

INTERNATIONAL MONETARY FUND

**Review of the Fund's Income Position for FY 2007 and FY 2008**

Prepared by the Finance Department

In consultation with the Legal Department

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## I. INTRODUCTION

1. **This paper provides the basis for the Executive Board’s annual review of the Fund’s income position, the burden sharing mechanism, and the system of special charges.** The paper also makes a proposal for the rate of charge in the Fund’s next financial year (FY08), as required under Rule I-6(4).
2. **The review of income for the year ended April 30, 2007 (FY07) builds on the midyear income review** and the February 2007 meeting of the Committee on the Budget.<sup>1</sup> At the midyear review, the Executive Board decided to leave the margin for the rate of charge unchanged at 108 basis points, and to suspend further accumulations in the SCA-1 in the second half of the financial year.
3. **The FY07 income review takes place in the context of ongoing work to ensure the sustainability of the Fund’s finances.** The report of the Committee of Eminent Persons (CEP), which was released on January 31, makes proposals for a new income model.<sup>2</sup> Executive Directors had two informal seminars at which the CEP Chair, Mr. Crockett, was also present. In addition, staff addressed Directors’ questions on technical and legal aspects of the CEP report at an informal seminar on March 19.
4. **The staff paper proposes an unchanged stance on existing policy decisions while a new income model is developed.** Building a consensus around a package of sustainable financing options will take some time and FY08 would therefore seem best treated as a transitional year. On this basis, existing policy decisions would be unchanged and “rolled-over” for the forthcoming financial year. The principal elements of those decisions relate to setting the margin for the rate of charge and the operation of the burden sharing mechanism.
5. **The paper is structured as follows:** Section II reviews the Fund’s FY07 income position and provides an explanation of key variances from projections; Section III makes proposals for the disposition of investment income and the anticipated operating shortfall for FY07; Section IV outlines the income outlook for FY08–10; Section V reviews burden sharing arrangements; and Section VI reviews special charges. Proposed decisions for FY07 and FY08 then follow.

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<sup>1</sup> See *The Fund’s Income Position for FY 2007—Midyear Review*.

<sup>2</sup> See *Report to the Managing Director by the Committee of Eminent Persons on the Sustainable Long-Term Financing of the Fund*.

## II. REVIEW OF THE FY 2007 INCOME POSITION

6. **The overall net income shortfall for FY07 is projected at about SDR 108 million,**<sup>3</sup> compared with about SDR 60 million envisaged at the start of the year (see Table 1 and Box 1) and around SDR 70 million at the midyear review (see Annex V).<sup>4</sup> The key factors that contributed to this revised outlook are as follows:

- **Lower credit outstanding reduced the FY07 income position by over SDR 80 million.** Advance repurchases by some members, e.g., Indonesia (SDR 4.7 billion), Uruguay (SDR 1.3 billion), Serbia (SDR 0.6 billion), and the Philippines (SDR 0.1 billion), sharply reduced the Fund's credit outstanding and therefore income from lending operations. In addition, rephasing of purchases under current arrangements (Turkey and Dominican Republic) also led to lower-than-projected income. The average Fund credit outstanding for FY07 is now projected to be SDR 12.2 billion compared with initial estimates of SDR 17.3 billion. A third factor was the increase in Turkey's quota, which reduced the amount of credit subject to surcharges.
- **Implicit returns on interest-free resources were higher by SDR 36 million, reflecting the later-than-assumed activation of the Investment Account (IA) and higher global interest rates.** Holdings of creditor members' currencies were larger than expected in the first seven weeks of FY07 because the IA was activated on June 20, 2006 rather than at the beginning of the financial year, thereby reducing remuneration due on reserve tranche positions. Also, the average SDR interest rate for FY07 is projected at 3.93 percent

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<sup>3</sup> This amount reflects the difference between a projected income shortfall in the GRA of SDR 307 million and projected investment income in the Investment Account of SDR 199 million. The income shortfall for the GRA would be reduced to SDR 108 million if, as proposed by staff, the Executive Board decided to transfer all investment income for FY07 in the Investment Account to the GRA; see paragraph 9.

<sup>4</sup> The variance from the midyear income review is also detailed in Annex V.

- compared to an initial estimate of 3.46 percent, modestly boosting implicit earnings from the interest-free resources.<sup>5</sup>
- **On the other hand, there was a broadly offsetting reduction in investment earnings of the IA.** Total investment income in the IA from inception through end-April 2007 is now estimated at SDR 199 million compared with an initial projection of SDR 235 million.<sup>6</sup> The later-than-assumed activation of the IA lowers the projection by SDR 32 million. A further shortfall of SDR 4 million is expected, despite the rise in interest rates, mainly reflecting the relatively flat yield curve between three-month and two-year maturities.<sup>7</sup>
- **On the expenditure side, a number of factors partially offset the income variances.** First, in SDR terms, the Fund's administrative and capital expenses will be lower than budgeted owing to the increase in the U.S. dollar/SDR exchange rate during FY07. The actual average U.S. dollar/SDR rate for FY07 is now estimated at 1.49 compared with 1.44 projected at the start of the financial year. The overall impact is a reduction of some SDR 21 million in expenditures. Second, FY07 capital spending is lower than anticipated by some SDR 11 million due primarily to rescheduled roll-outs of approved capital projects. Third, the projected budget outturn is expected to be some SDR 3 million below initial estimates.

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<sup>5</sup> Interest-free resources are the difference between the Fund's income earning assets in the GRA—Fund credit outstanding plus SDR holdings—and the level of remunerated reserve tranche positions. Now that resources equivalent to the Fund's reserves have been transferred to the IA, remaining GRA interest-free resources broadly correspond to the SCA-1.

<sup>6</sup> The updated projection for FY07 is based on actual returns through February 2007 and assumes that yields remain unchanged during the last two months of the fiscal year.

<sup>7</sup> The initial projection assumed an investment return of 3.96 percent, which was based on a 50 basis point spread over the SDR interest rate last April. The investment return is now estimated at 3.88 percent (annualized) through end-FY07. Overall, the IA portfolio has performed in line with its benchmark, the 1-3 year government bond index. Nonetheless, the IA's return is projected to fall short of the three-month SDR rate owing to the relatively flat yield curve between three-month and two-year maturities, and the increase in longer term SDR yields during October 2006 to January 2007. The next six-monthly review of the IA will address recent investment performance in more detail.

Table 1. Projected Income Shortfall—FY07  
(In millions of SDRs)

<b>Income shortfall projected in April 2006</b>	<b>-59</b>
Income variance due to:	
Advance repayments	-50
Rephased purchases	-28
Impact of Turkey's quota increase on surcharge income	-6
Higher implicit returns from interest-free resources 1/	36
Lower Investment Account income 2/	-36
Income shortfall before expenditure variances	<b>-143</b>
Expenditure variance due to:	
Projected budget outturn	3
Projected capital spending	11
Changes in the U.S. dollar/SDR exchange rate	21
<b>Income shortfall now projected</b>	<b>-108</b>

- 1/ Implicit returns from interest-free resources exceeded initial projections for two reasons. First, the initial projections assumed the Investment Account (IA) would be operational for the full financial year. During the seven week interim period from May 1, 2006 when the IA was not operational, some SDR 28 million in implicit returns on the Fund's reserves was earned. Second, additional implicit returns of about SDR 8 million are expected to be realized on the Fund's remaining interest-free resources (primarily the SCA-1) because of the higher than assumed SDR interest rate, which averaged 3.9 percent in FY07 compared with initial estimates of 3.5 percent.
- 2/ Initial projections anticipated investment returns of SDR 235 million compared with the updated projection of SDR 199 million. The IA was activated seven weeks later than assumed in the initial projections, which accounts for SDR 32 million of this shortfall.

7. **Overall, therefore, an operating deficit of about SDR 110 million will be reflected in the consolidated income statement of the General Department.**<sup>8</sup> How the operating deficit is distributed between the GRA and the IA depends on whether the Executive Board decides to transfer all or part of investment income from the IA to the GRA.

<sup>8</sup> Annex I provides a reconciliation with the Fund's income statement, which is drawn in accordance with International Financial Reporting Standards and therefore reflects the timing difference arising from IAS 19 accounting.

