INTERNATIONAL MONETARY FUND

Review of the Fund's Income Position for FY 2008 and FY 2009

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In consultation with the Legal Department

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I. Introduction

1. **This paper provides the basis for the annual review of the Fund's income position, including a review of the system of special charges**.[1] The paper also sets out proposed decisions relating to the Fund's income position for FY 2008 and FY 2009. The review takes account of the recent discussions in the Executive Board on the new income model for the Fund.

2. **The paper is structured as follows**: Section II reviews the Fund's FY 2008 income position, provides an explanation of key variances from projections, and discusses the impact of restructuring costs on the income position; Section III makes proposals for the disposition of investment income and the General Resources Account (GRA) income position; Section IV outlines updated projections and proposes a margin for the rate of charge for FY 2009; Section V provides an update on the burden sharing mechanism; and Section VI reviews special charges.

II. Review of the FY 2008 Income Position

3. **The net operational income for FY 2008 is now projected at about SDR 2 million (see Table 1)**. This is a significant improvement compared with initial projections at the beginning of the year which estimated an income shortfall of SDR 145 million.[2] The improved income position stems primarily from the strong performance of the Investment Account (IA), a one-time income gain associated with Liberia's arrears clearance in mid-March, and lower expenditures:

- **Investment income**. Returns in the IA for FY 2008 are now estimated at SDR 366 million compared with initial projections of some SDR 280 million and SDR 275 million at the midyear review.[3] For the ten months through end-February, the IA earned a cumulative return of 5.68 percent (unannualized), net of fees, outperforming the benchmark three-month SDR interest rate by 246 basis points. The IA benefited from the further sharp decline in government bond yields since the midyear review. Between end-October 2007 and end-February 2008, three-month and two-year SDR interest rates fell by 81 and 145 basis points, respectively, reflecting policy rate cuts in the U.S. and the U.K. and a flight-to-quality spurred by the recent turmoil in financial markets. The sharp declines in government bond yields resulted in

[1] See *Review of the Fund's Income Position for FY 2007 and FY 2008* and *The Fund's Income Position for FY 2008—Midyear Review*.

[2] The updated projections at the midyear review envisaged an income shortfall of SDR 88 million (see Annex I for key variances from those projections).

[3] The updated projection for FY 2008 is based on actual returns through end-February 2008 and assumes that yields remain unchanged during the last two months of the financial year.

significant capital gains of over SDR 160 million (about 48 percent of year-to-date investment income), in addition to interest income of some SDR 175 million.

Box 1. Executive Board Decisions in Effect Related to the FY 2008 Income Position[1]

The Executive Board has taken the following decisions affecting the Fund's income position for FY 2008.

Margin for Rate of Charge (Rule I-6(4))
At the beginning of FY 2008, the margin for the rate of charge was established in accordance with the *exceptional circumstances* clause of Rule I-6(4), by which the margin 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.

The margin for FY 2008 was set at the same level as for FY 2007—108 basis points above the SDR interest rate. At the FY 2008 midyear review, the Executive Board decided to leave unchanged the margin for the rate of charge in light of the actual income position for the first six months of the financial year.

PRGF-ESF Administrative Expenses
The GRA will forgo the reimbursement from the Reserve Account of the PRGF-ESF Trust—via the Special Disbursement Account (SDA)—for the costs of administering the PRGF-ESF Trust.

Partial Distribution of the Special Contingent Account (SCA-1)
In September 2007, the Executive Board approved a partial distribution of SDR 525 million from the SCA-1 associated with financing for Liberia's debt relief through bilateral contributions, which became effective on March 14, 2008. The partial distribution will reduce annual implicit returns on the Fund's interest-free resources by some SDR 14 million at current SDR interest rates.

Burden Sharing:

For Placement to the SCA-1
At the FY 2007 midyear review, the Executive Board decided to limit SCA-1 accumulations during FY 2007 to the amounts generated in the first half of the year (SDR 30 million). For FY 2008, no decision was adopted for additional SCA-1 accumulations.

For Deferred Charges
Income losses resulting from unpaid charges are shared equally between the debtor and creditor members under the burden sharing mechanism 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.

[1] See *Review of the Fund's Income Position for FY 2007 and FY 2008*, *The Fund's Income Position for FY 2008—Midyear Review*.

