

GLOSSARY

This glossary covers basic operational and financial terms as used in the International Monetary Fund.

A

Access Policy and Access Limits. The IMF has established policies that govern the use of its resources by members and provide guidance to member countries about the amount that can normally be borrowed from the IMF. A member country's access limits are set as percentages of the member's quota and vary with the facility being used; the limits are reviewed periodically. The policy governing access by members to IMF financial resources has changed over time to reflect members' changing financing needs balanced against the need to safeguard the revolving nature of the institution's resources and liquidity needs.

Accounting Unit. The IMF's unit of account, in which its financial records are kept, is the Special Drawing Right (SDR). Members' currencies are valued by the IMF in terms of the SDR on the basis of their representative rates of exchange, normally against the U.S. dollar at spot market rates.

Accounts and Departments. The IMF operates its financial functions through the General Department, the SDR Department, and the Administered Accounts, which are accounting constructs and not organizational units. The financial functions of the IMF are discharged by the Finance Department, which is an organizational unit of the staff.

Accounts of the IMF in Member Countries. The IMF's currency holdings are held in accounts of the IMF in designated depositories in member countries. These accounts are the No. 1 and No. 2 Accounts and the Securities Account. The No. 1 Account is used for quota subscription payments, purchases and repurchases, repayment of borrowing, and sales of the member's currency. All these transactions may also be carried out through the Securities Account, which may be established by the member to hold nonnegotiable, non-interest-bearing notes, or similar obligations, payable to the IMF on demand. These notes or similar obligations are issued by the member as a substitute for the currency holdings of the IMF. The No. 2 Account is used for the IMF's administrative expenditures and receipts in the member's currency and within its territory.

Administered Accounts. Accounts are established to perform financial and technical services that are consistent

with the purposes of the IMF, including the administration of resources contributed by individual members to provide assistance to other members. All transactions involving the Administered Accounts are separate from those of the IMF's other accounts (see Appendix 3).

Amendments (to the Articles of Agreement). The Articles of Agreement have been amended six times; a seventh Amendment is pending ratification. The First Amendment (July 1969) introduced the Special Drawing Right (SDR). The Second Amendment (April 1978) reflected the change from the par value system based on a fixed price for gold to an international monetary system based on floating exchange rates. The Third Amendment (November 1992) allowed for suspension of the voting and certain related rights of a member that fails to fulfill any of its obligations under the Articles (other than obligations with respect to SDRs). The Fourth Amendment allowed for a special one-time allocation of SDRs and was adopted by the Board of Governors in August 2009. The Fifth Amendment (February 2011) expanded the investment authority of the IMF. The Sixth Amendment (March 2011) was part of the package of quota and voice reforms adopted in 2008 and provided for an increase in basic votes and an additional alternate Executive Director for the largest constituencies. The Seventh Amendment (pending ratification) will allow for an all-elected Board. It is part of the package of quota and governance reforms adopted in 2010. It will become effective when it has been accepted by three-fifths of membership having 85 percent of the total voting power.

Arrears. A stock of outstanding debt, either domestic or external, resulting from payments not being made when due.

Articles of Agreement. An international treaty that sets out the purposes, principles, and financial structure of the IMF. The Articles were drafted in July 1944 by representatives of 45 nations at a conference held in Bretton Woods, New Hampshire, and entered into force in December 1945.

Article IV Consultations. A regular, usually annual, comprehensive discussion is held between the IMF staff and representatives of individual member countries concerning the member's economic and financial policies. The basis for these discussions is in Article IV of the IMF Articles of Agreement (as amended, effective 1978), which directs the IMF to exercise firm surveillance over each member's exchange rate policies.

B

Basic Period. This refers to each of the consecutive periods of 5 years (or less) during which a determination is made whether there is a global need for additional international reserves to justify a new allocation of SDRs.

Basic Rate of Charge. A single interest charge is applied to outstanding IMF credit financed from the IMF's general resources. The basic rate of charge is a key element of the IMF's financial operations. It is composed of the SDR interest rate, which is also the remuneration paid to creditors, and a margin to cover the cost of IMF financing to members as well as to help accumulate reserves.