### **Box 1. Executive Board Decisions in Effect Related to the FY 2007 Income Position<sup>1</sup>**

The Executive Board has taken the following decisions affecting the Fund's income position for FY07.

#### **Changes in Rule I-6(4)**

Paragraph (a) was amended to introduce the possibility that in *exceptional circumstances* the margin for calculating the rate of charge may be set on a basis other than the estimated income and expense of the Fund and a target amount of net income for the year.

Paragraph (b) was amended to provide for a mid-term review of any change in "the exceptional circumstances" and decide whether the margin over the SDR interest rate under Rule T-1 determined under Rule I-6(4)(a) shall be changed in light of the actual income position for the first six months of the financial year. At the midyear income review, the Executive Board determined that there had been no change in the exceptional circumstances.

#### **Rate of Charge**

The margin for calculating the rate of charge in FY07 was set at the same level as for FY06—108 basis points above the SDR interest rate.

#### **PRGF-ESF Administrative Expenses**

The GRA will forgo the reimbursement from the reserve account of the PRGF-ESF Trust (via the SDA) for the costs of administering the PRGF-ESF Trust.

#### **Burden Sharing:**

##### **For Placement to the SCA-1**

At the start of the year, the Executive Board decided to accumulate an amount of SDR 60 million in the SCA-1. Accordingly, an amount of SDR 30 million was generated during the first half of FY 2007 by equal contributions by debtor and creditor members under burden sharing. At the midyear review, the Executive Board decided to suspend SCA-1 contributions and the total accumulation in SCA-1 for the year is limited to that generated in the first half of FY 2007.

##### **For Deferred Charges**

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

<sup>1</sup> See *Review of the Fund's Income Position for FY 2006 and FY 2007* and *The Fund's Income Position for FY 2007—Midyear Review*.

### III. DISPOSITION DECISIONS

8. The projected deficit for the year of SDR 108 million is split between two separate accounting entities in the Fund's General Department: the Investment Account, which is projected to earn about SDR 199 million and the General Resources Account (GRA), which, without transfers of investment income from the IA, is projected to incur a deficit of about SDR 307 million.<sup>9</sup> The Executive Board needs to consider whether to transfer investment income to meet part of the expenses of administering the Fund in FY07, thereby reducing the projected GRA deficit for the year to SDR 108 million (if all projected investment income is transferred). The Executive Board also needs to consider the disposition of the GRA deficit for the year.

9. **Disposition of FY07 investment income.** Under the Articles, the Executive Board has discretion over the disposition of income in the IA. Investment income can be kept in the IA and reinvested or it may be used for meeting the expenses of conducting the business of the Fund, i.e., transferred to the GRA (Article XII, Section 6 (f)(iv)). Staff proposes for Executive Board consideration that the investment income of the IA for FY07 be transferred to the GRA for meeting the expenses of conducting the business of the Fund during FY07. A decision to this effect (Decision No. 1) is included below.

10. **It is worth recalling that the main objective of the IA was, over time, to generate additional income to meet the Fund's expenditure needs.** In this regard, it would seem apparent that the intent was that the income be used to help meet the Fund's expenses. Indeed, without income transfers from the IA, the GRA would often run a loss because it carries all the administrative and remuneration expenses. Moreover, as discussed below, in circumstances where the General Department as a whole is in a positive income situation, transferring the IA earnings to the GRA would increase reserves and therefore enable the reflow of this income to the IA as part of the investment corpus.

11. Other factors taken into account in this proposal include:

- **The retention of investment income in the IA would, ceteris paribus, reduce the level of the Fund's reserves by an equivalent amount.** As noted above, investment income of SDR 199 million is incorporated in the overall projected deficit for FY07 of SDR 108 million. If the investment income were to be retained in the IA, and not therefore offset against the deficit in the GRA of SDR 307 million, the full GRA deficit would need to be charged against reserves. In contrast, transferring the IA income to the GRA would reduce precautionary balances (see Box 2) by only about SDR 108 million.<sup>10</sup>

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<sup>9</sup> There are three accounts within the General Department: the General Resources Account, the Special Disbursement Account, and the Investment Account.

<sup>10</sup> Annex III provides a summary of the Fund's precautionary balances since FY 2000.



- **Such a reduction in reserves would lower the scope to make transfers to the IA when the Fund subsequently has positive net income.** The Fund’s Articles place a ceiling on the amount of currencies that can be transferred to the IA. Under Article XII, Section 6(f)(ii), the amounts that can be transferred to the IA for investment shall not exceed the total amount of the General Reserve and the Special Reserve at the time of the decision (Box 3). In circumstances where the Fund has positive income, the transfer of investment income to the GRA would ceteris paribus increase the amount placed to reserves, in turn increasing the amount of currencies eligible for transfer to the IA.<sup>11</sup> In principle, therefore, the net result is that investment earnings could become part of the corpus of the IA. On the other hand, retaining investment earnings in the IA would lower reserves, and therefore the future scope to transfer resources to the IA by an equivalent amount.

### **Box 2. The Fund’s Precautionary Balances**

The Fund’s precautionary balances comprise its reserves (the General and Special Reserves) and the special contingent account (SCA-1). The reserves serve to protect the Fund’s financial position against credit risk and the risk of operational losses. The accumulation of reserves, through retention of net income, also improves the soundness of the institution’s financial management, and the strength of its balance sheet, and augments the Fund’s liquidity and its interest-free resources.

The General Reserve was established in 1958 to meet losses of a capital nature or administrative deficits. The Special Reserve was established in 1957 and proceeds from the 1956–1972 gold investment program were placed in this reserve to provide safeguards against possible deficits in the Fund’s operations. The Fund may use the Special Reserve for any purpose for which it may use the General Reserve, except distribution. Under a 1957 board decision, any income deficits are to be charged against the Special Reserve (see Annex II). Total reserves at the beginning of FY07 amounted to some SDR 6 billion.

The SCA-1 was established to protect the Fund against the financial impact of protracted arrears and the risk of potential losses resulting from an ultimate failure of members to settle financial obligations to the Fund. The SCA-1 was initially funded by the excess income above the FY87 income target. Since then, additions have been financed by burden sharing contributions from debtor and creditor members. The SCA-1 currently holds SDR 1.7 billion.

12. **Disposition of the FY07 loss.** On the basis that the investment income of the IA is used for “meeting the expenses of conducting the business of the Fund”, the operating income shortfall in the GRA for FY07 is estimated at SDR 108 million. The actual income shortfall realized at year end, based on the Fund’s audited financial statements, will need to

<sup>11</sup> On the other hand, a reduction in the Fund’s reserves does not require an equivalent decrease in the corpus of the Investment Account as the limit only refers to amounts transferred to the Investment Account.

be charged against the Fund's reserves. This is the first deficit suffered by the Fund since 1985.

13. **The Articles permit the actual income shortfall for FY07 to be charged against either the Special Reserve or the General Reserve.** The Special Reserve was established in 1957, and the relevant Board decision (the "1957 Decision") provides that "any administrative deficit for any fiscal year of the Fund shall be written off first against this reserve."<sup>12</sup> Since the establishment of the Special Reserve, all operational deficits have been charged against the Special Reserve on the basis of the 1957 Decision (with the most recent case being 1985) without the adoption of a specific Executive Board decision in a given financial year with a deficit. Staff proposes to follow this approach also for FY07. Consequently, once the exact income shortfall for FY07 is established it would be charged against the Special Reserve as provided for in the 1957 Decision.

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<sup>12</sup> See Annex II.

### **Box 3. Investment Account**

The Articles of Agreement provide for the establishment of an Investment Account (IA) to generate income to help meet the Fund's operating costs (Article XII, Section (6)(f)(iv)). As part of the review of the Fund's finances and financial structure which began in 2004, Directors supported the need to broaden the Fund's income base given the Fund's heavy reliance on credit outstanding for its income.

The IA was funded on June 20, 2006 following its establishment by an Executive Board decision in April 2006. The IA was funded through a transfer of currencies of SDR 5.9 billion from the General Resources Account (GRA). The Articles limit the amount that may be transferred to the IA to the equivalent of the Fund's general and special reserves at the time of the decision to make the transfer. The June 2006 transfer was equivalent to the Fund's total reserves at that time.

