden Sharing Adjustments at end–January 2013
(in millions of SDRs)
(continued)

	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	0.0	-	0.4	0.4	0.0
Czech Republic	2.2	0.2	2.4	0.3	2.7	0.6	3.3	0.3
Denmark	-	3.5	3.5	0.5	-	6.2	6.2	0.5
Djibouti	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dominica	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Dominican Republic	2.4	-	2.4	0.3	2.2	-	2.2	0.2
Ecuador	2.0	0.1	2.1	0.3	2.6	0.1	2.7	0.2
Egypt	1.4	0.1	1.5	0.2	1.5	0.2	1.7	0.1
El Salvador	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Equatorial Guinea	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0
Estonia	0.1	0.0	0.1	0.0	0.3	-	0.3	0.0
Ethiopia	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0
Fiji	0.0	0.1	0.1	0.0	0.0	0.2	0.2	0.0
Finland	-	2.7	2.7	0.4	-	4.6	4.6	0.4
France	-	18.9	18.9	2.7	-	33.5	33.5	2.8
Gabon	0.7	-	0.7	0.1	1.0	-	1.0	0.1
Gambia, The	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Georgia	0.3	-	0.3	0.0	0.4	-	0.4	0.0
Germany	-	38.5	38.5	5.4	-	59.1	59.1	5.0
Ghana	1.7	0.0	1.7	0.2	1.8	0.0	1.8	0.2
Greece	1.4	1.1	2.5	0.4	-	2.1	2.1	0.2
Grenada	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Guatemala	0.4	0.0	0.4	0.1	0.3	0.0	0.3	0.0
Guinea	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Guinea-Bissau	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Guyana	0.4	-	0.4	0.1	0.4	-	0.4	0.0
Haiti	0.2	-	0.2	0.0	0.3	-	0.3	0.0
Honduras	0.4	0.0	0.5	0.1	0.6	0.0	0.7	0.1
Hungary	7.3	0.4	7.7	1.1	6.9	1.3	8.2	0.7
Iceland	0.2	0.1	0.3	0.0	0.0	0.1	0.1	0.0
India	24.0	2.5	26.5	3.7	28.4	3.4	31.9	2.7
Indonesia	14.7	0.9	15.6	2.2	42.5	1.6	44.0	3.7
Iran, I. Rep. of	-	0.1	0.1	0.0	-	0.0	0.0	0.0
Iraq	0.7	0.4	1.1	0.2	0.6	0.3	0.9	0.1
Ireland	0.9	2.0	2.9	0.4	-	3.3	3.3	0.3
Israel	0.6	0.3	0.9	0.1	0.9	0.9	1.7	0.1
Italy	-	17.7	17.7	2.5	-	28.2	28.2	2.4
Jamaica	2.6	-	2.6	0.4	2.9	-	2.9	0.2
Japan	-	39.9	39.9	5.6	-	64.5	64.5	5.4
Jordan	1.7	0.0	1.7	0.2	3.1	0.0	3.1	0.3
Kazakhstan	0.8	-	0.8	0.1	1.7	-	1.7	0.1
Kenya	1.2	0.0	1.2	0.2	1.1	0.0	1.1	0.1
Kiribati	-	0.0	0.0	0.0	-	-	-	-
Korea	7.8	3.4	11.2	1.6	19.6	5.0	24.6	2.1
Kosovo	0.0	0.0	0.0	0.0	-	-	-	-

Cumulative Burden Sharing Adjustments at end–January 2013
(in millions of SDRs)
(continued)

Member	Adjustments for Deferred Charges: Charges	Remuneration	Total	Percentage of total	Adjustments for SCA-1: Charges	Remuneration	Total	Percentage of total
Kuwait	-	2.7	2.7	0.4	-	4.2	4.2	0.4
Kyrgyz Republic	0.1	-	0.1	0.0	0.3	-	0.3	0.0
Lao P.D.R	0.0	-	0.0	0.0	0.0	-	0.0	0.0
Latvia	0.4	-	0.4	0.1	0.5	-	0.5	0.0
Lebanon	0.1	0.3	0.4	0.1	-	0.3	0.3	0.0
Lesotho	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Liberia	2.4	-	2.4	0.3	3.1	-	3.1	0.3
Libya	-	5.1	5.1	0.7	-	6.4	6.4	0.5
Lithuania	0.5	-	0.5	0.1	1.2	-	1.2	0.1
Luxembourg	-	0.3	0.3	0.0	-	0.6	0.6	0.0
Macedonia, F.Y.R.	0.3	-	0.3	0.0	0.5	-	0.5	0.0
Madagascar	0.4	-	0.4	0.1	0.4	-	0.4	0.0
Malawi	0.3	-	0.3	0.0	0.3	-	0.3	0.0
Malaysia	-	3.2	3.2	0.5	-	5.8	5.8	0.5
Maldives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mali	0.2	0.1	0.2	0.0	0.2	0.1	0.2	0.0
Malta	-	0.4	0.4	0.1	-	0.5	0.5	0.0
Mauritania	0.2	-	0.2	0.0	0.2	-	0.2	0.0
Mauritius	0.2	0.0	0.2	0.0	0.1	0.1	0.2	0.0
Mexico	38.3	0.7	39.0	5.5	57.0	1.2	58.2	4.9
Micronesia	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Moldova	0.5	-	0.5	0.1	1.1	-	1.1	0.1
Mongolia	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Montenegro	-	0.0	0.0	0.0	-	-	-	-
Morocco	2.8	0.2	2.9	0.4	2.8	0.3	3.0	0.3
Myanmar	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Namibia	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Nepal	0.1	0.0	0.2	0.0	0.1	0.0	0.1	0.0
Netherlands	-	9.8	9.8	1.4	-	17.7	17.7	1.5
New Zealand	-	0.7	0.7	0.1	-	1.8	1.8	0.2
Nicaragua	0.1	-	0.1	0.0	0.1	-	0.1	0.0
Niger	0.2	0.1	0.3	0.0	0.2	0.1	0.3	0.0
Norway	-	6.4	6.4	0.9	-	9.2	9.2	0.8
Oman	-	0.5	0.5	0.1	-	0.7	0.7	0.1
Pakistan	7.1	-	7.1	1.0	9.4	-	9.4	0.8
Panama	1.2	0.0	1.2	0.2	1.5	0.0	1.6	0.1
Papua New Guinea	0.3	0.0	0.3	0.0	0.6	0.0	0.6	0.0
Paraguay	-	0.2	0.2	0.0	-	0.2	0.2	0.0
Peru	7.1	0.0	7.1	1.0	9.4	-	9.4	0.8
Philippines	9.2	0.4	9.6	1.4	14.4	0.6	15.0	1.3
Poland	3.4	0.6	4.0	0.6	4.1	1.5	5.6	0.5
Portugal	1.6	2.0	3.6	0.5	0.8	3.8	4.6	0.4
Qatar	-	0.4	0.4	0.1	-	0.7	0.7	0.1
Romania	5.8	-	5.8	0.8	7.4	-	7.4	0.6
Russian Federation	23.7	0.2	24.0	3.4	61.9	-	61.9	5.2

