INTERNATIONAL MONETARY FUND

Review of the Fund's Income Position for FY 2011 and FY 2012

Prepared by the Finance Department

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

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I. INTRODUCTION

1. **This paper reviews the Fund's income position for FY 2011 and FY 2012**. The paper updates projections provided at the FY 2011 midyear review and sets out related proposed decisions for the current and next financial years. A companion paper provides an update on the consolidated medium-term income and expenditure framework.[1]

2. **The paper is structured as follows:** Section II reviews the FY 2011 income position and main changes from the midyear projections; Section III makes proposals on the disposition of net operational income, and the placement of net income, including profits from the limited gold sales, to reserves; Section IV discusses the margin on the rate of charge for FY 2012, the FY 2012 income outlook, and projected burden sharing adjustments; and Section V reviews special charges.

II. REVIEW OF THE FY 2011 INCOME POSITION

3. **FY 2011 net operational income is now projected at SDR 292 million, compared with SDR 328 million at the midyear review (see Table 1)**.[2] Key factors that affect the updated projections are as follows:

- **Lending income is SDR 8 million higher than projected earlier**. In line with established practice, these projections only take into account lending income from arrangements already approved and assume that purchases under these arrangements take place as scheduled.[3] The modest revision to projected lending income thus primarily arises from the largely offsetting effects of a new arrangement approved after the midyear projections that also increases service charges, and some rephasing that will delay purchases under existing arrangements.

- **Investment income is SDR 31 million lower than previously projected**. In the ten months through end-February 2011, investment income totaled SDR 40 million, an unannualized return of 67 basis points which outperformed the three-month SDR interest rate by 40 basis points. Until the fall of 2010, the Investment Account (IA) benefitted from falling bond yields, particularly in the U.S. and the U.K. However, since the third quarter of FY 2011, market concerns over rising inflationary pressures and less accommodative monetary policies have pushed bond yields in the U.S. and European markets higher, thus reducing the IA's overall performance. Assuming yields remain

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[1] See *The Consolidated Medium-Term Income and Expenditure Framework* (4/14/11).

[2] *The Fund's Income Position for FY 2011—Midyear Review* (12/6/10). Box 1 summarizes key income decisions in effect.

[3] The projections, however, include commitment fee income from precautionary arrangements, including Flexible Credit Lines (FCLs) at cancellation or expiration of the arrangement (commitment fees are refundable to the extent drawings are made under an arrangement).

unchanged, FY 2011 IA income is now projected at SDR 56 million, compared with SDR 87 million at the midyear review.[4]

- **Projected implicit returns on interest-free resources are lower by about SDR 9 million reflecting the prevailing low interest rate environment**. The average SDR interest rate for FY 2011 is expected to be 0.3 percent (previously 0.4 percent).

- **Net expenditures are expected to be slightly higher than anticipated at the midyear review by about SDR 4 million**. An increase in the projected budget outturn by an amount equivalent to SDR 21 million, is offset by changes in the U.S. dollar/SDR exchange rate which reduce the expenditures, in SDR terms, by SDR 17 million.[5]

Table 1. Projected Income Position—FY 2011
(In millions of SDRs)

1 Net operational income projected (EBS/10/224)	**328**
2 Income variances	**-32**
Changes due to:	
Updated lending projections	8
Investment Account returns	-31
Income from interest-free resources	-9
3 Expenditure variances	**4**
Changes due to:	
Projected budget outturn	21
US$/SDR exchange rate	-17
4 Net operational income position now projected (1 + 2 - 3)	**292**

[4] The projection takes account of the gold profits (SDR 6.85 billion) transferred to the IA in March 2011 after the amendment to broaden the Fund's investment mandate became effective. The profits have been placed in short-term deposits as an interim measure, pending further Board decisions. FY 2011 IA returns attributable to the gold profits are estimated at about SDR 4 million.

[5] *FY2012–FY2014 Medium-Term Budget* (3/31/11). The projected budget outturn is $928 million.

Box 1. Decisions in Effect Related to the FY 2011 Income Position[1]

The Executive Board has taken the following decisions affecting the Fund's income position for FY 2011:

Rate of Charge
The margin for calculating the basic rate of charge in FY 2011 was set at 100 basis points. This decision was adopted under the *exceptional circumstances* clause of Rule I-6(4), which, in exceptional circumstances, allows the margin for calculating the basic rate of charge to be set on a basis other than the estimated income and expense of the Fund and a target amount of net income for the year.

Limited Gold Sales
Limited sales of 12,965,649 fine troy ounces of gold that was acquired by the Fund after the second amendment of the Articles of Agreement may take place on the basis of prices in the market. A key element of the new income model is the creation of an endowment with the profits from gold sales. The sales began in FY 2010 and were concluded in December 2010.

Disposition of Surcharges
After meeting the administrative costs of running the Fund, any remaining net operational income generated from surcharges on purchases in the credit tranches and under the Extended Fund Facility shall be transferred, after the end of the financial year, to the General Reserve.

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

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

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

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

[1] See *Review of the Fund's Income Position for FY 2010 and FY 2011* (4/14/10).

4. **Reimbursements to the General Resources Account (GRA) are unchanged from the midyear projections.** The GRA is generally reimbursed for the expenses of conducting the business of the SDR Department, the MDRI-I Trust, the PCDR Trust, and the PRG Trust. For FY 2011, the GRA will be reimbursed for the expenses of conducting the business of the SDR Department through an assessment on participants in the SDR Department (proposed Decision No. 1) and for the expenses of administering the MDRI-I and PCDR Trusts (proposed Decision Nos. 2 and 3).[6] The expenses are estimated at SDR 2.734 million, SDR 0.755 million, and SDR 0.493 million, respectively. Regarding GRA reimbursement for PRGT expenses, the Executive Board decided in July 2009 that for financial years 2010 through 2012, the GRA would forego reimbursement and instead an amount equivalent to the estimated cost of administering the PRGT should be transferred from the PRGT Reserve Account (through the Special Disbursement Account) to the General Subsidy Account of the PRGT. The estimated expenses for FY 2011 are SDR 46.411 million (see Decision No. 4).

5. **Updated FY 2011 projections are provided in Table 2**.[7] In addition to projected net operational income of SDR 292 million, Table 2 includes updated projections of below-the-line items, not considered part of operational income, which are discussed in turn below.

- **In December 2010, the Fund concluded the limited gold sales (403 metric tons) approved by the Board in September 2009**. A key motivation for the sale was to generate profits to fund an endowment that would diversify the Fund's income sources away from lending income.[8] Total profits from the gold sales were SDR 6.85 billion, of which SDR 3.1 billion were earned during FY 2011.

- **FY 2011 surcharges of SDR 497 million will help build precautionary balances.** Surcharges are now projected to be somewhat lower than the earlier projection of SDR 528 million, primarily reflecting the rephasing of purchases under some arrangements and, to a modest extent, the recent entry into force of the 2008 Quota and Voice Reforms, which included ad-hoc quota increases for certain member countries.[9] As was noted in last year's April income paper, the Fund was expected to return to a positive

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

[7] The updated projections include arrangements approved through end-March 2011.

[8] See *Report of the Managing Director to the International Monetary and Financial Committee on a New Income and Expenditure Framework for the International Monetary Fund* (4/10/08) and *Use of Gold Profits—Initial Considerations and Options* (3/16/11). In addition to using the gold sales profits to fund an Investment Account endowment that would diversify the Fund's income sources away from lending income, the Executive Board agreed in July 2009 to use resources linked to the gold sales, some SDR 0.5-0.6 billion, to facilitate the financing of concessional lending to low-income countries.

[9] See Press Release No. 11/64. To the extent borrowing members have made quota payments for the ad-hoc quota increase, this lowers the proportion of credit outstanding that is subject to surcharges. Credit outstanding in excess of 300 percent of quota is subject to a level-based surcharge of 200 basis points.

net income position in FY 2011 and the paper included a decision adopted by the Board (see Box 1) to place FY 2011 surcharges to the general reserve after the end of this financial year to help accelerate the accumulation of precautionary balances.[10]

- **Restructuring costs are winding down.** Costs associated with the staff delay period totaled SDR 0.4 million in the first three quarters of FY 2011. In the same period, costs related to the restructuring provision, i.e., costs for which no rendered services were expected such as the modified SBF payments, amounted to SDR 15 million and were charged against the provision established in April 2008 (see Annex I for further details).

- **The Fund's pension and employee benefits expense is determined under the provisions of IAS 19** of the International Financial Reporting Standards (IFRS). A timing difference arises between the actuarially determined expense related to benefits earned by employees during the financial year and the amount actually funded under the budget. The actuarially determined IAS 19 expense for FY 2011 of SDR 148 million is higher than funding projected at SDR 104 million, which gives rise to a timing difference of SDR 44 million that reduces net income.

[10] In the December 2008 discussion on the adequacy of precautionary balances, Directors had noted that this practice should resume once the Fund's income position returned to a sufficiently positive outturn. This practice will be continued in FY 2012 given the positive income outlook, and a decision will be included in the April 2012 paper, so that all income disposition decisions are taken at the end of the year.