Prior to the funding of the IA, reserves formed part of the currency balances kept with creditor members. The transfer of currencies to the IA therefore increased the reserve tranche positions of creditor members. Reserve tranche positions are remunerated at the (three-month) SDR interest rate, the implicit return on the Fund's reserves prior to the IA.

The investment objective of the IA is to exceed the return on the SDR interest rate over time while minimizing the frequency and extent of negative returns and underperformance over a 12-month horizon. In order to achieve this objective, the duration of the IA portfolio is maintained beyond three-month instruments through investments in eligible longer term government bonds and other fixed income securities. External asset managers—including the World Bank, BIS and private managers—are entrusted with buying and selling individual securities in accordance with the IA's investment authority, guidelines and benchmark.

A 1–3 year benchmark index was adopted for the IA. The adopted strategy is similar to the approach used for the investment of PRGF-ESF, HIPC, and MDRI resources. Historical performance suggests that the resulting extension of investment maturities beyond the three-month SDR rate will generate additional income over time. While a certain degree of volatility is inevitable, staff considers that a reasonable medium-term target for additional income from the IA is 50 basis points.

## **IV. INCOME OUTLOOK (FY 2008–FY 2010)**

14. **Staff has updated its projections for the Fund's medium-term income outlook (Table 2).** The projections are based on a central scenario for credit outstanding whereby current users of Fund resources continue to repay the Fund as scheduled and remaining scheduled disbursements take place under existing and projected arrangements, other than those which are precautionary. The interest rate projections are based on the latest WEO rates and continue to assume an indicative 50 basis point spread over the SDR rate in the

IA.<sup>13</sup> On the expenditure side, the projections incorporate the most recent medium-term budget proposals.

Table 2. Projected Income Sources and Uses (FY 2007–10)  
(In millions of SDRs, except where indicated)

	FY07	FY08	FY09	FY10
<b>A. Income sources</b> 1/	<b>541</b>	<b>511</b>	<b>490</b>	<b>421</b>
Margin for the rate of charge (108 basis points)	132	82	78	53
Surcharges	92	56	55	21
Service charge (50 basis points on disbursements) 2/	16	16	--	--
Investment income	199	283	286	288
Implicit return on interest-free resources 3/	102	74	71	59
<b>B. Administrative and capital expenses</b> 4/	<b>649</b>	<b>657</b>	<b>667</b>	<b>686</b>
Administrative budget	609	615	625	640
Capital budget not capitalized	18	19	18	23
Depreciation expense	22	23	24	23
<b>C. Income shortfall (A-B)</b> 5/	<b>-108</b>	<b>-146</b>	<b>-177</b>	<b>-265</b>
<u>Memorandum Items:</u>				
Fund credit outstanding (average in SDR billions)	12.2	7.6	7.2	4.9
SDR interest rate path (in percent)	3.9	4.2	4.3	4.3

1/ Annex IV details the assumptions underlying these projections.

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

3/ The Fund's GRA interest-free resources currently broadly approximate the level of resources in the SCA-1 (since resources equivalent to the Fund's reserves have been transferred to the IA). The projected income shortfalls will reduce the Fund's interest-free resources as the shortfalls will be financed by enlarged remunerated reserve tranche positions.

4/ Assumes the administrative and capital expenditures remain consistent with the medium-term budget. The FY08–10 figures assume a U.S. dollar/SDR exchange rate of 1.50.

5/ Table 3 outlines the effect of changes in selected assumptions on the FY08 income shortfall.

15. **The rate of charge.** Under Rule I-6(4), the rate of charge is determined at the beginning of each financial year as the SDR interest rate plus a margin expressed in basis

<sup>13</sup> The projected added value of 50 basis points is based on historical performance and is intended to provide an indication of the additional returns from the Investment Account over the medium term. Actual performance from year to year will vary with market conditions. Annex II of *Establishment of the Investment Account* provides a detailed analysis of historical performance of different investment strategies. Further examination of these issues is planned in the context of the upcoming work on a new income model.

points. The margin is ordinarily determined on the basis of the estimated income and expense of the Fund during the year, and the target amount of net income for the year. Rule I-6(4) also allows, in exceptional circumstances, for the margin to be determined on a basis other than the estimated income and expense of the Fund during the year and a target amount of net income for the year. It was on this latter basis that the margin for the rate of charge in FY07 was set at 108 basis points, unchanged from the previous financial year.

16. **Staff believes that exceptional circumstances continue to prevail and that the margin for FY08 should be determined on a basis other than estimated income and expenses and a net income target.**<sup>14</sup> In light of the ongoing work on options for sustainable financing for the Fund and the fact that FY08 would seem best treated as a transitional year, staff proposes that the margin be left unchanged at the current level of 108 basis points. A decision to this effect (Decision No. 4) is proposed below. It is worth noting that, given the low level of credit outstanding, adjustments in the margin would not yield significant changes in income. For example, a 50 basis point change would affect the Fund's income only by SDR 40 million or so. Moreover, the market environment of relatively low cost financing available from private market sources has not changed significantly from a year ago, and thus financial market conditions provide no robust justification for an increase in the margin. Finally, as highlighted in the CEP report, a new income model would require a different basis than the current Rule I-6(4) for determining the margin for the rate of charge and this is an issue that will be taken up separately in the context of the work on sustainable financing for the Fund.

17. **PRGF-ESF Trust expenses.** The Executive Board has waived the reimbursement of PRGF-ESF Trust administrative expenses to the General Resources Account since FY98. The waivers have helped sustain the capacity of PRGF-ESF lending operations and contribute to the financing of the HIPC Initiative. The CEP report includes a proposal to terminate the waiver on the basis that GRA credit intermediation should not be used to finance other IMF activities; in the past, surcharge income has been used to defray these expenses. In keeping with the transitional nature of FY08, staff does not propose any changes at this time since the disposition of these expenses will be taken up as part of the broader discussions on a new income model. Staff, therefore, proposes adoption of Decision No. 5 to waive reimbursement of PRGF-ESF administrative expenses for FY08. Staff also proposes adoption of Decision No. 2 on the reimbursement for the expenses of conducting the SDR Department and the related assessment on participants in the SDR Department. Proposed Decision No. 3 provides for the reimbursement of the expenses of administering the MDRI-I Trust.<sup>15</sup>

18. **Surcharge income.** In recent years, surcharge income was placed directly to reserves after meeting the costs associated with administering PRGF-ESF operations. In FY07, the

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<sup>14</sup> By way of illustration, the margin would need to be set at about 685 basis points for FY08 using the default clause of Rule I-6(4), which calls for a net income target of 5 percent of reserves.

<sup>15</sup> The reimbursement of these expenses is required under the Articles and therefore may not be waived.

Board decided to make no distinction between regular and surcharge income; surcharge income has been used to help defray administrative expenses, including the PRGF-ESF Trust costs. Staff proposes a continuation of this approach for FY08. No Executive Board decision is necessary.

19. **The updated medium term income projections for FY08–FY10, therefore, reflect an unchanged policy stance.** The overall picture has not changed significantly from the outlook presented at the midyear update.<sup>16</sup> The overall trend is for a steady increase in the income shortfall from the current level of around SDR 100 million to over SDR 250 million in three years time. The projected FY10 deficit reflects a level of credit outstanding of less than SDR 5 billion. In such a low credit environment, the major income source for the Fund would be the investment income earned in the IA. This income (about SDR 290 million) would cover about 40 percent of the Fund’s administrative expenses, which provides some indication of the financing gaps that need to be closed to place the Fund’s finances on a sustainable basis. While reserves are available to absorb these projected deficits, the use of reserves in this way becomes counter-productive in that the deficits themselves have a financing cost, equivalent to the SDR interest rate. This is reflected in Table 2 by the steadily decreasing income from the Fund’s interest-free resources. Consensus around a sustainable financing model is therefore needed with some urgency.