- **Arrears clearance by Liberia**. Liberia's arrears clearance gave rise to a one-time income gain of SDR 51 million stemming from settlement of overdue charges that were not burden shared. This gain had two components: (i) SDR 20 million in overdue charges that arose before the adoption of the burden sharing mechanism in 1986, and (ii) SDR 31 million in GRA special charges (i.e., additional charges levied on overdue obligations that were not subject to burden sharing). These overdue charges were paid as part of Liberia's arrears clearance in March 2008 and accrued to Fund income for FY 2008.

- **Lower expenditures**. Three factors contributed to lower than envisaged operational costs. First, the projected administrative budget outturn is SDR 23 million (US$36 million) below initial projections. Second, the average projected US$/SDR exchange rate for FY 2008 is now 1.57 compared with an initial assumption of 1.50. The depreciation of the U.S. dollar is projected to reduce the Fund's costs, in SDR terms, by some SDR 28 million. Third, projected capital spending for FY 2008 is about SDR 7 million lower than projected as a result of rescheduling of approved capital projects.

4. **Rephasing of purchases**. Rephasing of purchases under existing arrangements resulted in lower-than-expected lending income by some SDR 35 million. Purchases of some SDR 2 billion initially scheduled for FY 2008 are now expected to take place in early FY 2009. Other factors lowering income include reduced returns on GRA interest-free resources due to the decline in SDR interest rates and the partial distribution of the SCA-1 associated with arrears clearance for Liberia.[4] The inclusion of the annual reimbursements to the GRA also affects the projected income position.[5]

5. **The FY 2008 income position will also be affected by the costs of the Fund's restructuring**. On April 7, the Executive Board approved a budget appropriation of US$185 million (about SDR 115 million) for FY 2008–11 to fund the costs of institutional restructuring. These costs cover the expected severance payments under the modified Separation Benefits Fund (SBF), as well as other related allowances and ancillary benefits associated with the expected separation of about 300 staff.

Table 1. Income Sources and Uses (FY 2007–2008)

[4] See *Review of the Fund's Income Position for FY 2007 and FY 2008* (footnote 5) for background on the Fund's interest-free resources. The GRA's interest-free resources broadly approximate the SCA-1 balance, which amounted to SDR 1.2 billion following the partial distribution of SDR 525 million in March 2008.

[5] The estimated costs of administering the MDRI-I Trust and the SDR Department to be reimbursed to the GRA have been included in the current FY 2008 projections (SDR 4 million).

(In millions of SDRs unless otherwise stated)

	FY 2007	FY 2008	
	Actual	Midyear Projections 1/	Current Projections
A. Operational income	**529**	**539**	**601**
Lending income	242	196	168
Margin for the rate of charge	134	79	72
Service charge	16	18	7
Surcharges 2/	92	99	89
Investment income	180	275	366
Interest free resources 3/	104	64	63
Reimbursements	3	4	4
B. Expenses	**640**	**627**	**599**
Net administrative budget	602	585	564
Capital budget items expensed	16	19	13
Depreciation	22	23	22
C. Net operational income (A-B)	**-111**	**-88**	**2**
Restructuring charge	0	0	-76
IAS 19 timing adjustment 4/	28	45	45
Effects of amendment to pension plan (Rule of Age 50) 5/	0	0	-26
Net income shortfall 6/	**-83**	**-43**	**-55**
Memorandum Items:			
Fund credit (average stock, SDR billions)	12.3	7.3	6.7
SDR interest rate (in percent)	4.00	4.10	3.64
US$/SDR exchange rate	1.49	1.53	1.57

1/ Projected at midyear.
2/ Includes settlement of overdue charges of SDR 51 million in FY 2008.
3/ Interest free resources reduce the Fund's remuneration expenses as they reflect Fund credit and SDR holdings on which the Fund has no corresponding remunerated reserve tranche positions. SCA-1 contributions are currently the main source of these resources.
4/ IAS 19 is the accounting standard that prescribes the accounting treatment of pension and employee benefits expenses, and involves actuary valuations. See Box 3 for further details.
5/ The proposed Rule of Age 50 is a change to the Staff Retirement Plan that would result in changes in benefits already earned and is charged against the Fund's income. See Box 3.
6/ Net income shortfall on the basis presented in the Fund's annual financial statements.