Table 2. Projected Income and Expenditures—FY 2011
(In millions of SDRs)

	FY 2011		
	Initial Projections 1/	Midyear Projections	Current Projections
A. Operational income	**872**	**964**	**932**
Lending income	**734**	**836**	**844**
Margin for the rate of charge	515	543	539
Service charges 2/	219	293	305
Investment income 3/	**74**	**87**	**56**
Interest free resources	**60**	**37**	**28**
SCA-1 and other	45	27	21
Gold book value	15	10	7
Reimbursements	**4**	**4**	**4**
MDRI-I, PCDR Trusts and SDR Department	4	4	4
B. Expenses	**670**	**636**	**640**
Net administrative expenditures	631	597	603
Capital budget items expensed	7	7	7
Depreciation	32	32	30
C. Net operational income position (A-B)	**202**	**328**	**292**
Gold profits 3/	2,422	2,960	3,100
Surcharges	499	528	497
Restructuring costs	-3	0	0
IAS 19 timing adjustment 4/			-44
Net income position 5/	**3,120**	**3,816**	**3,845**
Memorandum Items:			
Fund credit (average stock, SDR billions)	51.5	54.3	53.9
SDR interest rate (in percent)	0.7	0.4	0.3
US$/SDR exchange rate	1.50	1.50	1.54

1/ See *Review of the Fund's Income Position for FY 2010 and FY 2011* (4/14/10).
2/ Includes commitment fees, which are refundable (when disbursements take place) so income arises at expiration or cancellation of an arrangement to the extent planned disbursements are not made.
3/ Includes income from gold profits earned after the March 2011 transfer of SDR 6.85 billion in currencies from the GRA to the IA. Gold sales were concluded in December 2010.
4/ IAS 19 is the accounting standard that prescribes the accounting treatment of pensions and employee benefits expenses, and involves actuarial valuations. The FY 2011 IAS 19 expense was determined in the actuarial valuation completed in May 2010.
5/ Net income on the basis presented in the Fund's IFRS annual financial statements.

III. Disposition Decisions

6. **FY 2011 net income is projected at SDR 3.8 billion**. This projected net income includes net operational income of SDR 292 million, gold profits of SDR 3.1 billion, and surcharges of SDR 497 million (see Table 2).[11] The Executive Board needs to consider the disposition of these amounts. In addition, the Board needs to consider the use of IA

[11] FY 2011 net income of SDR 3.8 billion takes account of the IAS 19 expense of SDR 44 million (Table 2).

investment income, which has an impact on net operational income.[12] Each of these elements is discussed below, beginning with the disposition of IA investment income.

7. **Following the transfer of gold profits to the IA in March 2011, the IA effectively has two separate portfolios.** As noted in Section II, a new tranche in the IA funded by the gold profits of SDR 6.85 billion has been placed in short-term deposits as an interim measure. The remaining tranche in the IA, with a balance of about SDR 6.13 billion, was funded by a transfer of currencies from the GRA in an amount equivalent to the Fund's total reserves in June 2006, of SDR 5.96 billion, and a further transfer of currencies equivalent to SDR 172 million last year.

8. **Under the Fund's Articles, investment income from the IA may be invested, held in the IA, or used for meeting the expenses of conducting the business of the Fund**.[13] A separate work program is underway on the use of gold sales profits, and in particular, use of additional windfall profits over and above those envisaged when the new income model was endorsed by the Board in April 2008, and on establishing new rules and regulations for the IA, including the gold funded endowment.[14] Staff proposes that the modest projected earnings from the investment of gold profits in FY 2011 of about SDR 4 million be retained in this portion of the IA portfolio. No Board decision is required for this reinvestment of IA earnings. A discussion of income from the other IA portfolio follows below.

9. **Staff proposes that an amount equivalent to the income from the IA's tranche not funded by gold profits be transferred to the GRA** for meeting administrative expenses of the Fund in FY 2011 (proposed Decision No. 5). Since the IA was established in June 2006, the Executive Board has decided each year to transfer the IA income to the GRA for meeting the expenses of conducting the business of the Fund. This approach is consistent with the underlying principle in the new income model that lending income should no longer cover all the costs of the Fund. A transfer of this IA FY 2011 income from the tranche not funded by gold profits (projected at SDR 52 million) to the GRA would result in an increase, albeit a modest one, in the net income of the GRA thereby contributing to the buildup of precautionary balances, which are needed in light of heightened credit risks.[15] While the GRA recorded a surplus in FY 2011, it is expected that, when lending declines from current high levels, it will generally record a loss over the medium term, without transfers from the

[12] GRA net income includes gold profits from the limited gold sales conducted during FY 2011. The amendment to expand the Fund's investment mandate, which became effective in February 2011, requires that all profits from the gold sales be transferred to the IA and this was done on March 2, 2011.

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

[14] *Use of Gold Profits—Initial Considerations and Options* (3/16/11).

[15] Transfer of IA income to the GRA and placement of net income to reserves raises the scope for additional transfers of currencies from the GRA to the IA (the Articles impose a ceiling—not to exceed the total amount of reserves—on the amount of currencies held in the GRA that can be transferred to the IA, Article XII, Section 6 (f)(ii)).

IA, because it carries all the administrative, remuneration and interest expenses of the Fund. The transfer from the IA thus provides an important revenue source to help cover these costs.

10. **Assuming this transfer of income from the IA, GRA net operational income is estimated at SDR 288 million and the staff proposes the net amount be placed in the special reserve**.[16] Article XII, Section 6(a) permits the Fund's net income to be distributed to members or placed to the general or special reserve. Since the 1970s, the Fund's practice has been to place GRA annual net income to the special reserve, which is also the first line of defense for any income shortfalls,[17] while surcharge income in the period FY 1998–2006 was placed to the general reserve. Thus, placing the FY 2011 GRA net operational income to the special reserve would be consistent with the Fund's long-standing practice (proposed Decision No. 6). On this basis, the special reserve balance at the end of FY 2011, excluding gold profits, would be SDR 2.9 billion, while total precautionary balances, which also include the general reserve and the SCA-1 balance of SDR 1.2 billion, would increase to SDR 8.1 billion, still well below the agreed minimum floor of SDR 10 billion.[18] [19] In the future, consideration could be given to whether a portion of surcharge income should be allocated to the special reserve, which unlike the general reserve is not available for potential distribution to the membership, taking account of the projected path and adequacy of precautionary balances.

11. **Last year was the first time, since the IA was established in June 2006, that total reserves had risen above the FY 2006 total reserves level, thereby providing scope for further transfers of GRA currencies to the IA**. The net income from FY 2009–10 allowed the Fund to recoup the erosion suffered in the special reserve owing to the income shortfalls in FY 2007–08. Article XII, Section 6(f)(ii) permits the transfer of further GRA currencies to the IA when reserves are above the cumulative amount of previous transfers of currencies from the GRA to the IA. Assuming the proposed use of IA income for GRA administrative expenses, which will increase GRA net operational income, available amounts for such transfer at the end of FY 2011 are estimated to be about SDR 741 million.[20]

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[16] This represents the net operational income position of SDR 292 million (Table 2) less the IA returns attributable to gold profits (SDR 4 million). The net amount, after taking account of the IAS 19 expenses of SDR 44 million (see Table 2), would be SDR 244 million.

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

[18] At the September 2010 Board discussion on the adequacy of precautionary balances, Directors supported setting a minimum floor of SDR 10 billion. Precautionary balances do not include the FY 2010 gold profits that were placed to the special reserve at the end of that financial year. The gold profits are intended to be placed in a permanent endowment to generate long-term income for the Fund and are therefore distinct from the traditional role of precautionary balances to provide a buffer against financial risks.

[19] The general reserve balance at end-FY2011 is projected at SDR 4.0 billion. From past experience, surcharges are the main source of reserves accumulation.

[20] GRA net operational income (SDR 288 million) and surcharges (SDR 497 million), less IAS 19 and restructuring expenses (SDR 44 million). The actual amounts would be based on final audited figures.

12. **Staff proposes that the full available amount estimated at SDR 741 million be transferred to the IA**. The current objective of the IA is to achieve investment returns that exceed the SDR interest rate over time while minimizing the frequency and extent of negative returns and underperformance over a 12-month investment horizon. Past performance in this regard has generally been positive (Table 3).[21] While risks of underperformance are higher in the current low interest rate environment (see Annex II), staff proposes to transfer the full available amount of the increase in reserves to the IA for investment, consistent with the expectation that the IA will over time achieve a higher return than the SDR rate (proposed Decision No. 7).

Table 3. Investment Account Performance (FY 2007–11)

	FY 2007 1/	FY 2008	FY 2009	FY 2010	FY 2011 2/
A. IA returns (SDR millions)	180	317	372	152	40
B. IA gross return (basis points) 3/	304	532	629	255	67
C. Three-month SDR interest rate (basis points)	353	370	180	29	27
D. (Under)/over performance (basis points) (B - C)	(49)	162	449	226	40

1/ The IA portfolio established in June 2006. Reported figures are non-annualized.
2/ Performance to end-February 2011 (figures are non-annualized). Full year projection is SDR 52 million.
3/ Returns before investment manager and custodian fees.

13. **The Board also needs to consider the disposition of the additional FY 2011 net income resulting from the gold profits.** Last year, the Executive Board adopted the decision proposed by the staff to place FY 2010 gold profits of SDR 3.8 billion in the special reserve. This step was seen as being consistent with the assumption that under the new income model profits at least up to a price of US$850 per ounce would be placed in a permanent endowment to generate long-term income for the Fund. Staff proposes a similar approach for the FY 2011 gold profits. Based on the final results of the gold sales program a further SDR 0.6 billion of the SDR 3.1 billion in gold profits would be placed in the special reserve which would be consistent with a total gold endowment, funded at an average sales price of US$850 per ounce, of SDR 4.4 billion.[22] Consistent with the approach taken last year, the gold profits placed to special reserves would be excluded from the computation of the Fund's precautionary balances. The remaining SDR 2.5 billion corresponds to (i) the amount of SDR 0.7 billion that under the strategy agreed in 2009 would be distributed to the membership to provide additional resources to support the PRGT and (ii) the windfall profits from the gold sales of SDR 1.75 billion. This amount would be placed in the general reserve (proposed Decision No. 6) and in line with the Board's preliminary discussion on the use of

[21] Although the IA return fell short of the three-month SDR interest rate in FY 2007, it exceeded the 1–3 year government bond benchmark endorsed by the Board.