Burden Sharing. The burden-sharing policy seeks to ensure that the IMF's cash flow from its lending operations is not negatively affected by members' failure to settle financial obligations to the IMF. Since its establishment in 1986 the burden-sharing mechanism has compensated the IMF for deferred charges of members in arrears, which offsets the impact of unpaid charges on IMF income and has helped generate precautionary balances against possible credit default. Under burden sharing, temporary financing in equal amounts is obtained from debtor and creditor members by increasing the rate of charge and reducing the rate of remuneration, respectively, to (1) cover shortfalls in the IMF's regular income from unpaid charges ("deferred charges") and (2) accumulate precautionary balances against possible credit default in a contingent account, the Special Contingent Account (SCA-1).

C

Charges, Periodic. Charges (interest) are payable by a member on its outstanding use of IMF credit. Charges are normally levied quarterly.

Commitment Fee. Charges are levied at the beginning of each 12-month period on the amounts available for purchase during that period. The fees are refunded when credit is used in proportion to the drawings made.

Conditionality. Economic policies that members intend to follow as a condition for the use of IMF resources. These are often expressed as performance criteria (for example, monetary and budgetary targets) or benchmarks and are intended to ensure that the use of IMF credit is temporary and consistent with the adjustment program designed to correct a member's external payments imbalance.

D

Debt Relief. Agreements by creditors to lessen the debt burden of debtor countries by either rescheduling interest and principal payments falling due over a specified time period, sometimes on a concessional basis, or by partially or fully cancelling debt-service payments falling due during a specified period.

Depository and Fiscal Agency. The IMF conducts its financial dealings with a member through the fiscal agency and the depository designated by the member. The fiscal agency may be the member's treasury (ministry of finance), central bank, official monetary agency, stabilization fund, or similar agency. The depository also holds on behalf of the IMF for safe custody nonnegotiable, non-interest-bearing notes, or similar instruments, issued by the member in substitution for part of the IMF's currency holdings.

Designation Plan. A list of participants in the SDR Department whose balance of payments and reserve positions are sufficiently strong for them to be called upon ("designated") to provide freely usable currency in exchange for SDRs within a financial quarter, together with the amounts they may be called upon to provide. The designation plan is established in advance of each financial quarter (currently only on a precautionary basis) by approval of the Executive Board.

E

Early (or Advance) Repurchase. A repurchase (repayment) made before the end of the established maximum repurchase period. A member is free to make advance repurchases at any time.

ELRIC. A safeguard assessment is a diagnostic exercise carried out by the IMF staff. ELRIC is an acronym that summarizes the assessments used to evaluate the adequacy of the five key areas of control and governance within a central bank. They are as follows: External audit mechanism, Legal structure and autonomy, financial Reporting, Internal audit mechanism, and system of internal Controls.

Emergency Assistance. Since 1962, the IMF has provided emergency assistance in the form of purchases to help members overcome balance of payments problems arising from sudden unforeseeable natural disasters such as floods, earthquakes, hurricanes, or droughts. In 1995, the IMF's policy on emergency assistance was expanded to cover countries in postconflict situations. In 2011, coverage of General

Resources Account emergency assistance was enhanced and broadened under the Rapid Financing Instrument, which is similar to the Rapid Credit Facility under the Poverty Reduction and Growth Trust.

Extended Credit Facility (ECF). The ECF succeeds the Poverty Reduction and Growth Facility as the IMF's main tool for providing medium-term support to low-income countries. ECF arrangements support programs that enable members with protracted balance of payments problems to make significant progress toward stable and sustainable macroeconomic positions consistent with strong durable poverty reduction and growth.

Extended Fund Facility (EFF). This financing facility provides longer-term assistance to support members' structural reforms to address medium- and longer-term balance of payments difficulties. The EFF can be adopted for up to 4 years with a structural agenda and annual detailed statement of policies for the next 12 months.