6. **The impact of the restructuring costs on the FY 2008 income position will be determined by the Fund's accounting framework, namely International Financial Reporting Standards (IFRS)**. These standards require that costs be recognized when an obligation arises, i.e., on an accrual basis (see Box 2). Specifically, an obligation for termination benefits arises when, and only when, the entity is *demonstrably committed* to either (i) terminate the employment of an employee or group of employees before the normal retirement date, or (ii) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Staff believes that the decisions and actions taken by management and the Executive Board regarding the separation of 300 staff are sufficient to meet the criterion

of "demonstrably committed," but a final determination on this interpretation will be made only in May at the time of the annual external audit.[6]

Box 2. Accounting for Restructuring Costs

The Fund's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They are presented on an accrual basis of accounting, i.e., events are recognized when they occur and not when cash, or its equivalent, is received or paid. Statements prepared on this basis inform users not only of past transactions involving payment and receipt of cash, but also of obligations to pay cash in the future and resources representing cash to be received in the future.

Under International Accounting Standard 37, *Provisions, Contingent Liabilities and Contingent Assets* which provides guidance in this area, a provision (liability) shall be recorded when the following conditions are met: a present obligation as a result of a past event exists; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. IAS 19, *Employee benefits*, provides further guidance on the accounting treatment of termination benefits. See Box 3 for a description of the accounting issues arising from the Staff Retirement Plan Rule of Age 50 under IAS 19.

In accordance with IFRS, the accrual of a restructuring provision in the Fund's financial statements will be guided by the existence of a detailed, formal plan that identifies eligible expenditures to be incurred under the restructuring. There must be no realistic possibility of the plan being withdrawn and the plan should include as a minimum (i) the location, function, and the number of employees, (ii) the termination benefits for each job classification or function, and (iii) the timing of the plan. The amount accrued as a provision shall be the best estimate of the expenditure to be incurred in meeting the restructuring plan.

Salaries paid until the end of a specified notice period may be included only if the employee renders no further service that provides economic benefits to the entity. Also, where termination benefits fall due more than 12 months after the balance sheet date, they must be discounted for purposes of making a provision.

Restructuring provisions are recorded by recognizing the estimated liability on the balance sheet and recording an expense to the income statement. As cash payments are made, the liability is accordingly reduced. Amounts in the provision that are not utilized would lapse and be reflected as a lower expenditure outturn, through subsequent reversal of residual amounts in the provision.

[6] The Fund's external auditor, Deloitte & Touche (D&T) has to ratify the Fund's interpretation of the application of IFRS. The FY 2008 external audit is underway, but the draft financial statements will be made available to D&T only after the closing of the year-end balances at April 30.

7. **IFRS provides specific guidance on the measurement of an accrual for restructuring costs.** Once an entity is demonstrably committed to the termination process, certain costs of the termination benefits can be accrued immediately. These costs include payments for which no services are expected to be rendered (e.g., the modified SBF payments), but exclude those costs related to services from which the employer would benefit (e.g., the maximum delay period of 12 months under the voluntary separation plan). Also, the present value of those costs falling due after more than one year should be used in estimating the accrual for termination benefits.

8. **The accounting accrual for termination benefits in FY 2008 will, therefore, be a different amount than the recently approved budget of $185 million**. Over the full phase of the restructuring, of course, the total accounting expense will equal the full budget utilization. In the meantime, the restructuring costs reported in Tables 1 and 2 are notional estimates broadly consistent with the phasing of staff separations described in the medium-term budget approved on April 7 and will need to be updated once the audit has been finalized and more precise estimates of costs become available.

III. Disposition Decisions

9. **The projected net operational income for FY 2008 of SDR 2 million comprises net income earned in the IA and a deficit in the GRA**. The IA is projected to earn about SDR 366 million and the GRA, prior to transfers of investment income from the IA and provisions for restructuring costs, is projected to incur a deficit of about SDR 364 million. The Executive Board needs to consider the disposition of FY 2008 investment income and the GRA deficit for the year.