[22] The above amount reflects the actual weighted average exchange rate prevailing during the period of the gold sales.

gold profits, these reserves would also not be considered as part of the Fund's precautionary balances.[23]

IV. FY 2012 Income Outlook

14. **The income outlook for FY 2012 points to a positive outturn.** Demand for Fund financing is expected to remain strong in FY 2012. The full extent of the demand is difficult to predict, and projections are sensitive to the timing of purchases and repurchases. In line with past practice, the projections include only lending income from arrangements approved so far and assume that there are no changes to the planned phasing of purchases under non-precautionary arrangements and no advance repurchases. The projections are also sensitive to assumptions on the SDR interest rate and the U.S. dollar/SDR exchange rate.

15. **Several principles for setting the basic rate of charge in the new income model were endorsed by the Board in March 2008:**

- The margin on the rate of charge should be set in a stable and predictable manner;
- The margin on the rate of charge should no longer cover the full range of the Fund's activities but rather be set as a margin over the SDR interest rate to cover the Fund's intermediation costs and the buildup of reserves; and
- A mechanism should be developed for checking the alignment of the rate of charge with long-term credit market conditions, including ensuring that the cost of borrowing from the Fund does not become too expensive or too low relative to the cost of borrowing from the market.

16. **The margin for the rate of charge has since FY 2009 been set consistent with these principles**. In particular, the margin was set to generate an amount sufficient to cover intermediation costs and allow scope for reserve accumulation. However, during this period, the margin was set under the exceptional circumstances clause of Rule I-6(4) because it was considered premature to adopt a new rule before other elements of the new income model were closer to being in place.

17. **Adoption of a new rule for setting the margin would be another important step in implementing the new income model**. During FY 2011, further progress was made towards the new income model with the conclusion of the limited gold sales program and the entry into force of the amendment to broaden the Fund's investment authority. As work continues on the establishment of the gold funded endowment, the staff intends to come back to the Board shortly with proposals that would allow a new rule to be in place for the following financial year. In the interim, the staff proposes that the margin again be set under the exceptional circumstances clause consistent with the principles endorsed in 2008.

[23] *Use of Gold Profits—Initial Considerations and Options* (3/16/11).

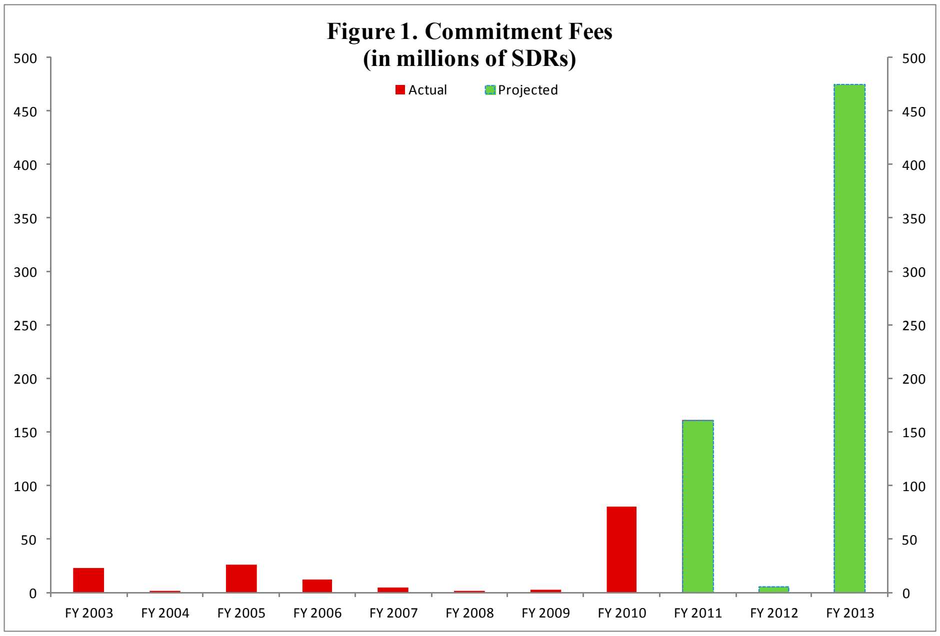
18. **The application of the above principles for FY 2012 gives rise to the following considerations** (for more details, see Annex III):

- **The Fund's intermediation costs**. Based on currently available data, the Fund's intermediation costs are projected to amount to US$117 million in FY 2012. The projection for FY 2012 was derived using departmental estimates on costs related to the generally available facilities (GAF), i.e., personnel, Board time, and travel costs, and the GAF's estimated share in the Fund's total outputs. The FY 2011 data for staff time used in the cost estimates were partially obtained from the TRACES system, which became operational during the year. As noted in the budget paper, the Analytical Costing and Estimation System (ACES) becomes operational in FY 2012 and should generate continued measurement improvements in this area.

- **Lending income**. Given current high lending levels, income from service charges and commitment fees alone is projected to be more than sufficient to cover intermediation costs (as in FY 2009–11). Commitment fee income is also now much larger and more variable than before (Figure 1), reflecting the introduction of the FCL and the extension of the maximum FCL term to two years.[24] For now, it is proposed to continue to take into account commitment fee income for assessing the margin on the rate of charge, but this issue may need to be revisited in light of experience. On this basis, lending income including the margin for the rate of charge is projected to again make a significant contribution to reserve accumulation in FY 2012.

- **Reserve accumulation**. Annex III simulates reserve accumulation at three different levels of the margin; 50, 100 and 150 basis points. Staff proposes a margin of 100 basis points. At this level, FY 2012 net operational income would be SDR 0.5 billion. Together with projected income from surcharges, precautionary balances are projected to increase by SDR 1.5 billion to about SDR 9.6 billion at the end of the financial year (see Table 4). This would bring precautionary balances close to the recently agreed minimum floor of SDR 10 billion; however, they remain well below the indicative medium-term target of SDR 15 billion. On balance, staff considers that the overall projected pace of reserve accumulation, including the contribution from a margin set at 100 basis points would remain adequate and is broadly consistent with the levels projected at the Board discussion on the adequacy of precautionary balances last year.

[24] As noted in Section II, the income from commitment fees is only recognized at the expiration or cancellation of an arrangement. Projected fees in FY 2012 and FY 2013 are some SDR 5 million and SDR 475 million, respectively. The latter is the result of two-year arrangements expiring in FY 2013.

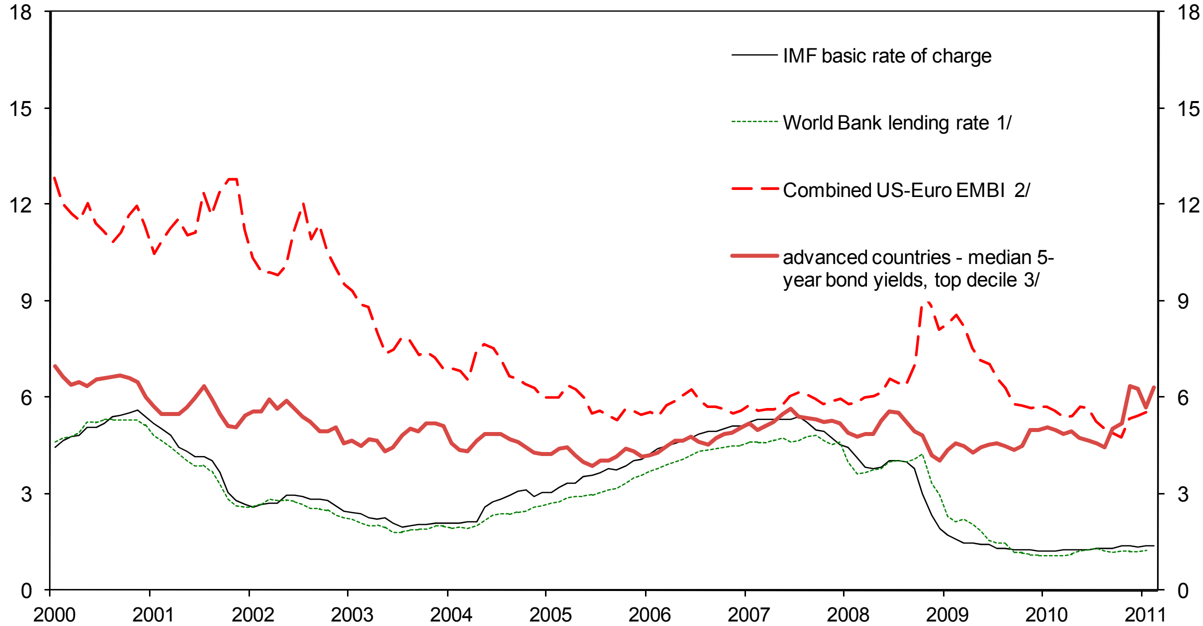


- **Cross-check against market borrowing costs**. The global financial crisis led to a sharp, and relatively short-lived, increase in market borrowing rates for many emerging market members, before they fell back to pre-crisis levels (Figure 2). However, market borrowing costs for advanced economies that have also had recourse to Fund credit during the crisis rose sharply and in some cases are now above average borrowing costs for emerging market members.[25] Reflecting the shift in the composition of Fund lending, the previous analysis has been broadened to include measures of the median five-year bond yield for advanced economies.[26] The Fund's basic rate of charge with a margin of 100 basis points is 1.47 percent and remains well below current market rates. This is also the case after taking account of the impact of surcharges which apply in exceptional access cases. While it could be argued that the current differential between borrowing costs from the Fund and markets is unusually wide, this primarily reflects the very low SDR rate and it would not seem appropriate to offset what remains likely to be a short-term cyclical development with adjustments to the margin, particularly as reserve accumulation is projected to be relatively high.

[25] As of February 16, 2011, GRA lending to advanced economies represented almost 25 percent of total GRA credit outstanding up from zero before the global crisis. Commitments to advanced countries represent over 50 percent of total GRA commitments, which will increase Fund exposure to this group further in the future relative to emerging markets, *ceteris paribus.*

[26] To more closely reflect advanced economies that would be most affected by the crisis and therefore need recourse to Fund credit, Figure 2 compares the Fund's lending rate to the top decile with the highest borrowing costs. Annex III includes further details.