F

Financial Transactions Plan (FTP). The Executive Board adopts a Financial Transactions Plan for each upcoming quarter specifying the amounts of SDRs and selected member currencies to be used in purchases and repurchases (transfers and receipts) expected to be conducted through the General Resources Account during that period.

Flexible Credit Line (FCL): The FCL is a flexible instrument introduced to address all balance of payments needs, potential or actual. It is for countries with very strong fundamentals, policies, and track records of policy implementation. FCL arrangements are approved, at the member country's request, for countries meeting preset qualification criteria. Access is not subject to access limits and is available in a single up-front disbursement subject to a midterm review after a year. Disbursements are not conditional on implementation of specific policy understandings.

Forward Commitment Capacity (FCC). The FCC measures the IMF's capacity to make new financial resources available to members from the General Resources Account for the forthcoming 12-month period, taking into account resources available. The FCC is defined as the IMF's stock of usable resources, minus undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, minus repayments of borrowing 1 year forward, minus a prudential balance intended to safeguard the liquidity of creditors' claims and to take into account any erosion of the IMF's resource base.

Freely usable currency. A currency that the IMF has determined is widely used to make payments for international transactions and widely traded in the principal exchange markets. At present, the euro, Japanese yen, pound sterling, and U.S. dollar are classified as freely usable currencies.

G

General Arrangements to Borrow (GAB). The GAB has been in place since 1962 and was originally conceived as a means by which the main industrialized countries could stand ready to lend to the IMF up to a specified amount of currencies. The GAB currently amounts to SDR 17 billion, and there is also an associated arrangement with Saudi Arabia for SDR 1.5 billion. In principle, the GAB can only be called upon when a proposal for an activation period under the New Arrangements to Borrow (NAB) is rejected by NAB participants. The GAB does not add to the IMF's overall lending envelope because outstanding drawings and available commitments under the NAB and the GAB cannot exceed the total amount of NAB credit arrangements.

General Department. An accounting entity of the IMF comprising the General Resources Account, the Special Disbursement Account, and the Investment Account.

General Resources Account (GRA). The principal account of the IMF, consisting of a pool of currencies and reserve assets, representing the paid subscriptions of member countries' quotas. The GRA is the account from which the regular lending operations of the IMF are financed.

H

Heavily Indebted Poor Countries (HIPC) Initiative. The HIPC Initiative, adopted in 1996, provides exceptional assistance to eligible countries to reduce their external debt burdens to sustainable levels, thereby enabling them to service their external debt without the need for further debt relief and without compromising growth. The HIPC Initiative is a comprehensive approach to debt relief that involves multi-lateral, Paris Club, and other official and bilateral creditors. To ensure that debt relief is put to effective use, assistance under the HIPC Initiative is limited to countries eligible for the Poverty Reduction and Growth Fund (PRGF) and the International Development Association (IDA) that have established a strong track record of policy implementation under PRGF- and IDA-supported programs. Following a comprehensive review in 1999, the initiative was enhanced

to provide faster, deeper, and broader debt relief and to strengthen the links between debt relief, poverty reduction, and social policies. In 2005, the HIPC Initiative was supplemented by the Multilateral Debt Relief Initiative.

I

Investment Account (IA). The Second Amendment to the IMF's Articles of Agreement in 1978 authorized the IMF to establish an Investment Account to generate income from other sources. There are two IA subaccounts: the Fixed-Income Subaccount and the Endowment Subaccount. The investment goal of the Fixed-Income Subaccount is to achieve 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 period. The investment goal of the Endowment Subaccount is to achieve a long-term real return target of 3 percent in U.S. dollar terms.

M

Management Letter. Under IMF safeguards assessments, a letter issued by an external auditor to the management of a central bank that draws attention to material weaknesses in the internal control systems that have come to the attention of the auditor during the audit of financial statements.

Medium-Term Instruments. Under the IMF's investment strategy, these instruments perform similarly to domestic government bonds but are claims on the Bank for International Settlements (BIS) that offer liquidity and the possibility to benefit from a credit spread over domestic bonds.

Misreporting. This term is used to broadly cover situations in which a member provides incorrect information to the IMF.