20. **Income sensitivity.** The income projections are quite sensitive to changes in the underlying variables (Table 3). For example, changes in credit levels affect income by over SDR 5 million for every SDR 1 billion in unexpected increases or decreases of credit (at midyear). If the purchases or repurchases are subject to surcharges, the impact could be up to an additional SDR 10 million, depending on the access level. Also, as experienced in the last few months, some volatility is to be expected in the investment performance of the IA. At the current corpus of just under SDR 6 billion in the IA, every 10 basis points of under- or over-performance relative to the SDR interest rate would affect the Fund’s income position by around SDR 6 million. For example, if the current relatively flat SDR yield curve were to persist in FY08 such that no net pick-up in income is achieved from the IA over the SDR interest rate, investment income would be some SDR 250 million and the FY08 income shortfall would increase to around SDR 175 million.

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<sup>16</sup>Annex V details the variance analysis of the updated projections from previous estimates.

Table 3. Effect on Projected Income for FY 2008 of Changes in Selected Assumptions  
(In millions of SDRs)

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Change in:	
SDR interest rate by 10 basis points	8
Credit tranche purchases/repurchases by SDR 1 billion 1/	5½
U.S. Dollar vis-à-vis SDR by 1 percent	9
Investment income margin by 10 basis points	6
SCA-1 by SDR 500 million	21

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1/ Assumes midyear transaction; excludes commitment fees and service charges.

21. **The impact on income of a partial refund of SCA-1 would also be significant.** The SCA-1 (SDR 1.7 billion) provides interest-free resources to the Fund and a refund would therefore have a negative effect on the Fund's income position. For example, a partial refund of the order of SDR 0.5 billion would reduce income on an annualized basis by over SDR 20 million.

## V. BURDEN SHARING

22. **The burden-sharing mechanism helps ensure that the Fund is not negatively impacted by arrears and unpaid charges.** Burden sharing was established in 1986 to distribute the consequences of rapidly growing arrears among debtor and creditor members. Under burden sharing, temporary financing is obtained from members by increasing the rate of charge and reducing the rate of remuneration to (i) cover shortfalls in the Fund's income from unpaid charges and (ii) accumulate precautionary balances in the SCA-1 against possible credit default. Unpaid charges are burden-shared as they arise, and are refunded when overdue charges are paid. The accumulations in the SCA-1 are also burden-shared and must be refunded once there are no overdue obligations, or at such earlier time as the Fund may decide.<sup>17</sup>

23. **The two elements of burden sharing have different implications for the Fund's finances.** Amounts for the SCA-1 are accumulated in the balance sheet and are an important part of precautionary balances. The decisions on accumulations have been taken on an annual basis. In contrast, burden sharing of deferred charges is vital for protecting the Fund's current income position against the impact of unpaid charges. It also facilitates the Fund's accounting treatment of showing balances in arrears at face value on the Fund's balance

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<sup>17</sup> The burden sharing mechanism has also been used to mitigate the effect of the 1999-2000 off-market gold transactions.

sheet; the burden sharing system for deferred charges enables the Fund to demonstrate that while principal may be in arrears, on a net present value basis the Fund does not suffer a loss. The decision on deferred charges has been in place since 2000.<sup>18</sup> This decision does not contain rounding rules and such rules were included in the annual decisions on SCA-1 accumulations, both for SCA-1 accumulations and deferred charges. No decision is proposed for SCA-1 accumulations in FY08 but a decision establishing rounding rules for deferred charges is required (see proposed Decision No. 7).

24. **The Executive Board decided at the start of FY07 to place SDR 60 million in the SCA-1 through burden sharing.** This decision reflected a desire to keep the overall level of precautionary balances unchanged since at that stage the projected deficit for the year was SDR 59 million. At the time, it was also noted that the estimated level of burden sharing adjustments necessary to accumulate SDR 60 million would be broadly in line with the average burden sharing adjustments for FY06.

25. **At the midyear income review, the Executive Board decided to suspend SCA-1 accumulations in the second half of FY07.** This decision was taken in light of the effect of the decline in credit on the level of the burden sharing adjustments.<sup>19</sup> Since those circumstances still exist, staff proposes that the decision taken by the Board at midyear to suspend SCA-1 accumulations remains appropriate for FY08. Therefore, no decision is proposed for SCA-1 accumulations in FY08.

26. **Total burden sharing adjustments are not expected to increase significantly in FY08.** While it is true that the sustainability of the burden-sharing mechanism for deferred charges could be called into question at very low credit levels, the outlook for FY08 indicates a slightly lower level of burden sharing adjustments compared to the FY07 average. As noted in the midyear paper, the sustainability of burden-sharing is impacted by both the relative size of credit outstanding and the number of member countries participating in the mechanism. In the case of creditor members, the number of participants is high, reflecting the record number of participants in the FTP. For debtors members, however, the number of participants is low.

27. **Based on FY08 projections, average adjustments to the rate of charge will be around 20 basis points (Table 4),** similar to the total average adjustments in FY06 (19 basis points) and lower than the annualized total average for FY07 (24 basis points). Staff, therefore, proposes no change in existing burden sharing arrangements for deferred charges, but will keep the sustainability of burden-sharing under close review should there be any unexpected changes in credit levels and credit conditions (e.g., the emergence of new arrears). This issue will also be taken up in the context of the on-going review of the Fund's finances. This proposal is consistent with maintaining an unchanged policy stance for FY08.

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<sup>18</sup> Decision No. 12189-(00/45), April 28, 2000, effective May 2, 2000.

<sup>19</sup> See, in particular, paragraphs 14-18 of *The Fund's Income Position for FY 2007—Midyear Review*.



Table 4. Recent Average Burden Sharing Rates and FY 2008 Projected Rates  
(In basis points unless otherwise stated)

	FY03	FY04	FY05	FY06	FY07			FY08
					H1	H2	H1&H2 (projected)	
Rate of Remuneration 1/								
Total average adjustment	10	9	12	23	30	16	23	17
Deferred charges	2	1	2	5	10	16	13	17
SCA-1	8	8	10	18	20	--	10	--
Rate of Charge 1/								
Total average adjustment	10	8	11	19	30	17	24	20
Deferred charges	2	1	2	4	10	17	14	20
SCA-1	8	7	9	15	20	--	10	--
Average SDR interest rate (in percent)	2.06	1.58	2.09	2.93	3.79	4.07	3.93	4.24
Average basic rate of charge (in percent)	2.54	2.09	3.01	4.00	4.87	5.15	5.01	5.32

1/ The average rates have been calculated using the quarterly burden sharing rates and SDR interest rates. H1 and H2 represent the first and second half of the financial year, respectively.

## VI. REVIEW OF SPECIAL CHARGES

28. **The decision on special charges on overdue financial obligations in the General Resources Account and the Trust Fund calls for an annual review.** Special charges were established to provide members with incentives to settle their financial obligations to the fund in a timely manner. No new considerations have arisen during the current financial year and no changes are proposed to the current system, i.e., special charges are levied on overdue repurchases and charges that are in arrears for less than six months. No special charges have been collected during the financial year. Decision No. 6, which can be adopted by a majority of the votes cast, is intended to complete this annual review.

**PROPOSED DECISIONS**

The following decisions are proposed for adoption by the Executive Board:

**Decisions pertaining to FY 07**

- Decision No. 1 provides for the transfer of the investment income for FY 2007 from the Investment Account to the General Resources Account.
- Decision No. 2 provides for the assessment in the SDR Department in order to reimburse the General Department for the expenses of conducting the business of the SDR Department.
- Decision No. 3 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the MDRI-I Trust.

**Decisions pertaining to FY08**

- Decision No. 4 sets the rate of charge on the use of Fund resources for FY08 at 108 basis points over the SDR interest rate.
- Decision No. 5 waives the reimbursement to the GRA of the cost of administering the PRGF-ESF Trust for FY08.
- Decision No. 6 reviews the system of special charges.

**Decision to establish a rounding rule for deferred charges**

- Decision No. 7 establishes a rounding rule for burden sharing for deferred charges.

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

**Decision No. 1**

**Transfer of Investment Income for FY 2007 to General Resources Account**

The investment income of the Investment Account for FY 2007 shall be transferred to the General Resources Account for meeting expenses of conducting the business of the Fund during FY 2007.