Figure 2. Lending rates: EMBI, the World Bank and the IMF
(in percent, SDR or SDR equivalent)



Source: JP Morgan, Bloomberg, World Bank, and Finance Department.
1/ Average rate on Fixed Spread Loans and Variable Spread Loans expressed in SDR-equivalent terms.
2/ EMBI yields. See Table 9 for a definition of the combined U.S. dollar-Euro EMBI.
3/ Advanced countries according to WEO classification.

19. **Based on the above, staff proposes that in application of the exceptional circumstances clause of Rule I-6(4), the margin for the rate of charge be kept at 100 basis points for FY 2012** (Decision No. 8).

20. **The projections for FY 2012 indicate a net operational income position of about SDR 482 million (Table 4).**[27] This is broadly the same as the previous projection of SDR 499 million in January. The slight decrease, relative to the January projection, is largely from lower lending income—a continued effect of the rephasing of purchases under certain arrangements—partially offset by an improved outlook for investment income.

21. **Key factors that affect the FY 2012 income outlook are discussed below**. Table 5 provides a sensitivity analysis on the income effects of changes in some assumptions.

- An increase in Fund credit outstanding by about 54 percent to an average of SDR 83 billion, from an average of SDR 54 billion in FY 2011. The projected increase in lending income is significantly smaller at just over 15 percent compared to FY 2011. This reflects a significant fluctuation in commitments fees (see Figure 2), which are projected at SDR 5 million in FY 2012 compared with SDR 159 million in FY 2011.

[27] See Annex IV for assumptions underlying the projections.

- An increase in investment income owing to the completion of gold sales and transfer of the profits to the IA. As noted earlier, gold profits in the IA have been placed in short-term deposits on a transitional basis and are assumed to broadly earn the SDR rate during FY 2012. The projections for the IA tranche not funded by gold profits assume a 50 basis point spread of IA income over the SDR interest rate throughout FY 2012, in line with medium-term averages.[28] However, a sharp rise in interest rates could lead to a period of weaker performance or even losses on this tranche, which currently comprises government bonds and medium-term instruments issued by the BIS (see Annex II).

- An increase in income from interest free resources owing to retention of sale proceeds equivalent to the book value of gold sold (SDR 2.7 billion) in the GRA, and secondary effects of the higher lending income during the year.

- Net administrative and capital expenditures consistent with those set in the budget paper.[29]

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[28] Annex II discusses the risks to this IA portfolio if bond yields rise from current levels. Consistent with past practice, the projections take the long-run assumption, which includes a projected added value of 50 basis points intended to provide an indication of the additional returns from the IA over the medium term. Actual year-to-year performance may vary with market conditions. Table 5 includes sensitivity analysis on the IA assets.

[29] *FY2012–FY2014 Medium-Term Budget* (3/31/11).

Table 4. Projected Income Sources and Uses (FY 2011–12)
(In millions of SDRs unless otherwise stated)

	FY 2011	FY 2012
A. Operational income	**932**	**1160**
Lending income	**844**	**975**
Margin for the rate of charge	539	835
Service charges 1/	305	140
Investment income 2/	**56**	**144**
Interest free resources 3/	**28**	**37**
SCA-1 and other	21	16
Gold book value	7	21
Reimbursements	**4**	**4**
MDRI-I, PCDR Trusts and SDR Department	4	4
B. Expenses	**640**	**678**
Net administrative expenditures	603	635
Capital budget items expensed	7	9
Depreciation	30	34
C. Net operational income position (A-B)	**292**	**482**
Gold profits 4/	3,100	0
Surcharges 5/	497	981
IAS 19 timing adjustment 6/	-44	
Net income position 7/	**3,845**	**1,463**
Memorandum Items:		
Fund credit (average stock, SDR billions)	53.9	83.5
SDR interest rate (in percent)	0.3	0.8
US$/SDR exchange rate	1.54	1.55
Precautionary balances (end of period, SDR billions)	8.1	9.6

Source: Finance Department and Office of Budget and Planning

1/ Includes commitment fees, which are refundable (when disbursements take place) so income arises at expiration or cancellation of an arrangement to the extent planned disbursements are not made.

2/ Includes income from gold profits after the March 2011 transfer of SDR 6.85 billion in currencies from the GRA to the IA.

3/ Interest free resources include income from the book value of gold (SDR 2.7 billion) and SCA-1 balances (SDR 1.2 billion) held in the GRA.

4/ Gold sales were concluded in December 2010, thus no profits arise in FY 2012.

5/ Surcharges are assumed to be placed directly to reserves.

6/ The FY 2011 IAS 19 expense was determined in the actuarial valuation completed in May 2010.

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

- Surcharges are projected to increase significantly to almost SDR 1 billion, from about half that amount in FY 2011. This reflects the projected higher Fund credit outstanding discussed above, and will help accumulate needed precautionary balances that remain below the minimum floor of SDR 10 billion. Consistent with the practice resumed in FY 2011, these surcharges would be placed to reserves at the end of the financial year.[30]

[30] Consistent with the approach followed in FY 2011, and as discussed above, a decision to place these surcharges to reserves will be included in the April 2012 income paper.

Table 5. Sensitivity Analysis—Effects of Changes in Selected Assumptions in FY 2012
(In SDR millions)

Change in:	
SDR interest rate by 50 basis points	
Implicit returns 1/	23
Credit tranche purchases (non-FCL) by SDR 10 billion 2/	290
U.S. Dollar vis-à-vis SDR by 5 percent	31
Investment income margin by 50 basis points	65

1/ Implicit returns on GRA interest-free resources which mainly comprise the SCA-1, gold book value and secondary effects of net income during the year.
2/ Assumes May 1 transaction with full drawing of SDR 10 billion and access of 1,000 percent of quota. Includes service charges, margin on the basic rate of charge and surcharges (commitment fees are excluded).

22. **Burden sharing adjustments are expected to remain low in FY 2012 (see Table 6 below)**. Given current levels of overdue obligations, sharply higher lending and the prevailing low interest rate environment, burden sharing adjustments have fallen to very low levels. The Board amended the decision on burden sharing last year to take account of the current low burden sharing adjustments and allow for a "carry-forward" of excess amounts generated from a minimum adjustment of 1 basis point to the rate of charge and the rate of remuneration.[31] If the amounts brought forward are sufficient to offset deferred charges in subsequent quarter(s), no adjustments are necessary for such quarters. This was the case for the first and third quarters of FY 2011. Going forward, burden sharing adjustments are expected to remain low, with no adjustments projected for the fourth quarter of FY 2011 and the second quarter of FY 2012.

Table 6. Recent Burden Sharing Adjustment Rates and FY 2012 Quarterly Rates
(In basis points unless otherwise stated)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11				FY12			
								Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
											(projected)				
Rate of Remuneration 1/															
Total average adjustment	9	12	23	23	14	5	1	–	1	–	–	1	–	1	1
Deferred charges	1	2	5	13	14	5	1	–	1	–	–	1	–	1	1
SCA-1	8	10	18	10	–	–	–	–	–	–	–	–	–	–	–
Rate of Charge 1/															
Total average adjustment	8	11	19	23	16	5	1	–	1	–	–	1	–	1	1
Deferred charges	1	2	4	13	16	5	1	–	1	–	–	1	–	1	1
SCA-1	7	9	15	10	–	–	–	–	–	–	–	–	–	–	–
Average SDR interest rate (in percent) 2/	1.58	2.09	2.93	3.96	3.64	1.79	0.29	0.27	0.33	0.36	0.43	0.57	0.74	0.92	1.14
Average basic rate of charge (in percent)	2.09	3.01	4.00	5.04	4.72	2.79	1.29	1.27	1.33	1.36	1.43	1.57	1.74	1.92	2.14

1/ The average rates have been calculated using the quarterly burden sharing rates and SDR interest rates.
2/ The SDR interest rates are projected to average 0.8 percent in FY 2012.

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

V. Review of Special Charges

23. The decision on special charges on overdue financial obligations in the GRA and the Trust Fund calls for an annual review. Under the current system, special charges are to be levied on repurchases and charges that are in arrears for more than 10 days. However, special charges on GRA obligations that are overdue for six months or more were eliminated effective May 1, 1992.[32] No special charges have arisen during FY 2011 and no new considerations have arisen during the financial year. Accordingly, no changes are proposed to the current system (proposed Decision No. 9).

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

PROPOSED DECISIONS

The following decisions are proposed:

Decisions pertaining to FY 2011

- Decision No. 1 provides for the assessment on SDR Department participants for the reimbursement of the General Department for the expenses of conducting the business of the SDR Department in FY 2011.
- Decision No. 2 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the MDRI-I Trust in FY 2011.
- Decision No. 3 provides for the reimbursement to the General Resources Account for the cost of administering SDA resources in the PCDR Trust in FY 2011.
- Decision No. 4 provides for the transfer of an amount equivalent to the estimated costs of administering the PRGT from the PRGT Reserve Account (through the Special Disbursement Account) to the General Subsidy Account of the PRGT consistent with the decision taken by the Executive Board in the context of the LIC facilities reform in July 2009 on such transfers for FY 2010-2012.
- Decision No. 5 provides for the transfer of income from the Investment Account to the General Resources Account for use in meeting FY 2011 administrative expenses.
- Decision No. 6 provides for the placement of FY 2011 net income to the Fund's Special Reserve and General Reserve.
- Decision No. 7 provides for the transfer of net income attributable to GRA net operational income and surcharges to the Investment Account.

Decisions pertaining to FY 2012

- Decision No. 8 sets the rate of charge on the use of Fund resources for FY 2012 at 100 basis points over the SDR interest rate.
- Decision No. 9 reviews the system of special charges.