10. **Disposition of FY 2008 investment income**. Under the Articles, the Executive Board may decide to keep investment income in the IA for reinvestment or may use it for meeting the expenses of conducting the business of the Fund (Article XII, Section 6 (f)(iv)). Further, the Board could, with a seventy percent majority of total voting power, decide to reduce amounts invested in the IA beyond income earned (Article XII, Section 6 (f)(vi)). In April 2007, the Executive Board decided to transfer the investment income of the IA to the GRA for meeting the expenses of conducting the business of the Fund during FY 2007.

11. **The main objective of the IA is to, over time, generate additional income to meet the Fund's expenditure needs**. As noted last year, it could therefore be argued that the intent was that IA income be used to help meet the Fund's expenses, since without transfers from the IA, the GRA will generally record a loss because it carries all the administrative and remuneration expenses of the Fund. In FY 2007, the full amount of IA earnings was transferred to mitigate the loss in the GRA. In FY 2008, the Fund is expected to face another income shortfall even with a full transfer of the IA income (see below). For this reason, staff

proposes that the FY 2008 investment income of the IA be transferred to the GRA to meet the expenses of conducting the business of the Fund during FY 2008.[7]

12. **Disposition of the FY 2008 loss**. If, as proposed, investment income of the IA is transferred to the GRA, projected net operational income would be SDR 2 million. After taking into account the FY 2008 provision for restructuring costs and the International Accounting Standard 19 (IAS 19) expense (see Box 3) related to the Staff Retirement Plan, the actual income shortfall realized at year-end, based on the Fund's audited financial statements, will need to be charged against the Fund's reserves. The current estimated income shortfall on this basis is about SDR 55 million (see Table 1).

13. **The Articles permit the actual income shortfall for FY 2008 to be charged against either the Special Reserve or the General Reserve**. [8] 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." Since the establishment of the Special Reserve, all operational deficits have been charged against the Special Reserve on the basis of the 1957 Decision without the adoption of a specific Executive Board decision in a given financial year with a deficit. Consistent with the 1957 decision, the FY 2007 income shortfall was charged against the Special Reserve and staff proposes to follow this approach for FY 2008 once the exact income shortfall is established.

14. **On an annual basis, the GRA is reimbursed for the expenses of conducting the business of the SDR Department and the MDRI-I Trust**. Staff proposes adoption of decisions related to the reimbursement for the expenses of conducting the business of the SDR Department and the related assessment on participants in the SDR Department and to the reimbursement of the expenses of administering the MDRI-I Trust. These expenses are estimated at SDR 1.522 million and SDR 2.307 million, respectively.[9]

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[7] Other factors taken into account in last year's proposal to transfer IA income to the GRA remain relevant. Namely, retention of IA income in the IA would, ceteris paribus, reduce the level of the Fund's reserves by an equivalent amount, i.e., the projected full deficit in the GRA of SDR 364 million would be charged against reserves, which would result in a sharp erosion of reserves. Further, under the Articles, a reduction in reserves lowers the scope to make transfers to the IA when the Fund subsequently has positive new income because of the ceiling—not to exceed the total amount of reserves—on the currencies that can be transferred to the IA.

[8] The Fund's precautionary balances comprise its reserves (the General and Special Reserves) and the special contingent account (SCA-1). Total reserves at the beginning of FY 2008 amounted to SDR 5.9 billion and the SCA-1 currently holds SDR 1.2 billion (see Annex II).

[9] Based on total SDR allocations of SDR 21,433.3 million, the assessments on participants in the SDR Department will be in an amount equivalent to 0.00710109 percent of their net cumulative SDR allocations.

Box 3. IAS 19 Accounting

Background
Since FY 2000, the Fund has followed International Accounting Standard 19 (IAS 19), which covers expenses for pension and other benefits in the employer's financial statements. The objective of IAS 19 is to ensure that the net asset (or liability) associated with the obligation to provide future benefits is properly reflected in the employer's balance sheet, with the resultant periodic adjustments to the net asset (or liability) being reflected as an expense or income.

The annual change in the net asset (or liability), after taking account of employer contributions, determines the amount of the annual IAS 19 accounting adjustment. Though the IAS 19 adjustment in any given year is generally an expense (reflecting the fact that the pension obligation grows in line with increased service by employees), it fluctuates (and can also be a net gain), depending on investment performance, the discount rate used for the calculation of defined benefit obligation, and actuarial gains or losses.