**Decision No. 2**

**Assessment under Article XX, Section 4 for FY 2007**

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

(i) The General Department shall be reimbursed for the expenses of conducting the business of the SDR Department for the period of May 1 2006 through April 30, 2007; and

(ii) An assessment shall be levied on all participants in the SDR Department. The special drawing right holdings accounts of participants shall be debited on April 30, 2007 with an amount equal to 0.0000482893 of their net cumulative allocations of special drawing rights. The total assessment shall be paid into the General Department.

**Decision No. 3**

**MDRI-I Trust Reimbursement**

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 2.3 million by the MDRI-I Trust.

**Decision No. 4**

**The Rate of Charge on the Use of Fund Resources for FY 2008**

Pursuant to Rule I-6(4)(a), last sentence, the rate of charge shall be 108 basis points over the SDR interest rate under Rule T-1.

**Decision No. 5**

**Cost of Administering the PRGF Trust**

For FY 2008, no reimbursement shall be made to the General Resources Account from the Reserve Account of the PRGF-ESF Trust (through the Special Disbursement Account) for the cost of Administering the PRGF-ESF Trust.

**Decision No. 6**

**Review of the System of Special Charges**

The Fund has reviewed the system of special charges applicable to overdue obligations to the General Resources Account, the Structural Adjustment Facility, and the Trust Fund.

**Decision No. 7**

**Burden Sharing-Adjustment for Deferred Charges—Rounding Rule**

The following subparagraph (d) shall be added to Section IV of Decision No. 12189-(00/45), adopted April 28, 2000:

“(d) The rate of charge and the rate of remuneration determined under this section shall be rounded to two decimal places.”

Annex I. Projected Income and Expense (FY 2007–10)  
(In millions of SDRs)

	FY07	FY07	FY08	FY09	FY10
	February Actuals	Updated Projections			
1. Income Sources					
a. Periodic charges, including burden sharing	530	613	406	388	268
b. Interest on SDR holdings	104	129	133	136	135
c. Surcharges	82	92	56	55	21
d. Investment income	158	199	283	286	288
e. Service and stand-by charges	16	16	16	--	--
Total income	890	1,049	894	865	712
2. Expenses					
Remuneration, including burden sharing	425	508	383	375	291
Administrative expenses	548	649	657	667	686
Total expenses	973	1,157	1,040	1,042	977
3. Net income shortfall	(83)	(108)	(146)	(177)	(265)
4. Other: IAS 19 timing difference (FY07 effect) 1/	28	33	--	--	--
5. Total net income shortfall	(55)	(75)	(146)	(177)	(265)

1/ See Annex II in *Review of the Fund's Income Position for FY 2006 and FY 2007* for a detailed explanation of IAS 19 accounting and timing differences. IAS 19 is the accounting standard that prescribes the accounting treatment of pension and employee benefits expenses, and involves actuarial valuations.

## Annex II. Background Decision to the Establishment of the Special Reserve

**I N T E R N A T I O N A L M O N E T A R Y F U N D**

Executive Board Decision No. 708-(57/57)

Subject: **FUND'S INVESTMENT PROGRAM**

The Executive Board, observing that the Fund has had and in the future may again have an excess of expenditure over income and that the greater part of the Fund's administrative expenditure has been and will continue to be in United States dollars, considers that in the interest of good administration and conservation of the Fund's resources it would be appropriate to raise income and provide a reserve towards meeting possible future deficits by continuing the investment of a portion of the Fund's gold in a manner which will enable the Fund to reacquire gold at anytime and will maintain the gold value of the investment.

In view of the foregoing and noting the willingness of the United States to consent to continued investment by the Fund in United States Treasury bills, the Executive Board takes the following decisions:

A. Paragraphs I, II and III of Executive Board Decision No. 488-(56/5) shall remain in effect except that the following shall be substituted for paragraph I(1)(b): "will be such as to produce an amount of income reasonably related to the purpose of the investment."

B. The income of the investment earned after October 31, 1957 shall be placed to a Special Reserve, and any administrative deficit for any fiscal year of the Fund shall be written off first against this reserve.

The foregoing is the text of a decision of the Executive Board taken at Meeting 57/57, November 27, 1957.

Roman L. Horne,  
Secretary

## Annex III. The Fund's Precautionary Balances FY 2000–07

	(Financial Years)							
	2000	2001	2002	2003	2004	2005	2006	2007 1/
	(In billions of SDRs)							
Precautionary balances	4.0	4.2	4.6	5.4	6.4	7.2	7.6	7.6
Reserves	2.9	2.9	3.3	4.0	4.9	5.6	6.0	5.9
General	0.9	0.9	1.2	1.9	2.7	3.3	3.5	3.5
Special 2/	1.9	2.0	2.1	2.1	2.2	2.4	2.4	2.3
SCA-1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.7
SCA-2	--	--	--	--	--	--	--	--
Free reserves 3/	3.0	3.3	3.7	4.7	5.6	6.5	7.0	7.0
Memorandum items:								
Credit Capacity 4/	120.6	122.3	123.7	130.4	131.3	136.1	136.6	139.1
Credit Outstanding	44.0	42.2	52.1	66.0	62.2	49.9	19.2	7.3
Credit in good standing	43.0	41.4	51.2	65.2	61.4	49.1	18.6	6.7
Arrears	1.9	1.9	1.9	1.7	1.8	1.8	1.6	1.6
Principal	1.0	0.9	0.9	0.7	0.7	0.7	0.6	0.6
Charges	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1
	(In percent)							
Ratios of:								
Precautionary balances to credit capacity	3.3	3.4	3.7	4.2	4.9	5.3	5.6	5.4
Precautionary balances to credit outstanding	9.0	9.8	8.9	8.2	10.3	14.5	39.8	103.6
Free reserves to credit capacity	2.5	2.7	3.0	3.6	4.3	4.8	5.2	5.0
Free reserve to credit in good standing	7.0	8.0	7.3	7.2	9.2	13.2	37.8	103.9

Note: Figures may not add due to rounding.

1/ Projected as at end-April 2007; reflects the decline in the Special Reserve from charging the projected deficit of SDR 108 million.

2/ After adjusting for IAS 19 related accounting gains.

3/ Precautionary balances (excluding SCA-2) in excess of arrears on principal.

4/ Quotas of members in the FTP, excluding prudential level of uncommitted usable resources (i.e., 20 percent of FTP member quotas).



## Annex IV. Assumptions Underlying the Medium-Term Projections (FY 2007–10)

	Actual Feb. 2007 Result	FY07 Initial Projections	FY07	FY08	FY09	FY10
			Revised Projections			
(In billions of SDRs)						
Regular Facilities:						
1. Purchases (excl. reserve tranche purchases)	2.2	3.8	2.2	3.2	--	--
2. Repurchases	13.1	8.0	14.2	2.4	1.9	2.5
3. Average balances subject to charges	13.2	17.3	12.2	7.6	7.2	4.9
4. Average SDR holdings	3.3	2.7	3.2	3.1	3.1	3.1
5. Average remunerated positions	13.5	18.1	12.9	9.0	8.7	6.6
6. Average investment account assets 1/	6.0	5.9	6.1	6.0	6.0	6.0
(In percent)						
Average interest rates:						
1. SDR interest rate and basic rate of remuneration	3.91	3.46	3.93	4.24	4.30	4.34
2. Basic rate of charge	4.99	4.54	5.01	5.32	5.38	5.42
3. Margin of the rate of charge	1.08	1.08	1.08	1.08	1.08	1.08
4. Return on investments 2/	3.81	3.96	3.88	4.74	4.80	4.84

1/ The average investment account assets reflect the accumulation of investment income through end-February (first column) and projected accumulations through end-April 2007 (third column). Initial projections reflected the investment corpus only (second column). The FY08-FY10 figures are based on a general assumption that investment income is transferred annually to the GRA.

2/ The FY07 figures are annualized for ease of comparison.

Annex V. Updated Medium-Term Projections (FY 2007–10) 1/  
(In millions of SDRs)

	FY 2007	FY 2008	FY 2009	FY 2010
A. Income sources: previous projection 2/	590	535	510	451
Changes due to:				
Advance repayments	-3	-5	-4	-6
Rephased purchases	-13	-8	-1	-7
Investment Account income and implicit returns 3/	-33	-11	-15	-17
A.1 Income sources: updated projection	541	511	490	421
B. Administrative and capital expenses: previous projection	659	659	674	696
Change due to:				
Updated administrative budget projection 4/	5	-4	-10	-15
Updated estimates of capital expenses 4/	-11	2	3	5
Changes in the U.S. dollar/SDR exchange rate	-4	--	--	--
B.1 Administrative and capital expenses: updated projection	649	657	667	686
C. Income shortfall: previous projection (A – B)	-69	-124	-164	-245
C.1 Income shortfall: updated projection (A.1 – B.1)	-108	-146	-177	-265

1/ This table explains the changes in the medium-term income and expense projections from the previous estimates presented in the midyear review.