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

Decision No. 1

Assessment under Article XX, Section 4 for FY 2011

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, 2010 through April 30, 2011; 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, 2011 with an amount equal to 0.00134050 percent of their net cumulative allocations of special drawing rights. The total assessment shall be paid into the General Department.

Decision No. 2

MDRI-I Trust Reimbursement for FY 2011

In accordance with paragraph 6 of Decision No. 13588-(05/99) MDRI, adopted November 23, 2005, effective January 5, 2006, the General Resources Account shall be reimbursed the equivalent of SDR 0.755 million by the MDRI-I Trust in respect of the expenses of administering SDA resources in the MDRI-I Trust during FY 2011.

Decision No. 3

PCDR Trust Reimbursement for FY 2011

In accordance with paragraph 3 of Decision No. 14649-(10/64) PCDR, adopted June 25, 2010, the General Resources Account shall be reimbursed the equivalent of SDR 0.493 million by the PCDR Trust in respect of the expenses of administering SDA resources in the PCDR Trust during FY 2011.

Decision No. 4

PRGT Reserve Account Transfer to Subsidy Account

In accordance with paragraph 19 of Decision No. 14354-(09/79), adopted on July 23, 2009, in lieu of reimbursement to the General Resources Account, an amount equivalent to SDR 46.411 million, representing the cost of administering the Poverty Reduction and Growth Trust (PRGT) for FY 2011, shall be transferred from the Reserve Account of the PRGT (through the Special Disbursement Account) to the General Subsidy Account of the PRGT.

Decision No. 5

Transfer of Investment Income for FY 2011 to General Resources Account

The income of the Investment Account for FY 2011 that is not attributable to earnings from gold profits transferred to the Investment Account shall be transferred to the General Resources Account for use in meeting the expenses of conducting the business of the Fund during FY 2011.

Decision No. 6

Placement of FY 2011 net income of the General Resources Account to the Special Reserve and the General Reserve

The net income of the General Resources Account for FY 2011 other than net income from surcharges shall be placed to the Fund's Special Reserve and General Reserve as follows: Net income not attributable to gold profits shall be placed to the Fund's Special Reserve. Of the net income attributable to gold profits an amount of SDR 650 million shall be placed to the Fund's Special Reserve, and an amount of SDR 2,450 million shall be placed to the General Reserve.

Decision No. 7

Transfer of Currencies to the Investment Account

Pursuant to Article XII, Section 6(f)(ii) of the Articles of Agreement, the Fund shall transfer from the General Resources Account to the Investment Account currencies in an amount equivalent to the difference between the Fund's general and special reserves as of April 30, 2011 and the cumulative amount of previous transfers of currencies from the General Resources Account to the Investment Account. This transfer of currencies to the Investment Account shall be effected in the context of the Financial Transactions Plan covering the period March through July 2011. The currencies transferred to the Investment Account pursuant to this decision shall be used for immediate investment in accordance with the provisions of Article XII, Section 6(f)(iii) of the Articles of Agreement and the Rules and Regulations adopted thereunder.

Decision No. 8

The Rate of Charge on the Use of Fund Resources for FY 2012

Pursuant to Rule I-6(4)(a), last sentence of the Fund's Rules and Regulations, the rate of charge for FY 2012 shall be 100 basis points over the SDR interest rate under Rule T-1 of the Fund's Rules and Regulations.

Decision No. 9

Review of the System of Special Charges

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

Annex I. Restructuring Costs

In FY 2008, the Fund established a restructuring provision of SDR 68 million in accordance with IFRS to cover costs for which no services were expected to be rendered (e.g., the modified SBF payments during the delay period prior to formal separation) and the costs of outplacement and retraining of separating staff. At the end of the third quarter of FY 2011 (January 31, 2011), the restructuring provision amounted to SDR 12 million reflecting costs of SDR 15 million incurred for separating staff since the beginning of the fiscal year.

Costs related to salaries during the staff delay period of up to 12 months under the separation plan were not included in the provision and are recognized as those expenditures are incurred. For FY 2011, delay costs amount to SDR 0.4 million reflecting the wind-down phase of the Fund's restructuring. Additional restructuring costs for the year relate to SRP contributions for separating staff amounting to SDR 2.3 million, which are taken into account as part of the IAS 19 expense.

Restructuring Provision as at end-January 2011
(in millions of SDRs)

Restructuring provision at April 30, 2008 1/	**68**
Amounts utilized	-63
Additions 2/	12
Reversals 3/	-5
Restructuring provision at January 31, 2011	**12**

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

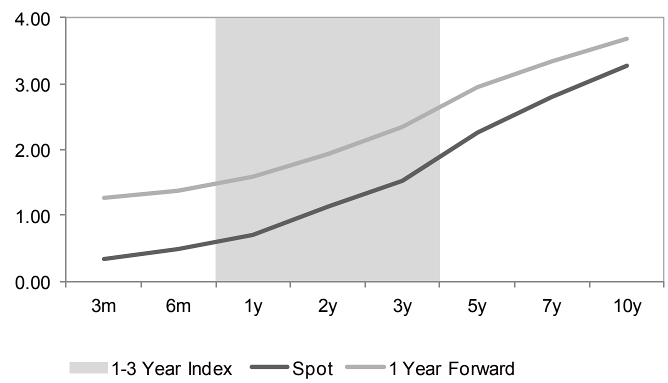
Total restructuring costs from 2008 through end-January 2011 amount to SDR 112 million (equivalent to US$173 million),[33] and comprise SBF costs (SDR 63 million), delay costs (SDR 34 million) and SRP contributions (SDR 15 million). The actual outcome paper on the Fund's income position for FY 2011 will provide final audited figures on restructuring costs.

[33] Table I.3 in *FY2012–FY2014 Medium-Term Budget* (3/31/11).

Annex II. Investment Account (IA) Portfolio Performance Scenarios[34]

This annex focuses on the IA portfolio not funded by gold profits. After a period of falling yields (2007–2009), government bond yields in the markets of the SDR basket remained relatively stable (2009–-2010), and close to their historical lows. As growth and inflation expectations are slowly increasing from recent suppressed levels, market participants are anticipating a gradual tightening of monetary conditions (except in Japan). As a result, investors expect bond yields to also rise: one-year forward yields in SDR terms for bonds in the 1–3 year segment of the curve are about 80 basis points higher than current levels (Figure 3). This magnitude of rate increase is broadly in line with what was expected a year ago,[35] although market yields eventually increased by less than expected.

Figure 3. Current Levels of SDR-Weighted Yields and Market-Implied Forward Rates
(in percent)



For this IA portfolio, rapidly rising yields may present a short-term risk of capital loss or underperformance against the three-month SDR rate. However, over time, higher average yields will benefit the IA's performance both in absolute terms and relative to the SDR rate.

[34] The investment authority of the IA prior to the amendment of the Articles to broaden the Fund's investment mandate permitted investment in marketable obligations of members whose currencies are used for investment, including the obligations of their central banks and official agencies as well as marketable obligations of international financial organizations such as the World Bank, the European Investment Bank and the Bank for International Settlements (BIS). The IA portfolio currently comprises domestic government bonds of countries in the euro area, Japan, the United Kingdom, and the United States, and BIS medium-term instruments (MTIs). MTIs are obligations of the BIS with a yield that is based on the AA-rated swap yield curve. They typically provide a higher initial yield than comparable government bonds, but are subject to risk arising from the widening of swap spreads. These rules and regulations will need to be reviewed in light of the amendment of the Articles for an Expanded Investment Mandate which became effective in February 2011.

[35] See *Review of the Fund's Income Position for FY 2010 and FY 2011* (4/14/10).

The analysis below outlines some forward looking analysis on possible returns in the IA portfolio relative to the three-month SDR rate, which the IA portfolio seeks to exceed over time. Table 7 presents the un-annualized IA portfolio returns in the ten-month period to end-February 2011 and assesses the impact on IA portfolio income of eight possible scenarios through end-FY 2011 and in FY 2012:

1. Yields remain unchanged from end-February 2011 levels;
2. Yields follow market forward rates (as in Figure 1);
3. Yields increase or decrease by 25 and 50 basis points above or below market forward rates;
4. Yields increase 100 basis points above market forward rates; and
5. Bond yields increase 100 basis points above market forward rates *and* swap spreads on MTIs widen by an additional 50 basis points (i.e. MTI yields increase by 150 basis points above forwards).

The results of the above scenarios suggest that under the current investment strategy, positive returns could be achieved if rates stay unchanged or increase modestly. Against the SDR interest rate, this IA portfolio could break even if bond yields increase by 34 basis points over the next fiscal year, i.e., by 47 basis points less than implied by market forwards. A rise in yields in line with or above current market expectations could result in short-term capital losses. The investment strategy for this IA portfolio is to beat the three-month SDR rate over time, but periodically some short-term underperformance should be expected.

Gold sales profits, which were transferred to the IA in March 2011 after the amendment to broaden the Fund's investment mandate became effective, have been placed in short-term deposits with the BIS as an interim measure, pending Board decisions on new rules and regulations for the gold endowment and disposition of gold profits. This specific arrangement is intended to ensure the funds are liquid and do not face a risk of capital loss at the time of the relevant Board decisions.