Multilateral Debt Relief Initiative (MDRI). The MDRI, which was launched to complement the Heavily Indebted Poor Countries (HIPC) Initiative, provides 100 percent relief on eligible debt to a group of low-income countries from three multilateral institutions—the IMF, the International Development Association (IDA), and the African Development Fund (AfDF). The initiative is intended to free up additional resources to help these countries reach the United Nation's Millennium Development Goals. The debt relief covers the full stock of debt owed to the IMF as of December 31, 2004, and still outstanding at the time the country qualifies for such debt relief. Unlike the HIPC Initiative, the MDRI does not propose any parallel debt relief on the part of official bilateral or private creditors,

or of multilateral institutions beyond the IMF, IDA, and the AfDF.

Multilateral Debt Relief Initiative (MDRI) Trusts. The MDRI Trusts are MDRI resources administered by the IMF as trustee. They consist of MDRI-I and MDRI-II Trusts, which receive and provide resources for debt relief under the MDRI to two groups of countries differentiated by their levels of income per capita—above or below US\$380 a year.

N

Net Present Value (NPV). The NPV of debt is a measure that takes into account the degree of concessionality. It is the sum of all future debt-service obligations (interest and principal) on existing debt, discounted at the market interest rate. Whenever the interest rate on a loan is lower than the market rate, the resulting NPV of debt is smaller than its face value, with the difference reflecting the grant (concessionality) element.

New Arrangements to Borrow (NAB). Arrangements under which 38 member countries or their financial institutions stand ready to lend to the IMF. The NAB do not replace the General Arrangements to Borrow but are to be the first and principal recourse in the event of a need to provide supplementary resources to the IMF.

P

Phasing. The practice of making the IMF's resources available to its members in installments over the period of an arrangement. The pattern of phasing can be even, front-loaded, or backloaded, depending on the financing needs and the speed of adjustment.

Policy Support Instrument (PSI). The PSI is a nonfinancial instrument established by the IMF's Executive Board in 2005 to support low-income countries that do not want—or need—IMF financial assistance but seek to consolidate their economic performance with IMF monitoring and support. The PSI is available to all countries eligible for the Poverty Reduction and Growth Trust with a poverty reduction strategy in place and a framework focused broadly on achieving and maintaining a stable and sustainable macroeconomic position, including debt sustainability, consistent with strong and durable poverty reduction and growth. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, deliver clear signals to donors, multilateral development banks, and markets of the IMF's endorsement of the strength of a member's policies.

Post-Catastrophe Debt Relief (PCDR) Trust. The PCDR Trust, established in June 2010, allows the IMF to join international debt relief efforts when poor countries are hit by the most catastrophic of natural disasters. PCDR support is limited to disasters that have directly affected at least a third of a country's population and destroyed more than a quarter of its productive capacity or caused damage deemed to exceed 100 percent of GDP. The purpose of debt relief under the PCDR Trust is to free up additional resources to meet exceptional balance of payments needs that arise from such catastrophes and subsequent economic recovery efforts, complementing fresh donor assistance and the IMF's concessional financing under the Poverty Reduction and Growth Trust (PRGT). The PCDR assistance is provided in the form of debt flow relief to cover all payments falling due on their eligible debt to the PRGT and the General Resources Account from the date of the debt flow relief decision to the second anniversary of the disaster. Relief of the stock of debt is also possible if the disaster and the subsequent economic recovery efforts have created substantial and long-lasting balance of payments needs.

Poverty Reduction and Growth Trust (PRGT). In July 2009, the IMF's Executive Board approved a new concessional financing framework under which a new Poverty Reduction and Growth Trust replaced the Poverty Reduction Growth Facility–Exogenous Shock Facility (PRGF-ESF) Trust. Separate loan and subsidy accounts were established under the PRGT to receive and provide resources to finance new low-income country lending facilities under the new trust. These reforms became effective and operational in January 2010, when all lenders and subsidy contributors to the PRGF-ESF Trust provided their consent. The trust comprises four Loan Accounts, a Reserve Account, and four Subsidy Accounts:

- **General Loan Account (GLA):** The purpose of the account is to cover all facilities of the PRGT. The GLA borrows resources from central banks, governments, and official institutions, as under the previous PRGF-ESF Trust, largely at market-related rates. The proceeds of these loans are used to finance lending to eligible low-income countries under all facilities of the PRGT.
- **Special Loan Accounts (SLAs):** These accounts accommodate donors' preferences for earmarking their contributions for specific facilities. The three separate loan accounts were created for the Extended Credit Facility, Standby Credit Facility, and Rapid Credit Facility.
- **Reserve Account:** The coverage of the Reserve Account was expanded to provide security for loans

under all facilities of the PRGT. The role of the Reserve Account remains the same, however—to provide payment to the lenders to the Loan Accounts of the PRGT in the event of a payment delay or nonpayment by borrowers. It also serves to bridge temporary mismatches between repayments from borrowers and repayments to lenders. The Reserve Account is, and will continue to be, replenished upon the settlement by borrowers of the payment arrears or mismatches that resulted in disbursements from the Reserve Account.

- **General Subsidy Account (GSA):** This account receives and provides subsidies for existing and new loans under all facilities of the PRGT. Resources in a special subsidy account are used first to subsidize loans under the facility to which it is linked before resources in the General Subsidy Account are drawn.
- **Special Subsidy Accounts (SSAs):** These were established to accommodate donors' preferences for earmarking their contributions for specific facilities. Three separate subsidy accounts were created for the Extended Credit Facility, Standby Credit Facility, and Rapid Credit Facility.
 - **ECF Subsidy Account** provides resources to subsidize new ECF loans, outstanding PRGF loans, and loans disbursed under the ESF. The ECF Subsidy Account is the "default" subsidy account for the receipt of existing subsidy resources to be transferred from the PRGF-only and PRGF-ESF Subsidy Accounts of the PRGF-ESF Trust, and can also receive new bilateral contributions. The PRGF and PRGF-ESF Subsidy Accounts were terminated when the PRGT reforms became effective.
 - **SCF Subsidy Account** provides resources for subsidizing SCF loans.
 - **RCF Subsidy Account** provides resources for subsidizing RCF loans.

Precautionary Balances. Financial resources held in the form of General and Special Reserves and in the first Special Contingent Account, the latter of which was established in the context of the arrears strategy for dealing with existing or potential overdue obligations.

Precautionary and Liquidity Line (PLL). This is an additional financing tool of the IMF to flexibly meet the needs of member countries with sound economic fundamentals but with some remaining vulnerabilities that preclude them from using the Flexible Credit Line. The PLL provides financing to meet any balance of payments needs and is

intended to serve as insurance or help resolve crises under a broad range of situations.

Prescribed Holder. A nonparticipant in the SDR Department that has been prescribed by the IMF as a holder of SDRs, including nonmembers, member countries that are not SDR Department participants, institutions that perform the functions of a central bank for more than one member, and other official entities.

Poverty Reduction and Growth—Heavily Indebted Poor Countries (PRG-HIPC) Trust. This trust is composed of three subaccounts for receiving and providing grants for debt relief and subsidization of outstanding Extended Credit Facility (ECF) loans and Umbrella Accounts:

- **Subaccounts:** The ECF subaccount, the HIPC subaccount, and the ECF-HIPC subaccount permit contributors to earmark resources for either ECF or HIPC or both operations. In addition, resources in the ECF-HIPC account that are not earmarked for HIPC operations can be transferred to the ECF Subsidy Account if resources in the latter are insufficient for subsidizing ECF lending.
- **Umbrella accounts:** Separate subaccounts (Umbrella Accounts) are established for each HIPC beneficiary. Resources placed in the Umbrella Accounts—representing HIPC grants approved by the Executive Board and disbursed to the member at the completion point, interim assistance between the decision and completion points, plus accumulated interest—are used to meet each beneficiary’s obligations to the IMF as they fall due based on a schedule approved by the Executive Board.