Accounting vs. Funding Basis
The requirements of IAS 19 apply to the method of measuring the balances in the Fund's financial statements (i.e., the *accounting* requirement) and not to the actuarial method used to determine the Fund's annual contribution for the pension plans (i.e., the *funding* requirement). Therefore, accounting for pension benefits differs between the Fund's financial statements and its administrative budget. The financial statements are prepared based on *accrual estimates of pension obligations* as required under IFRS, while the administrative budget generally reflects the *cash basis* (i.e., reflecting the annual cash contribution).

Over the life of the pension plan, the accounting adjustments must by definition equal the amount funded in the administrative budget. However, in individual periods, the different methodologies result in timing differences between the recognition of accounting adjustments and the funding for the pension plan. While the timing differences should net to zero over time, in any given period a difference between the budgetary funding and the IAS 19 adjustment recognized in the Fund's income statement exists.

FY 2008 Plan Amendment
The Staff Retirement Plan (SRP) was amended effective April 1, 2008 to add the Rule of Age 50 for early retirement. The Rule of Age 50 is an amendment to the SRP that will result in changes to the estimates of benefits already earned, thus affecting the net surplus measured under IFRS. A reduction in the surplus would result in an IAS 19 charge against the Fund's income. The Fund retains an independent actuary and current estimates of the effect of the plan amendment to the surplus are in the order of SDR 37 million (US$58 million).

Table 1 (last column) reflects the portion related to the benefits already earned, *vested benefits*, currently estimated at some SDR 26 million that may be charged to the Fund's FY 2008 income statement. The remaining unearned portion of the benefits, i.e., relating to participants not yet vested, would be recognized as an expense over time as those participants become vested. The actuarial valuation of the pension plan is conducted at each financial year-end by the independent actuary, in conjunction with the external audit. The forthcoming actuarial valuation will take into account the amendment to the plan, and final results reported in the Fund's audited financial statements.

IV. FY 2009 Income Outlook

15. **On April 7, the Executive Board adopted decisions to reform the Fund's income model**.[10] The Board discussion followed an intensive work program to build on the Crockett Committee recommendations for adopting a new income model. Key elements of the agreed package were: creating an endowment with the profits from a limited sale (403.3 metric tons) of the IMF's gold holdings, expanding the IMF's investment authority to enhance the average expected return on the Fund's investments, and resuming the practice of reimbursing the GRA for the cost of administering the PRGF-ESF Trust (starting from the financial year in which the Fund adopts a decision authorizing the gold sales).

16. **The updated projections for FY 2009 take the above agreed model into account (see Table 2)**. Specifically, it is assumed that during FY 2009 the Board will adopt a decision authorizing gold sales. Second, the implementation of a broader investment authority, which will require an amendment to the Articles of Agreement, is assumed to start in FY 2010. Third, reimbursements of PRGF-ESF Trust administrative expenses to the GRA (projected at about SDR 43 million for FY 2009) are assumed to be resumed in FY 2009, on the basis that a decision to sell gold is taken before end-April 2009 and the adequacy of Trust resources to support anticipated demand for PRGF/ESF assistance is sustained.

17. **On the rate of charge, the Executive Board met in March to discuss a framework for setting the basic rate of charge under a new income model**. The framework proposed by the staff built on the general principles for setting the rate of charge laid out by the Crockett Committee. In particular, the staff proposed that under the new income model the basic rate of charge should: (i) continue to be set as a margin over the SDR interest rate; (ii) no longer cover the full range of the Fund's activities but rather cover the Fund's intermediation costs and the build up of reserves; and (iii) be broadly aligned with long-term credit market conditions. Furthermore, based on the analysis in the report, staff proposed an initial margin of 100 basis points over the SDR interest rate, which would be sufficient to cover the Fund's average intermediation costs over the past three years and allow a modest amount of reserve accumulation.

18. **Directors supported the key principles for setting the basic rate of charge, and the general approach proposed by the staff to make this mechanism operational**. Many Directors also supported the proposed initial margin of 100 basis points as a reasonable benchmark. Some Directors suggested that revised data on intermediation costs could point to a lower margin of, say, 95 basis points, but many others did not see a need to modify the proposal, underscoring that the staff's approach reflected both mechanical and judgmental elements. Some Directors preferred to maintain the existing margin of 108 basis points until the reviews of charges and maturities and the Fund's reserves have been completed.