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

	Unchanged Yields 1/	Forwards -50bps	Forwards -25bps	Forwards	Forwards +25bps	Forwards +50bps	Forwards +100bps	Forwards +100bps +50 bps MTI Spreads Widening
Actual Returns FYTD (May 2010-February 2011)								
3-Month SDR/GRA	0.27	…	…	…	…	…	…	…
Bond	0.68	…	…	…	…	…	…	…
MTIs	0.66	…	…	…	…	…	…	…
IA	0.67	…	…	…	…	…	…	…
Excess Return	0.40	…	…	…	…	…	…	…
Forecast FY 2011								
3-Month SDR/GRA	0.35	0.36	0.36	0.37	0.37	0.38	0.39	0.39
Bond	0.87	0.78	0.71	0.64	0.57	0.49	0.35	0.35
MTIs	0.87	0.78	0.71	0.63	0.56	0.49	0.34	0.20
IA	0.87	0.78	0.71	0.64	0.56	0.49	0.35	0.28
Excess Return	0.52	0.42	0.35	0.27	0.19	0.11	-0.04	-0.11
FY 2012 (May 2011-April 2012)								
3-Month SDR/GRA	0.47	0.81	0.99	1.17	1.35	1.53	1.89	1.89
Bond	1.15	0.80	0.51	0.23	-0.06	-0.34	-0.91	-0.91
MTIs	1.26	0.91	0.62	0.34	0.05	-0.24	-0.80	-1.37
IA	1.20	0.85	0.57	0.28	0.00	-0.29	-0.86	-1.14
Excess Return	0.73	0.04	-0.42	-0.89	-1.35	-1.82	-2.74	-3.03
Memo Items: Assumed Yields								
	Spot	1-Year Forward						
3-Month SDR/GRA	0.47	1.45						
Bonds	1.14	1.94						
MTIs	1.25	2.05						

1/ From March 8, 2011.
Note: Actual returns are based on audited performance data provided by State Street. Projections are based on current market levels for SDR weighted 3 -month bills, and 2 -year government notes, and 2 -year MTIs, and on government bond forward rates.
Sources: State Street data, Bloomberg, and staff calculations.

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

This annex provides some additional analysis on the new framework for setting the rate of charge. It recaps the rationale for the new framework for setting the rate of charge; key principles previously endorsed by the Board; and analysis on key elements of the framework, including lending income's coverage of intermediation costs and its contribution to reserve accumulation, and a comparison of the margin with long-term market conditions.

As background, a projected decline in Fund credit and consequent income shortfalls in FY 2007–08 created upward pressures on the Fund's rate of charge. In the period 1981–2006, decisions on the rate of charge were driven primarily by the need to cover all administrative expenses of the Fund and accumulate reserves under a "net income target". With a shrinking Fund credit base, the rate of charge would have risen to unsustainable levels under this system. Further, the margin had exhibited high variability.

The Board discussions in 2008 on a new income model endorsed general principles laid out by the Committee of Eminent Persons (CEP), which included delinking the margin from the Fund's overall net income position, and establishing a new framework for setting the margin for the rate of charge. In the 2008 discussion of the approach to setting the basic rate of charge under the new income model, the Board endorsed the following principles:

- The margin on the rate of charge should be set in a stable and predictable manner;

- The margin on the rate of charge should no longer cover the full range of the Fund's activities but rather be set as a margin over the SDR interest rate to cover the Fund's intermediation costs and the buildup of reserves; and

- A mechanism should be developed for checking the alignment of the rate of charge with long-term credit market conditions, including ensuring that the cost of borrowing from the Fund does not become too expensive or too low relative to the cost of borrowing from the market.

The rest of the annex considers the application of the above principles. While implementation of the new income model has progressed significantly, the gold endowment is not yet operational and reimbursements of the GRA for PRG Trust expenses have not yet resumed. Accordingly, the calculations of potential reserve accumulation from lending income in Table 8 below (rows F and G) are currently hypothetical because lending income continues to cover a significant proportion of the Fund's operating costs (this partly also reflects the low interest rate environment, which reduces the Fund's income from other sources). Actual reserve accumulation before surcharge income is therefore lower (rows H and I).

Table 8. Margin Required to Cover Intermediation Costs and Reserve Accumulation (in millions of U.S. dollars, unless otherwise indicated)

	FY 2007	FY 2008	FY 2009	FY 2010	FY2011	FY 2012
A. Intermediation costs 1/	120	89	104	119	111	117
Less						
B. Service charges	16	20	122	164	222	209
C. Commitment fees 2/	7	3	4	126	248	8
C.1 FCL	0	0	0	125	222	8
C.2 Other	7	3	4	2	26	0
D. Costs to be covered by income from margin (A - B - C)	96	66	-22	-171	-359	-100
E. Income from margin 3/						
E.1 50 basis points	91	51	93	267	415	647
E.2 100 basis points	182	103	185	534	830	1294
E.3 150 basis points	273	154	278	800	1245	1941
F. Potential reserve accumulation (E - D)						
F.1 50 basis points	-5	-15	115	438	774	747
F.2 100 basis points	86	37	207	705	1189	1394
F.3 150 basis points	177	88	300	971	1604	2041
G. Potential reserve accumulation (as a percent) 4/						
G.1 50 basis points	-0.1%	-0.2%	1.4%	4.8%	8.2%	7.0%
G.2 100 basis points	1.0%	0.4%	2.4%	7.7%	12.7%	13.0%
G.3 150 basis points	2.0%	1.0%	3.5%	10.6%	17.1%	19.1%
H. Actual reserve accumulation 5/						
H.1 50 basis points	-410	-132	-39	-100	30	97
H.2 100 basis points	-319	-81	54	167	445	744
H.3 150 basis points	-228	-30	146	434	860	1391
I. Actual reserve accumulation (as a percent) 5/						
I.1 50 basis points	-4.6%	-1.5%	-0.5%	-1.1%	0.3%	0.9%
I.2 100 basis points	-3.6%	-0.9%	0.6%	1.8%	4.7%	7.0%
I.3 150 basis points	-2.6%	-0.3%	1.7%	4.7%	9.2%	13.0%
Memorandum items						
Precautionary balances at the beginning of FY (in SDR billions) 6/	7.7	7.6	6.9	7.1	7.3	8.1
Average Fund credit outstanding (in SDR billions)	12.2	6.7	12.4	34.2	53.9	83.5
Number of active arrangements (average)	10	8	10	19	23	19
Average exchange rate U.S dollar/SDR	1.49	1.53	1.49	1.56	1.54	1.55

Source: OBP, Finance Department, and staff estimates.

1/ Costs under "generally available facilities" item of the Fund's outputs for country programs and financial support

2/ Based on income projections for FY 2011-12, and actuals for FY 2007–10. Includes commitment fees for expired or cancelled precautionary arrangements in FY 2007–10.

3/ Derived by applying the margin against average Fund credit outstanding at the average US$/SDR exchange rate.

4/ Potential reserve accumulation as a percent of reserves at the beginning of the financial year. Assumes other sources of income sufficient to cover remaining Fund annual costs.

5/ Based on income projections in Table 4 for FY 2011 and FY 2012. FY 2007-10, based on the actual outcome. Excludes surcharge income.

6/ Precautionary balances include the Fund reserves and Special Contingent Account-1 less profits from the sale of gold in FY2011-12.

The Fund's intermediation costs. The increase in the number of GRA arrangements in the context of the global financial crisis has resulted in higher intermediation costs and these costs are projected to remain at an elevated level in the coming financial year. The most recent estimates are provided in Table 8. Similar to recent experience following the financial crisis, income associated with the higher lending levels (the margin, service charges and commitment fees) is expected to be well in excess of intermediation costs in FY 2012.

Reserve accumulation. The calculations in Table 8 highlight the impact of the margin on potential reserve accumulation after covering intermediation costs.[36] In addition to the margin, service charges on disbursements and commitment fees for non-drawing arrangements contribute to the Fund's income. Taking the above factors into account and assuming the new income model was fully in place, potential reserve accumulation with a margin of 100 bps would be US$1.4 billion for FY 2012 (about 13 percent of existing reserves). Thus, total amounts available for reserve accumulation including income from surcharges would be US$2.9 billion (SDR 1.9 billion). However, as the new income model is not yet fully in place, actual reserve growth in FY 2012, including surcharges, is projected at US$2.3 billion or SDR 1.5 billion (see Table 4; net operational income and surcharges for FY 2012). As elements of the new income model, e.g., the gold endowment, become operational and cover non-lending costs of the Fund's administrative expenses, the calculations will reflect more closely the actual reserve accumulation from the margin.

Alignment of Fund borrowing costs with market conditions. The new framework includes a cross-check to ensure that the rate of charge maintains a reasonable alignment with broader developments in long-term market conditions beyond those captured in the SDR interest rate. The Fund generally provides credit for 3 ¼–5 years (or 4 ½ –10 years for the extended fund facility) but charges a floating short-term interest rate (the three-month SDR interest rate plus a margin). Further, market borrowing spreads reflect a country-specific, time varying credit risk premium, whereas under the Articles the Fund is not permitted to set member-specific margins. Comparisons with market conditions therefore require estimates of two elements implicit in market lending: the term premium, which a member country would pay on say a five-year instrument in the market; and the credit risk premium implicit in market borrowing. Proxy measures have been developed for both elements and Table 9 updates the analysis presented last year:

- *Term premium*: two measures are considered—the simple spread between the yield on a five-year fixed rate (synthetic) SDR bond and the three-month interest rate, and the difference in yields between a five-year (synthetic) SDR bond and the average three-month (synthetic) SDR rate implicit in futures market contracts over a five period. As noted previously, the former overstates the term premium that should be applied to Fund credit given that the Fund lends for fixed maturities but at a floating rate, with the borrower bearing the interest rate risk associated with changes in global monetary conditions—this measure yields a term premium of about 75–97 basis points. The second measure aims to refine the proxy. Data for 2011 suggest that both measures have widened sharply in the crisis, but over the longer term, the latter measure yields a term premium of about 6-9 basis points.

- *Credit risk premium*: The data on median EMBI spreads for different groups of emerging market borrowers have been updated in Table 9, which also introduces

[36] Although the share of the Fund's total costs devoted to lending activities increases with the level of lending, the increase is not proportional, particularly with the high concentrations in the Fund's lending portfolio. Other factors such as staff time for an active arrangement tend to generate similar costs regardless of the level of access involved.

estimates of advanced country risk premium using five-year bond spreads. For emerging markets, the trend remains broadly similar to last year, with spreads narrowing in the period 2002–07 onward, reflecting structural and cyclical developments. Spreads for advanced countries, on the other hand, have experienced a sharp increase due to the financial crisis.