Program Review. Provides a framework to assess progress on policies that cannot easily be quantified or defined as performance criteria and to assess overall progress toward program objectives of macroeconomic adjustment and structural reform in the context of an IMF program. The completion of a review makes available the next installment for purchases under the arrangement.

Protracted Arrears. Arrears to the IMF of more than 6 months.

Purchases and Repurchases. When the IMF makes its general resources available to a member, it does so by allowing the member to purchase SDRs or other members’ currencies in exchange for its own (domestic) currency. The IMF’s general resources are, by nature, revolving: purchases (loans) have to be reversed by repurchases (repayments) in installments within the period specified for a particular policy or facility. Although the purchase-repurchase

mechanism is not technically or legally a loan, it is the functional equivalent of a loan.

Q

Quantitative Performance Criteria (QPC). These are specific and measurable conditions that are so critical as to stop disbursements in the event of nonobservance. QPCs normally include targets on monetary and credit aggregates, international reserves, fiscal balances, and external borrowing.

Quota. Quotas constitute the primary source of the IMF’s financial base and play several key roles in its relationship with its members. Each member is assigned a quota based broadly on its relative position in the world economy and pays a capital subscription to the IMF equal to the quota. Quotas also determine the distribution of voting power to IMF members and thereby their decision making and representation on the Executive Board. Quotas also play a role in determining members’ access to IMF resources and their share in a general allocation of SDRs. Quotas are reviewed regularly, normally every 5 years.

R

Rapid Credit Facility (RCF). The RCF provides rapid, low-access financing with limited conditionality to low-income countries facing an urgent balance of payments need. The RCF streamlines the IMF’s emergency assistance, provides significantly higher levels of concessionality, can be used flexibly in a wide range of circumstances, and places greater emphasis on a country’s poverty reduction and growth objectives.

Rapid Financing Instrument (RFI). The RFI provides rapid and low-access financial assistance to all members facing an urgent balance of payments need without the need for a full-fledged program. It can provide support to meet a broad range of urgent needs, including those arising from commodity price shocks, natural disasters, postconflict situations, and emergencies resulting from fragility. As a single, flexible mechanism with broad coverage, the RFI replaced the IMF’s previous policy that covered Emergency Natural Disaster Assistance and Emergency Post-Conflict Assistance. The RFI is similar to the RCF for member countries eligible for the Poverty Reduction and Growth Trust.

Remunerated Reserve Tranche Position. The IMF pays interest, called remuneration, on a member’s reserve tranche position except on a small portion that is provided to the IMF as interest-free resources. This unremunerated

(non-interest-bearing) portion of the reserve tranche position is equal to 25 percent of the member's quota on April 1, 1978—that part of the quota that was paid in gold prior to the Second Amendment of the IMF's Articles of Agreement. The gold tranche was never remunerated historically, so it was natural to set aside this same amount in SDRs on this date as the unremunerated reserve tranche. For a member that joined the IMF after that date, the unremunerated reserve tranche is the same percentage of its initial quota as the average unremunerated reserve tranche was as a percentage of the quotas of all other members when the new member joined the IMF. The unremunerated reserve tranche remains fixed for each member in nominal terms, but because of subsequent quota increases, it is now significantly lower when expressed as a percentage of quota.

Reserve Tranche Position. In exchange for the reserve asset portion of its quota payment, an IMF member acquires a liquid claim on the IMF—much like a demand deposit in a commercial bank. This claim is called the member's reserve tranche position, and it is equal to the member's quota minus the IMF's holdings of the member's currency in the General Resources Account (excluding currency holdings that stem from the member's own use of credit). The reserve tranche position is part of the member country's external reserves.

Resource Mobilization Plan (RMP). The RMP allows for effective use of the New Arrangements to Borrow (NAB) for crisis prevention and ensures adequate burden sharing among NAB participants. The RMP is approved on a quarterly basis by the Executive Board for use of the NAB and to finance the General Resources Account. Previously, the NAB could be activated only on a loan-by-loan basis through procedures that were complex and relatively lengthy.