Cumulative Burden Sharing Adjustments at end–January 2013
(in millions of SDRs)
(continued)

Member	Adjustments for Deferred Charges: Charges	Remuneration	Total	Percentage of total	Adjustments for SCA-1: Charges	Remuneration	Total	Percentage of total
Rwanda	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Samoa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
San Marino	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Saudi Arabia	-	10.8	10.8	1.5	-	17.1	17.1	1.4
Senegal	0.5	-	0.5	0.1	0.6	-	0.6	0.0
Serbia	1.9	-	1.9	0.3	3.2	-	3.2	0.3
Seychelles	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0
Sierra Leone	0.5	-	0.5	0.1	0.5	-	0.5	0.0
Singapore	-	1.8	1.8	0.3	-	3.2	3.2	0.3
Slovak Republic	1.6	0.0	1.6	0.2	2.5	0.0	2.5	0.2
Slovenia	0.4	0.1	0.6	0.1	0.4	0.4	0.8	0.1
Solomon Islands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Somalia	1.1	-	1.1	0.2	1.5	-	1.5	0.1
South Africa	1.7	-	1.7	0.2	2.9	-	2.9	0.2
Spain	-	11.1	11.1	1.6	-	16.3	16.3	1.4
Sri Lanka	2.2	0.1	2.3	0.3	2.1	0.1	2.3	0.2
St. Kitts and Nevis	0.0	-	0.0	0.0	0.0	-	0.0	0.0
St. Lucia	0.0	-	0.0	0.0	-	-	-	-
St. Vincent and the	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Sudan	6.1	-	6.1	0.9	8.3	-	8.3	0.7
South Sudan	-	0.0	0.0	0.0	-	-	-	-
Suriname	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Swaziland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sweden	-	4.6	4.6	0.6	-	8.2	8.2	0.7
Switzerland	-	4.4	4.4	0.6	-	10.8	10.8	0.9
Tajikistan	0.0	-	0.0	0.0	0.1	-	0.1	0.0
Tanzania	0.3	-	0.3	0.0	0.3	-	0.3	0.0
Thailand	4.1	1.3	5.4	0.8	9.0	2.0	11.0	0.9
Togo	0.2	-	0.2	0.0	0.2	-	0.2	0.0
Tonga	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Trinidad and Tobago	1.5	0.2	1.7	0.2	1.5	0.3	1.7	0.1
Tunisia	2.4	0.0	2.5	0.3	2.8	0.1	2.8	0.2
Turkey	26.3	0.3	26.6	3.7	50.9	0.5	51.4	4.3
Tuvalu	-	0.0	0.0	0.0	-	-	-	-
Uganda	0.4	-	0.4	0.1	0.3	-	0.3	0.0
Ukraine	6.5	-	6.5	0.9	12.2	-	12.2	1.0
United Arab Emirates	-	2.3	2.3	0.3	-	3.3	3.3	0.3
United Kingdom	-	13.4	13.4	1.9	-	25.8	25.8	2.2
United States	-	101.9	101.9	14.4	-	157.9	157.9	13.3
Uruguay	2.2	0.0	2.2	0.3	5.8	0.0	5.9	0.5
Uzbekistan	0.3	-	0.3	0.0	0.8	-	0.8	0.1
Vanuatu	-	0.0	0.0	0.0	-	0.0	0.0	0.0
Venezuela, R. B. de	15.4	2.1	17.5	2.5	19.8	2.4	22.2	1.9
Vietnam	0.6	-	0.6	0.1	0.9	-	0.9	0.1
Yemen, Rep. of	0.3	0.0	0.3	0.0	0.7	0.0	0.7	0.1

Cumulative Burden Sharing Adjustments at end–January 2013
(in millions of SDRs)
(concluded)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Zambia	5.2	-	5.2	0.7	5.5	-	5.5	0.5
Zimbabwe	0.8	-	0.8	0.1	1.6	-	1.6	0.1
	356.1	353.9	710.0	100.0	603.8	583.9	1,187.7	100.0

1/ Adjustments to charges and remuneration are billed quarterly.

Note: Values of 0.0 represent amounts of less than SDR 0.1 million; "-" denotes no adjustments.