2/ As estimated in the midyear review.

3/ The investment returns for FY 2007 are lower than originally projected as explained in Section II of the paper. In addition, the SDR interest path (FY08-10), updated based on the latest WEO-based projections, is lower than estimated at the midyear review.

4/ Updated for revised projections and reclassifications of certain costs in compliance with International Financial Reporting Standards.

Annex VI. GRA Credit Outstanding and Remunerated Positions by Member  
As at February 28, 2007  
(In millions of SDRs and in percent)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Afghanistan	--	--	--	--
Albania	3.7	0.04	1.3	0.01
Algeria	--	--	52.6	0.58
Angola	--	--	--	--
Antigua and Barbuda	--	--	--	--
Argentina	--	--	--	--
Armenia	--	--	--	--
Australia	--	--	77.2	0.85
Austria	--	--	73.5	0.81
Azerbaijan	11.6	0.14	--	--
Bahamas, The	--	--	1.3	0.01
Bahrain	--	--	68.7	0.75
Bangladesh	--	--	--	--
Barbados	--	--	2.2	0.02
Belarus	--	--	--	--
Belgium	--	--	211.2	2.32
Belize	--	--	3.4	0.04
Benin	--	--	--	--
Bhutan	--	--	0.8	0.01
Bolivia	9.7	0.12	--	--
Bosnia	12.0	0.14	--	--
Botswana	--	--	4.1	0.04
Brazil	--	--	--	--
Brunei	--	--	8.1	0.09
Bulgaria	222.3	2.67	7.5	0.08
Burkina Faso	--	--	4.1	0.05
Burundi	--	--	--	--
Cambodia	--	--	--	--
Cameroon	--	--	--	--
Canada	--	--	203.4	2.23

## GRA Credit Outstanding and Remunerated Positions by Member (continued)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Cape Verde	--	--	--	--
Central African Rep.	--	--	--	--
Chad	--	--	--	--
Chile	--	--	35.5	0.39
China	--	--	472.5	5.19
Colombia	--	--	246.6	2.71
Comoros	--	--	0.1	0.00
Congo, Dem.Rep.of	--	--	--	--
Congo, Rep. of	--	--	--	--
Costa Rica	--	--	12.0	0.13
Cote d'Ivoire	--	--	--	--
Croatia	--	--	--	--
Cyprus	--	--	5.8	0.06
Czech Republic	--	--	37.6	0.41
Denmark	--	--	74.5	0.82
Djibouti	--	--	0.4	0.00
Dominica	1.5	0.02	--	--
Dominican Republic	338.4	4.07	--	--
Ecuador	11.3	0.14	8.9	0.10
Egypt	--	--	--	--
El Salvador	--	--	--	--
Equatorial Guinea	--	--	--	--
Eritrea	--	--	--	--
Estonia	--	--	--	--
Ethiopia	--	--	0.6	0.01
Fiji	--	--	12.3	0.13
Finland	--	--	63.2	0.69
France	--	--	432.9	4.75
Gabon	37.8	0.46	--	--
Gambia, The	--	--	--	--

## GRA Credit Outstanding and Remunerated Positions by Member (continued)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Georgia	--	--	--	--
Germany	--	--	654.1	7.18
Ghana	--	--	--	--
Greece	--	--	27.8	0.30
Grenada	4.4	0.05	--	--
Guatemala	--	--	--	--
Guinea	--	--	--	--
Guinea-Bissau	--	--	--	--
Guyana	--	--	--	--
Haiti	--	--	--	--
Honduras	--	--	2.4	0.03
Hungary	--	--	32.8	0.36
Iceland	--	--	12.8	0.14
India	--	--	77.8	0.85
Indonesia	--	--	80.5	0.88
Iran, I.R. of	--	--	--	--
Iraq	297.1	3.57	143.9	1.58
Ireland	--	--	33.3	0.37
Israel	--	--	49.3	0.54
Italy	--	--	343.7	3.77
Jamaica	--	--	--	--
Japan	--	--	700.8	7.69
Jordan	101.6	1.22	--	--
Kazakhstan	--	--	--	--
Kenya	--	--	0.8	0.01
Kiribati	--	--	--	--
Korea	--	--	242.7	2.66
Kuwait	--	--	104.1	1.14
Kyrgyz Republic	--	--	--	--
Lao P.D.R.	--	--	--	--

## GRA Credit Outstanding and Remunerated Positions by Member (continued)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Latvia	--	--	--	--
Lebanon	--	--	16.6	0.18
Lesotho	--	--	2.4	0.03
Liberia	200.2	2.41	--	--
Libya	--	--	389.5	4.27
Lithuania	--	--	--	--
Luxembourg	--	--	19.5	0.21
Macedonia, FYR	27.7	0.33	--	--
Madagascar	--	--	--	--
Malawi	--	--	--	--
Malaysia	--	--	83.1	0.91
Maldives	4.1	0.05	1.4	0.02
Mali	--	--	3.9	0.04
Malta	--	--	36.3	0.40
Marshall Islands	--	--	--	--
Mauritania	--	--	--	--
Mauritius	--	--	3.5	0.04
Mexico	--	--	120.4	1.32
Micronesia	--	--	--	--
Moldova	20.0	0.24	--	--
Mongolia	--	--	--	--
Morocco	--	--	42.2	0.46
Mozambique	--	--	--	--
Myanmar	--	--	--	--
Namibia	--	--	--	--
Nepal	--	--	--	--
Netherlands	--	--	274.0	3.01
New Zealand	--	--	28.7	0.31
Nicaragua	--	--	--	--
Niger	--	--	5.4	0.06

## GRA Credit Outstanding and Remunerated Positions by Member (continued)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Nigeria	--	--	--	--
Norway	--	--	77.6	0.85
Oman	--	--	14.5	0.16
Pakistan	33.2	0.40	--	--
Palau	--	--	--	--
Panama	10.0	0.12	2.9	0.03
Papua New Guinea	--	--	--	--
Paraguay	--	--	16.7	0.18
Peru	--	--	--	--
Philippines	--	--	48.8	0.54
Poland	--	--	60.0	0.66
Portugal	--	--	36.1	0.40
Qatar	--	--	17.8	0.20
Romania	48.2	0.58	--	--
Russia	--	--	--	--
Rwanda	--	--	--	--
Samoa	--	--	0.2	0.00
St. Kitts	--	--	--	--
St. Lucia	--	--	--	--
St. Vincent	--	--	0.2	0.00
San Marino	--	--	3.6	0.04
Sao Tome	--	--	--	--
Saudi Arabia	--	--	570.5	6.26
Senegal	--	--	--	--
Seychelles	--	--	--	--
Serbia, Republic of	154.2	1.85	--	--
Sierra Leone	--	--	--	--
Singapore	--	--	66.5	0.73
Slovakia	--	--	--	--
Slovenia	--	--	12.4	0.14

## GRA Credit Outstanding and Remunerated Positions by Member (continued)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Solomon Islands	--	--	0.2	0.00
Somalia	96.7	1.16	--	--
South Africa	--	--	--	--
Spain	--	--	130.3	1.43
Sri Lanka	124.0	1.49	23.4	0.26
Sudan	271.6	3.27	--	--
Suriname	--	--	0.4	0.00
Swaziland	--	--	4.6	0.05
Sweden	--	--	99.3	1.09
Switzerland	--	--	161.8	1.78
Syria	--	--	--	--
Tajikistan	--	--	--	--
Tanzania	--	--	--	--
Thailand	--	--	54.8	0.60
Timor-Leste	--	--	--	--
Togo	--	--	--	--
Tonga	--	--	1.4	0.02
Trinidad and Tobago	--	--	9.5	0.10
Tunisia	--	--	8.2	0.09
Turkey	5,709.1	68.69	75.0	0.82
Turkmenistan	--	--	--	--
Uganda	--	--	--	--
Ukraine	544.7	6.55	--	--
United Arab Emirates	--	--	49.7	0.55
United Kingdom	--	--	105.2	1.15
United States	--	--	1,564.4	17.17
Uruguay	--	--	--	--
Uzbekistan	--	--	--	--
Vanuatu	--	--	1.7	0.02
Venezuela	--	--	239.4	2.63



## GRA Credit Outstanding and Remunerated Positions by Member (concluded)

Member	<u>Outstanding Credit</u>		<u>Remunerated Position</u>	
	Amount	Percentage of total	Amount	Percentage of total
Vietnam	--	--	--	--
Yemen, Republic of	16.2	0.19	--	--
Zambia	--	--	--	--
Zimbabwe	--	--	--	--
	<u>8,311.1</u>	<u>100.00</u>	<u>9,112.5</u>	<u>100.0</u>

"--" denotes zero balance.