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[10] See Press Release No. 08/74 (4/7/08) on the Fund's new income and expenditure framework.

Table 2. Projected Income Sources and Uses (FY 2008–2009)
(In millions of SDRs unless otherwise stated)

	FY 2008	FY 2009	
	Current Projections	Per EBAP/08/27 (108 bps margin)	(100 bps margin)
A. Operational income	**601**	**414**	**408**
Lending income	168	146	140
Margin for the rate of charge	72	78	72
Service charge	7	12	12
Surcharges 1/	89	56	56
Investment income	366	194	194
Interest free resources 2/	63	28	28
Reimbursements	4	46	46
MDRI-I Trust and SDR Department	4	3	3
PRGF-ESF Trust	0	43	43
B. Expenses	**599**	**560**	**560**
Net administrative budget	564	526	526
Capital budget items expensed	13	11	11
Depreciation	22	23	23
C. Net operational income (A-B) 3/	**2**	**-146**	**-152**
Restructuring charge	-76	-39	-39
IAS 19 timing adjustment 4/	45	0	0
Effects of amendment to pension plan (Rule of Age 50) 5/	-26	0	0
Net income shortfall 6/	**-55**	**-185**	**-191**
Memorandum Items:			
Fund credit (average stock, SDR billions)	6.7	7.2	7.2
SDR interest rate (in percent)	3.64	2.75	2.75
US$/SDR exchange rate	1.57	1.65	1.65
New income measures (SDR millions) 7/	0	43	43

1/ Includes settlement of overdue charges of SDR 51 million in FY 2008.
2/ Interest free resources reduce the Fund's remuneration expenses as they reflect Fund credit and SDR holdings on which the Fund has no corresponding remunerated reserve tranche positions. SCA-1 contributions are currently the main source of these resources.
3/ See Table 3 for the effect of changes in selected assumptions on the projected FY2009 income shortfall.
4/ IAS 19 is the accounting standard that prescribes the accounting treatment of pension and employee benefits expenses, and involves actuary valuations. See Box 3 for further details.
5/ The proposed Rule of Age 50 is a change to the Staff Retirement Plan that would result in changes in benefits already earned and is charged against the Fund's income. See Box 3.
6/ Net income shortfall on the basis presented in the Fund's annual financial statements.
7/ The effect on operational income of resuming reimbursement of PRGF-ESF Trust expenses.

19. **Against this background, staff sees two possible approaches to setting the margin for the rate of charge for FY 2009**. One would be to maintain the current margin of 108 basis points under the exceptional circumstances clause of Rule I-6(4), pending completion of the above two reviews. This could be viewed as consistent with the approach of introducing the various elements of the new income model as a package, and would not preclude adoption of a new rule and a change in the margin during the course of FY 2009 once these reviews are completed. As an alternative, Directors could decide to adopt a new margin now, which also would be done under the exceptional circumstances clause of Rule I-6(4). As noted above, staff believes that a margin of 100 basis points would be consistent with the principles laid out by the Crockett Committee. Either approach would involve postponement of a decision adopting a new Rule I-6(4) until the work on charges and

maturities and precautionary balances has been completed. On balance, staff proposes setting a 100 basis point margin now based on the considerations outlined above, including the considerable support evident at the March Board discussion, as an initial step in implementing the new income model. A decision to this effect is proposed. Adoption of such a margin for FY 2009 would lower the projected income from lending in FY 2009 by about SDR 6 million compared with the maintenance of the existing margin of 108 basis points.

20. **Surcharge income**. In the past, surcharge income was placed directly to reserves after meeting the costs associated with administering PRGF-ESF operations. In FY 2007 and FY 2008, surcharge income was used to help meet administrative expenses. Staff proposes a continuation of this approach for FY 2009 (no Executive Board decision is necessary).

21. **Assumptions underlying the FY 2009 projections**. The projections assume that current (and projected) users of Fund resources continue to repay the Fund as scheduled. The projections for investment income continue to assume an indicative 50 basis point spread over the SDR interest rate.[11] The SDR interest rate projection for FY 2009 is based on market forward rates for the underlying three-month financial instruments in the SDR interest rate basket (see Annex IV for a discussion of the methodology underlying SDR interest rate projections). On the expenditure side, the projections incorporate the recent budget proposals.