- Overall, these estimates suggest that the cost of borrowing from the Fund remains below current market rates. Relative to longer term conditions, a margin of 100 basis points remains below the average spread faced by previous Fund borrowers in 2000–2011, and also below the average spreads in the bottom quartile for the countries in the EMBI index, and average spreads in the top quartile for advanced countries.

Table 9. Term Premium and Country Risk

	1992 - 2010	1999 - 2007	2002 - 2007	2008 - 2010	2011-to-date
	(Median spread, in SDR-equivalent basis points) 1/				
Five-year term premium					
Measure 1 2/	83.5	74.9	78.2	96.7	166.2
Measure 2 3/	n.a.	2.7	5.7	9.3	30.5
Country risk--EMBI-based measures 4/					
All EMBI countries	n.a.	396	287	172	160
Countries in quartile with lowest spreads	n.a.	119	85	195	161
Countries in decile with lowest spreads	n.a.	74	53	146	137
Country with lowest spread	n.a.	42	30	74	86
Country risk -- advanced country measure 5/					
All advanced countries	n.a.	11.9	-4.3	66	72
Countries in quartile with highest spreads	n.a.	26	17.4	115	200
Countries in decile with highest spreads	n.a.	111	110	212	381
Past users of Fund resources					
Arrangements during 1991–2000 6/	n.a.	368	310	264	230
Arrangements during 1991–2009 7/	n.a.	445	285	249	202

Source: Bloomberg, JP Morgan and Fund staff calculations.
1/ SDR-equivalent rates are calculated using the currency weights in the SDR basket.
2/ Difference in yields between a five-year, fixed-rate bond and the 3-month SDR interest rate.
3/ Difference in yields between a five-year, fixed-rate bond and the five-year average 3-month interest rate as implied in futures market contracts. (Difference adjusted for the higher risk premium of instruments in future markets.)
4/ Table reports linear combination of spreads in EMBIG-U.S. dollar and EMBIG-Euro composites. Series were combined using the weights of the U.S. dollar and Euro in the SDR basket (normalized to 100).
5/ WEO advanced country classification. Five year bond spreads over German bund and US treasury rate calculated using SDR basket weights (normalized to 100). These bond spreads include foreign exchange risk providing an imperfect comparison to EMBI spreads, which match the currency denomination of the issuance to the benchmark, either US dollar or euro.
6/ Median level of the combined U.S. dollar-Euro EMBI spread for the 8 countries in the EMBI sample that had Fund arrangements in the upper credit tranches from January 1991 to December 2000, and no Fund arrangements thereafter, excluding countries that borrowed mainly from the PRGF.
7/ Median level of the combined U.S. dollar-Euro EMBI spread for the 16 countries in the EMBI sample that had Fund arrangements in the upper credit tranches from January 1991 to December 2009, and no Fund arrangements thereafter, excluding countries that borrowed mainly from the PRGF.

Annex IV. Assumptions Underlying the Income Projections

	Actual through end-February	FY 2011 Midyear Projections	FY 2011 Current Projections	FY 2012 Projections
	(In billions of SDRs)			
Regular Facilities:				
1. Purchases (excl. reserve tranche purchases)	22.2	27.3	28.8	27.0
2. Repurchases	2.0	2.3	2.3	3.3
3. Average balances subject to charges	51.5	54.3	53.9	83.3
4. Average SDR holdings	3.5	3.3	3.6	4.3
5. Average remunerated positions	32.9	34.4	33.7	46.1
6. Average investment account assets - reserves 1/	6.1	6.1	6.1	6.1
7. Average investment account assets - gold profits 2/	-	-	1.1	6.8
8. Average borrowings and issued notes	12.0	13.5	11.8	29.2
	(In percent)			
Return on investments 3/	0.65	1.42	0.85	1.3
Return on investments - gold profits	-	-	0.40	0.8
Average interest rates:				
SDR interest rate and basic rate of remuneration	0.30	0.40	0.30	0.80
Basic rate of charge	1.30	1.40	1.30	1.80
Margin on the rate of charge	1.00	1.00	1.00	1.00

1/ The figures are based on a general assumption that investment income is transferred annually to the GRA.
2/ Gold profits were transferred to the IA in March 2011. FY 2011 figure is a period average.
3/ End-February figure is unannualized.

Annex V. Projected Income and Expenses (FY 2011–2012)

	Actual to end-Feb 2011	FY 2011 Mid-year Projections	FY 2011 Updated Projections	FY 2012 Projections
		(In SDR millions)		
A. Income Sources				
Periodic charges, including burden sharing	569	747	723	1,543
Interest on SDR holdings	10	12	13	36
Surcharges	399	528	497	981
Investment income	40	87	56	144
Service charges 1/	270	293	305	140
Reimbursements	3	4	4	4
Total income	**1291**	**1,671**	**1,598**	**2,848**
B. Expenses				
Remuneration, including burden sharing	89	126	121	453
Interest on borrowing and issued notes	34	53	48	254
Administrative expenses 2/	512	636	684	678
Total expenses	**635**	**815**	**853**	**1,385**
C. Net operational income position	**656**	**856**	**745**	**1,463**
Gold profits	3,100	2,960	3,100	0
Net income position 3/	**3,756**	**3,816**	**3,845**	**1,463**

1/ Includes commitment fees, which are refundable (when disbursements take place) so income arises only if planned disbursements are not made.
2/ Administrative expenses presented on an IFRS basis reflect the actuarially determined IAS 19 expense rather than the periodic funding for the pension plan and post employment benefits.
3/ Net income on the basis presented in the Fund's annual IFRS financial statements.

Annex VI. Cumulative Burden Sharing Adjustments by Member as of end-January 2011[1]
(In SDR millions)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Albania	0.1	0.0	0.1	0.01	0.1	0.0	0.1	0.01
Algeria	7.4	0.4	7.8	1.12	13.2	0.5	13.6	1.15
Angola	0.0	0.0	0.0	0.00	-	0.0	0.0	0.00
Antigua and Barbuda	0.0	-	0.0	0.00	-	-	-	0.00
Argentina	31.0	-	31.0	4.43	64.7	-	64.7	5.45
Armenia	0.1	0.0	0.1	0.02	0.2	0.0	0.2	0.02
Australia	-	2.9	2.9	0.42	-	7.0	7.0	0.59
Austria	-	4.6	4.6	0.65	-	7.6	7.6	0.64
Azerbaijan	0.3	-	0.3	0.05	0.9	-	0.9	0.08
Bahamas, The	-	0.0	0.0	0.01	-	0.0	0.0	0.00
Bahrain	-	0.7	0.7	0.10	-	0.9	0.9	0.07
Bangladesh	3.1	-	3.1	0.45	2.9	-	2.9	0.24
Barbados	0.1	0.0	0.2	0.02	0.2	0.0	0.2	0.02
Belarus	0.6	-	0.6	0.09	1.0	-	1.0	0.09
Belgium	-	6.1	6.1	0.88	-	12.3	12.3	1.04
Belize	0.0	0.0	0.1	0.01	0.0	0.0	0.1	0.01
Bhutan	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Bolivia	0.9	-	0.9	0.13	0.9	-	0.9	0.08
Bosnia and Herzegovina	0.5	-	0.5	0.08	0.8	-	0.8	0.07
Botswana	-	0.2	0.2	0.03	-	0.3	0.3	0.03
Brazil	23.8	0.0	23.8	3.41	57.4	-	57.4	4.83
Brunei Darussalam	-	0.1	0.1	0.01	-	0.3	0.3	0.02
Bulgaria	3.7	0.1	3.8	0.54	8.2	0.1	8.3	0.70
Burkina Faso	-	0.1	0.1	0.01	-	0.1	0.1	0.01
Burundi	0.0	0.0	0.0	0.01	0.0	0.0	0.0	0.00
Cambodia	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Cameroon	0.7	-	0.7	0.11	0.8	-	0.8	0.06
Canada	-	6.0	6.0	0.86	-	14.3	14.3	1.20
Cape Verde	-	0.0	0.0	0.00	-	-	0.0	0.00
Central African Republic	0.1	-	0.1	0.02	0.1	-	0.1	0.01
Chad	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Chile	5.8	0.5	6.4	0.91	5.7	1.6	7.3	0.62
China	4.0	7.7	11.7	1.68	3.5	16.2	19.7	1.66
Colombia	-	1.3	1.3	0.19	-	2.3	2.3	0.19
Comoros	0.0	0.0	0.0	0.00	-	0.0	0.0	0.00
Congo, D.R.	3.4	-	3.4	0.49	3.9	-	3.9	0.33
Congo, Rep.	0.1	-	0.1	0.02	0.2	-	0.2	0.01
Costa Rica	0.4	0.1	0.5	0.07	0.5	0.1	0.6	0.05
Cote d'Ivoire	2.5	-	2.5	0.35	2.4	-	2.4	0.20
Croatia	1.1	-	1.1	0.15	1.6	-	1.6	0.13