Annex VII. Cumulative Burden Sharing Adjustments by Member 1/  
(In millions of SDRs unless otherwise stated)

Member	Adjustments for Deferred Charges 2/				Adjustments for SCA-1			
	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Albania	0.1	0.0	0.1	0.01	0.1	0.0	0.1	0.01
Algeria	9.7	0.5	10.2	1.16	19.0	0.7	19.7	1.15
Angola	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Argentina	41.3	-	41.3	4.68	93.3	-	93.3	5.45
Armenia	0.1	0.0	0.1	0.01	0.3	0.0	0.3	0.02
Australia	-	3.7	3.7	0.42	-	10.1	10.1	0.59
Austria	-	5.8	5.8	0.66	-	11.0	11.0	0.64
Azerbaijan	0.4	-	0.4	0.05	1.4	-	1.4	0.08
Bahamas, The	-	0.1	0.1	0.01	-	0.1	0.1	0.00
Bahrain	-	0.7	0.7	0.08	-	1.3	1.3	0.07
Bangladesh	4.0	-	4.0	0.45	4.2	-	4.2	0.24
Barbados	0.2	0.0	0.2	0.02	0.3	0.0	0.3	0.02
Belarus	0.6	-	0.6	0.07	1.5	-	1.5	0.09
Belgium	-	7.8	7.8	0.88	-	17.8	17.8	1.04
Belize	0.0	0.0	0.1	0.01	0.0	0.1	0.1	0.01
Bhutan	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Bolivia	1.2	-	1.2	0.13	1.3	-	1.3	0.08
Bosnia	0.7	-	0.7	0.08	1.2	-	1.2	0.07
Botswana	-	0.3	0.3	0.03	-	0.5	0.5	0.03
Brazil	32.3	-	32.3	3.65	82.7	-	82.7	4.83
Brunei Darussalam	-	0.1	0.1	0.01	-	0.4	0.4	0.02
Bulgaria	4.9	0.1	5.0	0.56	11.8	0.1	12.0	0.70
Burkina Faso	-	0.1	0.1	0.01	-	0.1	0.1	0.01
Burundi	0.0	0.1	0.1	0.01	0.0	0.1	0.1	0.00
Cambodia	0.0	-	0.0	0.00	0.1	-	0.1	0.00
Cameroon	1.0	-	1.0	0.11	1.1	-	1.1	0.06
Canada	-	7.6	7.6	0.87	-	20.6	20.6	1.20
Cape Verde	-	0.0	0.0	0.00	-	-	0.0	0.00
Central African Rep.	0.2	-	0.2	0.02	0.2	-	0.2	0.01
Chad	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Chile	7.6	0.6	8.3	0.94	8.2	2.3	10.6	0.62
China	5.3	9.1	14.4	1.63	5.0	23.4	28.4	1.66
Colombia	-	1.2	1.2	0.13	-	3.3	3.3	0.19
Comoros	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Congo, D. R.	4.5	-	4.5	0.51	5.6	-	5.6	0.33
Congo, Rep. of	0.2	-	0.2	0.02	0.2	-	0.2	0.01
Costa Rica	0.6	0.0	0.6	0.07	0.7	0.1	0.8	0.05
Cote d'Ivoire	3.1	-	3.1	0.35	3.4	-	3.4	0.20
Croatia	1.4	-	1.4	0.16	2.2	-	2.2	0.13
Cyprus	-	0.3	0.3	0.03	-	0.5	0.5	0.03
Czech Republic	2.9	0.2	3.1	0.35	3.9	0.8	4.8	0.28
Denmark	-	4.5	4.5	0.50	-	8.9	8.9	0.52
Djibouti	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Dominica	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Dominican Republic	2.2	-	2.2	0.25	3.2	-	3.2	0.18

## Cumulative Burden Sharing Adjustments by Member /1 (continued)

Member	Adjustments for Deferred Charges 2/				Adjustments for SCA-1			
	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Ecuador	2.6	0.1	2.7	0.31	3.7	0.2	3.9	0.23
Egypt	1.9	0.1	2.0	0.22	2.2	0.3	2.5	0.14
El Salvador	0.1	-	0.1	0.01	0.1	-	0.1	0.00
Equatorial Guinea	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Estonia	0.2	-	0.2	0.02	0.4	-	0.4	0.02
Ethiopia	0.3	0.0	0.3	0.03	0.3	0.0	0.3	0.02
Fiji	0.0	0.1	0.1	0.02	0.0	0.2	0.2	0.01
Finland	-	3.4	3.4	0.38	-	6.6	6.6	0.38
France	-	23.8	23.8	2.70	-	48.3	48.3	2.82
Gabon	0.8	-	0.8	0.09	1.4	-	1.4	0.08
Gambia, The	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Georgia	0.2	-	0.2	0.02	0.6	-	0.6	0.03
Germany	-	49.0	49.0	5.55	-	85.2	85.2	4.98
Ghana	2.2	0.0	2.2	0.25	2.6	0.0	2.6	0.15
Greece	-	1.4	1.4	0.16	-	3.1	3.1	0.18
Grenada	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Guatemala	0.5	0.0	0.5	0.06	0.5	0.0	0.5	0.03
Guinea	0.2	-	0.2	0.02	0.2	-	0.2	0.01
Guinea-Bissau	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Guyana	0.6	-	0.6	0.06	0.6	-	0.6	0.04
Haiti	0.3	-	0.3	0.03	0.5	-	0.5	0.03
Honduras	0.6	0.0	0.6	0.07	0.9	0.0	0.9	0.05
Hungary	7.5	0.5	8.0	0.91	9.9	1.9	11.8	0.69
Iceland	0.0	0.1	0.1	0.01	0.0	0.2	0.2	0.01
India	31.3	3.0	34.3	3.89	41.0	5.0	46.0	2.68
Indonesia	20.4	1.0	21.4	2.43	61.3	2.2	63.5	3.71
Iran, I. Rep. of	-	0.1	0.1	0.01	-	0.1	0.1	0.00
Iraq	0.4	0.2	0.6	0.07	0.9	0.5	1.4	0.08
Ireland	-	2.5	2.5	0.29	-	4.8	4.8	0.28
Israel	0.7	0.3	1.1	0.12	1.2	1.3	2.5	0.15
Italy	-	22.5	22.5	2.55	-	40.6	40.6	2.37
Jamaica	3.3	-	3.3	0.38	4.2	-	4.2	0.25
Japan	-	50.6	50.6	5.73	-	93.0	93.0	5.43
Jordan	2.1	0.0	2.1	0.24	4.5	0.0	4.5	0.26
Kazakhstan	1.0	-	1.0	0.11	2.5	-	2.5	0.15
Kenya	1.6	0.0	1.6	0.18	1.5	0.0	1.5	0.09
Kiribati	-	0.0	0.0	0.00	-	-	0.0	0.00
Korea	10.5	3.9	14.4	1.63	28.3	7.3	35.5	2.07
Kuwait	-	3.4	3.4	0.39	-	6.0	6.0	0.35
Kyrgyz Republic	0.2	-	0.2	0.02	0.4	-	0.4	0.02
Lao P.D.R.	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Latvia	0.4	-	0.4	0.04	0.8	-	0.8	0.05
Lebanon	-	0.3	0.3	0.04	-	0.5	0.5	0.03
Lesotho	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Liberia	2.4	-	2.4	0.27	4.4	-	4.4	0.26