Rights Accumulation Program (RAP). An economic program agreed between the IMF and an eligible member in protracted arrears to the IMF that provides a framework for the member to establish a satisfactory track record of policy and payments performance and permits the member to accumulate rights to future drawings of IMF resources following its clearance of arrears to the IMF up to the level of arrears outstanding at the beginning of the program.

S

Safeguard Assessment. An evaluation of a member country central bank's governance, control, reporting, and auditing systems to ensure that resources, including those provided by the IMF, are adequately monitored and controlled. (See also ELRIC.)

Service Charge. A service charge of 0.5 percent is levied on each drawing from the General Resources Account.

Special Charges (Additional Charges). The IMF levies special charges on principal payments and charges that are less than 6 months overdue.

Special Contingent Account (SCA). Account established to hold precautionary balances to strengthen the IMF's financial position in connection with members' overdue financial obligations.

Special Drawing Right (SDR). International reserve asset created by the IMF in 1969 as a supplement to existing reserve assets.

- **SDR Allocation.** Distribution of SDRs to members by decision of the IMF. A "general" allocation requires a finding by the IMF that there is a global need for additional liquidity.
- **SDR Assessment.** An assessment levied by the IMF, at the same rate for all participants in the SDR Department, on a participant's net cumulative SDR allocations to cover the expenses of conducting the business of the SDR Department.
- **SDR Department.** This department, an accounting entity rather than an organizational unit of the IMF, records and administers all transactions and operations involving SDRs.
- **SDR Interest and Charges.** Interest is paid to each holder of SDRs. Charges are levied, at the same rate, on each participant's net cumulative SDR allocations. The SDR interest rate is a weighted average of interest rates on short-term financial instruments in the markets of the currencies included in the SDR valuation basket. It is determined on a weekly basis.
- **SDR Use.** The SDR is used almost exclusively in transactions with the IMF, and it serves as the unit of account of the IMF and other international organizations.
- **SDR Valuation.** The currency value of the SDR is determined daily by the IMF by summing the values in U.S. dollars, based on market exchange rates, of a basket of four major currencies—euro, Japanese yen, pound sterling, and U.S. dollar. The SDR valuation basket is normally reviewed every 5 years.

Staff-Monitored Program (SMP). A Staff-Monitored Program is an informal and flexible instrument for dialogue between the IMF staff and a member country on its economic policies. Under a Staff-Monitored Program the country's targets and policies are monitored by the IMF staff; a staff-monitored program is not supported by the use of the

IMF's financial resources, nor is it subject to the endorsement of the Executive Board of the IMF.

Stand-By Arrangement (SBA). A decision of the IMF by which a member is assured that it will be able to make purchases from the General Resources Account up to a specified amount and during a specified period, so long as the member observes the terms specified.

Standby Credit Facility (SCF). The SCF provides financing similar to SBAs to low-income countries with short-term balance of payments needs, allowing also for precautionary use. SCF arrangements support programs that enable members with actual or potential short-term balance of payments needs to achieve, maintain, or restore stable and sustainable macroeconomic positions consistent with strong and durable poverty reduction and growth.

Surcharge to the Basic Rate of Charge. Surcharges are an important component of the IMF's risk-mitigation framework. The system of surcharges is based on the level of credit (level-based surcharges) and the length of repayment (time-based surcharges).

Surveillance. An essential aspect of the IMF's responsibilities associated with overseeing the policies of its members in complying with their obligations specified in the Articles of

Agreement to ensure the effective operation of the international monetary system.

T

Transactions by Agreement. Transactions in which participants in the SDR Department (currently all IMF members) and/or prescribed holders voluntarily exchange SDRs for currency at the official rate determined by the IMF.

U

Upper Credit Tranche. This originally referred to credit available from the IMF in an amount between 25 and 100 percent of a country's quota. Since access to IMF credit is now permitted substantially above 100 percent of quota, the upper credit tranches now refer to any use of IMF credit above 25 percent of quota.

Usable Currency. The currency of a member that the IMF considers to be in a sufficiently strong external position that its currency can be used to finance IMF transactions with other members through the financial transactions plan. Not to be confused with freely usable currency.