Cumulative Burden Sharing Adjustments by Member as of end-January 2011 (continued)
(In SDR millions)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Cyprus	-	0.2	0.2	0.03	-	0.4	0.4	0.03
Czech Republic	2.2	0.2	2.4	0.34	2.7	0.6	3.3	0.28
Denmark	-	3.5	3.5	0.50	-	6.2	6.2	0.52
Djibouti	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Dominica	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Dominican Republic	2.4	-	2.4	0.34	2.2	-	2.2	0.18
Ecuador	2.0	0.1	2.1	0.30	2.6	0.1	2.7	0.23
Egypt	1.4	0.1	1.5	0.22	1.5	0.2	1.7	0.14
El Salvador	0.0	-	0.0	0.01	0.0	-	0.0	0.00
Equatorial Guinea	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Estonia	0.1	-	0.1	0.02	0.3	-	0.3	0.02
Ethiopia	0.2	0.0	0.2	0.03	0.2	0.0	0.2	0.02
Fiji	0.0	0.1	0.1	0.02	0.0	0.2	0.2	0.01
Finland	-	2.6	2.6	0.38	-	4.6	4.6	0.38
France	-	18.7	18.7	2.68	-	33.5	33.5	2.82
Gabon	0.7	-	0.7	0.09	1.0	-	1.0	0.08
Gambia, The	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Georgia	0.2	-	0.2	0.03	0.4	-	0.4	0.03
Germany	-	38.2	38.2	5.46	-	59.1	59.1	4.98
Ghana	1.7	0.0	1.7	0.24	1.8	0.0	1.8	0.15
Greece	0.1	1.1	1.3	0.18	-	2.1	2.1	0.18
Grenada	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Guatemala	0.4	0.0	0.4	0.05	0.3	0.0	0.3	0.03
Guinea	0.1	-	0.1	0.02	0.1	-	0.1	0.01
Guinea-Bissau	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Guyana	0.4	-	0.4	0.06	0.4	-	0.4	0.04
Haiti	0.2	-	0.2	0.03	0.3	-	0.3	0.03
Honduras	0.4	0.0	0.4	0.06	0.6	0.0	0.7	0.05
Hungary	6.8	0.4	7.2	1.03	6.9	1.3	8.2	0.69
Iceland	0.1	0.1	0.2	0.03	0.0	0.1	0.1	0.01
India	24.0	2.4	26.3	3.77	28.4	3.4	31.9	2.68
Indonesia	14.7	0.9	15.6	2.23	42.5	1.6	44.0	3.71
Iran, I. Rep. of	-	0.1	0.1	0.01	-	0.0	0.0	0.00
Iraq	0.6	0.4	1.0	0.15	0.6	0.3	0.9	0.08
Ireland	-	2.0	2.0	0.28	-	3.3	3.3	0.28
Israel	0.6	0.3	0.9	0.12	0.9	0.9	1.7	0.15
Italy	-	17.6	17.6	2.51	-	28.2	28.2	2.37
Jamaica	2.6	-	2.6	0.37	2.9	-	2.9	0.25
Japan	-	39.7	39.7	5.68	-	64.5	64.5	5.43
Jordan	1.7	0.0	1.7	0.24	3.1	0.0	3.1	0.26

Cumulative Burden Sharing Adjustments by Member as of end-January 2011 (continued)
(In SDR millions)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Kazakhstan	0.8	-	0.8	0.11	1.7	-	1.7	0.15
Kenya	1.2	0.0	1.2	0.17	1.1	0.0	1.1	0.09
Kiribati	-	0.0	0.0	0.00	-	-	0.0	0.00
Korea	7.8	3.3	11.2	1.59	19.6	5.0	24.6	2.07
Kosovo	0.0	0.0	0.0	0.00	-	-	-	0.00
Kuwait	-	2.7	2.7	0.39	-	4.2	4.2	0.35
Kyrgyz Republic	0.1	-	0.1	0.02	0.3	-	0.3	0.02
Lao P.D.R	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Latvia	0.4	-	0.4	0.05	0.5	-	0.5	0.05
Lebanon	0.1	0.3	0.4	0.06	-	0.3	0.3	0.03
Lesotho	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Liberia	2.4	-	2.4	0.34	3.1	-	3.1	0.26
Libya	-	5.0	5.0	0.72	-	6.4	6.4	0.54
Lithuania	0.5	-	0.5	0.08	1.2	-	1.2	0.11
Luxembourg	-	0.3	0.3	0.04	-	0.6	0.6	0.05
Macedonia, F.Y.R.	0.3	-	0.3	0.04	0.5	-	0.5	0.04
Madagascar	0.4	-	0.4	0.06	0.4	-	0.4	0.03
Malawi	0.3	-	0.3	0.04	0.3	-	0.3	0.03
Malaysia	-	3.2	3.2	0.45	-	5.8	5.8	0.49
Maldives	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Mali	0.2	0.1	0.2	0.03	0.2	0.1	0.2	0.02
Malta	-	0.4	0.4	0.06	-	0.5	0.5	0.05
Mauritania	0.2	-	0.2	0.03	0.2	-	0.2	0.02
Mauritius	0.2	0.0	0.2	0.03	0.1	0.1	0.2	0.02
Mexico	38.3	0.7	39.0	5.57	57.0	1.2	58.2	4.90
Micronesia	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Moldova	0.5	-	0.5	0.07	1.1	-	1.1	0.09
Mongolia	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Montenegro	-	0.0	0.0	0.00	-	-	-	0.00
Morocco	2.8	0.2	2.9	0.42	2.8	0.3	3.0	0.26
Myanmar	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Namibia	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Nepal	0.1	0.0	0.2	0.02	0.1	0.0	0.1	0.01
Netherlands	-	9.7	9.7	1.38	-	17.7	17.7	1.49
New Zealand	-	0.7	0.7	0.09	-	1.8	1.8	0.15
Nicaragua	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Niger	0.2	0.1	0.3	0.04	0.2	0.1	0.3	0.03
Norway	-	6.4	6.4	0.91	-	9.2	9.2	0.77
Oman	-	0.5	0.5	0.07	-	0.7	0.7	0.06
Pakistan	6.7	-	6.7	0.96	9.4	-	9.4	0.79

Cumulative Burden Sharing Adjustments by Member as of end-January 2011 (continued)
(In SDR millions)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Panama	1.2	0.0	1.2	0.17	1.5	0.0	1.6	0.13
Papua New Guinea	0.3	0.0	0.3	0.05	0.6	0.0	0.6	0.05
Paraguay	-	0.2	0.2	0.03	-	0.2	0.2	0.02
Peru	7.1	0.0	7.1	1.02	9.4	-	9.4	0.80
Philippines	9.2	0.4	9.6	1.37	14.4	0.6	15.0	1.26
Poland	3.4	0.5	3.9	0.56	4.1	1.5	5.6	0.47
Portugal	0.8	2.0	2.8	0.39	0.8	3.8	4.6	0.38
Qatar	-	0.4	0.4	0.05	-	0.7	0.7	0.05
Romania	5.0	-	5.0	0.71	7.4	-	7.4	0.62
Russian Federation	23.7	0.1	23.9	3.41	61.9	-	61.9	5.21
Rwanda	0.0	0.0	0.1	0.01	0.1	0.0	0.1	0.01
Samoa	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
San Marino	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Saudi Arabia	-	10.6	10.6	1.52	-	17.1	17.1	1.44
Senegal	0.5	-	0.5	0.08	0.6	-	0.6	0.05
Serbia	1.7	-	1.7	0.24	3.2	-	3.2	0.27
Seychelles	0.0	0.0	0.0	0.00	-	0.0	0.0	0.00
Sierra Leone	0.5	-	0.5	0.07	0.5	-	0.5	0.04
Singapore	-	1.8	1.8	0.25	-	3.2	3.2	0.27
Slovak Republic	1.6	0.0	1.6	0.23	2.5	0.0	2.5	0.21
Slovenia	0.4	0.1	0.6	0.08	0.4	0.4	0.8	0.07
Solomon Islands	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Somalia	1.1	-	1.1	0.16	1.5	-	1.5	0.13
South Africa	1.7	-	1.7	0.24	2.9	-	2.9	0.25
Spain	-	11.0	11.0	1.58	-	16.3	16.3	1.37
Sri Lanka	2.1	0.1	2.2	0.31	2.1	0.1	2.3	0.19
St. Kitts and Nevis	0.0	-	0.0	0.00	0.0	-	0.0	0.00
St. Vincent and the Grenadines	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Sudan	6.1	-	6.1	0.87	8.3	-	8.3	0.70
Suriname	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Swaziland	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Sweden	-	4.5	4.5	0.65	-	8.2	8.2	0.69
Switzerland	-	4.4	4.4	0.62	-	10.8	10.8	0.91
Tajikistan	0.0	-	0.0	0.00	0.1	-	0.1	0.01
Tanzania	0.3	-	0.3	0.04	0.3	-	0.3	0.02
Thailand	4.1	1.3	5.3	0.76	9.0	2.0	11.0	0.92
Togo	0.2	-	0.2	0.02	0.2	-	0.2	0.01
Tonga	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Trinidad and Tobago	1.5	0.2	1.7	0.24	1.5	0.3	1.7	0.15
Tunisia	2.4	0.0	2.5	0.35	2.8	0.1	2.8	0.24

Cumulative Burden Sharing Adjustments by Member as of end-January 2011 (concluded)
(In SDR millions)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Turkey	26.1	0.3	26.4	3.78	50.9	0.5	51.4	4.33
Uganda	0.4	-	0.4	0.06	0.3	-	0.3	0.03
Ukraine	5.9	-	5.9	0.84	12.2	-	12.2	1.03
United Arab Emirates	-	2.3	2.3	0.32	-	3.3	3.3	0.28
United Kingdom	-	13.2	13.2	1.88	-	25.8	25.8	2.18
United States	-	101.0	101.0	14.43	-	157.9	157.9	13.30
Uruguay	2.2	0.0	2.2	0.31	5.8	0.0	5.9	0.49
Uzbekistan	0.3	-	0.3	0.04	0.8	-	0.8	0.06
Vanuatu	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Venezuela, R. B. de	15.4	2.1	17.5	2.49	19.8	2.4	22.2	1.87
Vietnam	0.6	-	0.6	0.09	0.9	-	0.9	0.07
Yemen, Rep. of	0.3	0.0	0.3	0.04	0.7	0.0	0.7	0.06
Zambia	5.2	-	5.2	0.74	5.5	-	5.5	0.46
Zimbabwe	0.8	-	0.8	0.12	1.6	-	1.6	0.14
	349.7	349.9	699.6	100.00	603.8	583.9	1,187.7	100.00

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.