## Cumulative Burden Sharing Adjustments by Member /1 (continued)

Member	Adjustments for Deferred Charges 2/				Adjustments for SCA-1			
	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Libya	-	5.7	5.7	0.64	-	9.3	9.3	0.54
Lithuania	0.7	-	0.7	0.08	1.8	-	1.8	0.11
Luxembourg	-	0.3	0.3	0.04	-	0.8	0.8	0.05
Macedonia FYR	0.4	-	0.4	0.04	0.7	-	0.7	0.04
Madagascar	0.6	-	0.6	0.07	0.6	-	0.6	0.03
Malawi	0.4	-	0.4	0.04	0.5	-	0.5	0.03
Malaysia	-	4.0	4.0	0.46	-	8.4	8.4	0.49
Maldives	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Mali	0.2	0.1	0.3	0.03	0.3	0.1	0.4	0.02
Malta	-	0.5	0.5	0.06	-	0.8	0.8	0.05
Mauritania	0.3	-	0.3	0.03	0.3	-	0.3	0.02
Mauritius	0.2	0.0	0.2	0.03	0.2	0.1	0.3	0.02
Mexico	50.0	0.5	50.5	5.72	82.2	1.7	83.9	4.90
Micronesia	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Moldova	0.6	-	0.6	0.07	1.6	-	1.6	0.09
Mongolia	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Morocco	3.6	0.1	3.8	0.43	4.0	0.4	4.4	0.26
Myanmar	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Namibia	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Nepal	0.2	0.1	0.2	0.02	0.1	0.1	0.2	0.01
Netherlands	-	12.3	12.3	1.39	-	25.5	25.5	1.49
New Zealand	-	0.8	0.8	0.10	-	2.6	2.6	0.15
Nicaragua	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Niger	0.2	0.1	0.4	0.04	0.3	0.2	0.5	0.03
Norway	-	8.2	8.2	0.93	-	13.2	13.2	0.77
Oman	-	0.6	0.6	0.07	-	1.1	1.1	0.06
Pakistan	8.2	-	8.2	0.93	13.5	-	13.5	0.79
Panama	1.5	0.0	1.5	0.17	2.2	0.1	2.3	0.13
Papua New Guinea	0.4	0.0	0.4	0.05	0.8	0.0	0.8	0.05
Paraguay	-	0.2	0.2	0.03	-	0.4	0.4	0.02
Peru	9.3	-	9.3	1.06	13.6	-	13.6	0.80
Philippines	12.2	0.4	12.6	1.42	20.7	0.9	21.6	1.26
Poland	4.4	0.6	5.0	0.57	5.8	2.2	8.1	0.47
Portugal	1.0	2.6	3.6	0.41	1.1	5.4	6.6	0.38
Qatar	-	0.5	0.5	0.05	-	0.9	0.9	0.05
Romania	5.7	-	5.7	0.65	10.6	-	10.6	0.62
Russia	31.8	-	31.8	3.60	89.2	-	89.2	5.21
Rwanda	0.0	0.0	0.1	0.01	0.1	0.1	0.2	0.01
Samoa	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
San Marino	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Saudi Arabia	-	13.0	13.0	1.47	-	24.6	24.6	1.44
Senegal	0.7	-	0.7	0.08	0.8	-	0.8	0.05
Serbia	2.3	-	2.3	0.26	4.6	-	4.6	0.27
Seychelles	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Sierra Leone	0.6	-	0.6	0.07	0.7	-	0.7	0.04

## Cumulative Burden Sharing Adjustments by Member 1/ (concluded)

Member	Adjustments for Deferred Charges 2/				Adjustments for SCA-1			
	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Singapore	-	2.2	2.2	0.25	-	4.6	4.6	0.27
Slovak Republic	2.1	0.0	2.1	0.24	3.6	0.0	3.6	0.21
Slovenia	0.5	0.2	0.7	0.08	0.6	0.6	1.1	0.07
Solomon Islands	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Somalia	1.2	-	1.2	0.14	2.2	-	2.2	0.13
South Africa	2.2	-	2.2	0.25	4.2	-	4.2	0.25
Spain	-	14.2	14.2	1.60	-	23.5	23.5	1.37
Sri Lanka	2.4	0.1	2.5	0.28	3.1	0.2	3.3	0.19
St. Kitts and Nevis	0.0	-	0.0	0.00	0.0	-	0.0	0.00
St. Vincent and the Grenadines	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Sudan	7.4	-	7.4	0.83	11.9	-	11.9	0.70
Suriname	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Swaziland	0.0	0.0	0.0	0.00	0.0	0.1	0.1	0.00
Sweden	-	5.8	5.8	0.66	-	11.8	11.8	0.69
Switzerland	-	5.5	5.5	0.62	-	15.6	15.6	0.91
Tajikistan	0.0	-	0.0	0.01	0.1	-	0.1	0.01
Tanzania	0.4	-	0.4	0.05	0.4	-	0.4	0.02
Thailand	5.5	1.5	7.0	0.80	13.0	2.9	15.8	0.92
Togo	0.2	-	0.2	0.02	0.2	-	0.2	0.01
Tonga	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Trinidad and Tobago	2.0	0.2	2.2	0.25	2.1	0.4	2.5	0.15
Tunisia	3.2	0.0	3.2	0.36	4.0	0.1	4.1	0.24
Turkey	21.5	0.2	21.8	2.46	73.4	0.7	74.1	4.33
Uganda	0.5	-	0.5	0.06	0.5	-	0.5	0.03
Ukraine	5.9	-	5.9	0.67	17.6	-	17.6	1.03
United Arab Emirates	-	2.9	2.9	0.33	-	4.7	4.7	0.28
United Kingdom	-	17.4	17.4	1.97	-	37.3	37.3	2.18
United States	-	130.0	130.0	14.72	-	227.7	227.7	13.30
Uruguay	3.1	0.0	3.1	0.35	8.4	0.1	8.5	0.49
Uzbekistan	0.4	-	0.4	0.04	1.1	-	1.1	0.06
Vanuatu	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Venezuela	20.1	2.2	22.3	2.52	28.5	3.5	32.0	1.87
Vietnam	0.8	-	0.8	0.09	1.3	-	1.3	0.07
Yemen, Rep. of	0.3	0.0	0.3	0.04	1.0	0.0	1.0	0.06
Zambia	6.8	-	6.8	0.77	8.0	-	8.0	0.46
Zimbabwe	<u>1.1</u>	<u>-</u>	<u>1.1</u>	<u>0.12</u>	<u>2.4</u>	<u>-</u>	<u>2.4</u>	<u>0.14</u>
	<u>440.6</u>	<u>442.2</u>	<u>882.8</u>	<u>100.00</u>	<u>870.7</u>	<u>842.0</u>	<u>1,712.7</u>	<u>100.00</u>

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

1/ Adjustments to charges and remuneration are billed quarterly; the most recent billing was for the quarter ending January 31, 2007.

2/ Adjustments for deferred charges, which are shown net of refunds, compensate for the loss of income resulting from deferred charges related to arrears cases.

Annex VIII. Reconciliation of Administrative Expenses (FY 2007–10)  
(in millions of U.S. dollars and SDRs as indicated)

	FY07	FY08	FY09	FY10
Administrative budget 1/	907.6	922.3	938.0	959.4
Capital budget expenditures not capitalized	26.3	29.2	26.6	34.5
Depreciation expense	32.7	34.1	35.2	35.7
Total administrative expenses 2/	<u>966.6</u>	<u>985.6</u>	<u>999.8</u>	<u>1,029.6</u>
Total administrative expenses in SDRs 3/	<u>649</u>	<u>657</u>	<u>667</u>	<u>686</u>

1/ Total budgetary expenses net of recovery and reimbursements of expenses, per the medium-term budget.

2/ Before IAS 19 timing differences and the SDR Department and MDRI-I Trust reimbursements.

3/ Based on exchange rate of 1 SDR = \$1.49 for FY 2007 and 1 SDR = \$1.50 for FY 2008–2010.