22. **The updated projections for FY 2009 yield a net operational income shortfall of some SDR 150 million**. The income projections are sensitive to changes in underlying variables (see Table 3). For example, a shift in SDR interest rates would affect the Fund's income position on an on-going basis by some SDR 36 million for every 50 basis point

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

Change in:	
SDR interest rate by 50 basis points	36
Credit tranche purchases/repurchases by SDR 1 billion 1/	5½
U.S. Dollar vis-à-vis SDR by 1 percent	6
Investment income margin by 50 basis points	30

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

[11] Actual performance of the IA from year to year will vary with market conditions. 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 IA over the medium term (see Annex II of *Establishment of the Investment Account* for a detailed analysis of historical performance of different investment strategies).

change in the SDR interest rate. Also, every percentage point change in the value of U.S. dollar against the SDR affects the Fund's income position by around SDR 6 million.

V. Burden Sharing

23. **The Board recently reviewed the burden sharing mechanism in the context of a new income model.** The staff paper noted that the burden sharing mechanism is integral to the Fund's strategy to deal with the financial consequences of overdue obligations and has been a critical component in protecting the Fund's income position.[12] The paper also noted that, while the mechanism had come under strain with the sharp decline in Fund credit, recent
burden sharing adjustments had remained broadly stable following the Board's decision to suspend SCA-1 accumulations at midyear of FY 2007, and a further decline was expected following Liberia's arrears clearance. Burden sharing adjustments for deferred charges are now expected to decline roughly in half to some 10 basis points in the fourth quarter of FY 2008, and to decline further to 7 basis points, or some SDR 11 million (annualized), in FY 2009 (Table 4).

Table 4. Recent Average Burden Sharing Adjustment Rates and FY 2009 Projected Rates
(In basis points unless otherwise stated)

	Financial Years									
	2002	2003	2004	2005	2006	2007	2008			2009
							H1	Q3	Q4	
									(projected)	
Rate of Remuneration 1/										
Total average adjustment	14	10	9	12	23	23	19	19	10	7
Deferred charges	4	2	1	2	5	13	19	19	10	7
SCA-1	10	8	8	10	18	10	–	–	–	–
Rate of Charge 1/										
Total average adjustment	13	10	8	11	19	23	21	21	11	8
Deferred charges	3	2	1	2	4	13	21	21	11	8
SCA-1	10	8	7	9	15	10	–	–	–	–
Average SDR interest rate (in percent)	2.80	2.06	1.58	2.09	2.93	3.96	4.12	3.50	2.81	2.75
Average basic rate of charge (in percent) 2/	3.26	2.54	2.09	3.01	4.00	5.04	5.20	4.58	3.89	3.75

1/ The average rates have been calculated using the quarterly burden sharing rates and SDR interest rates.
2/ For FY 2009, assumes a margin for the rate of charge of 100 basis points.

[12] Burden sharing for deferred charges has enabled potential losses of income resulting from unpaid charges to be offset by both debtor and creditor members. The mechanism has also proven essential to the Fund's continued compliance with International Financial Reporting Standards (IFRS). See Annex V for cumulative burden sharing adjustments by member as of end-March 2008.

24. **While a number of Directors called for an immediate review of the burden sharing mechanism, many Directors considered that no immediate changes were needed.** To reduce pressures on the burden sharing mechanism in the current environment of low Fund credit outstanding, Directors also supported consideration of a modification to the Fund's de-escalation policy for members with overdue obligations to make remaining current on new obligations falling due a firm test of cooperation with the Fund. Staff intends to come back to the Board on this issue as part of the work program following the Spring Meetings. Against this background, no changes in the burden sharing mechanism are proposed in this paper but staff will continue to keep burden-sharing under close review including in light of developments in Fund credit outstanding, and proposes to revisit this issue once the remaining elements of the new income model are in place.

VI. Review of Special Charges

25. **The decision on special charges on overdue financial obligations in the GRA 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. Special charges collected during the financial year relate to Liberia's clearance of arrears, which included some SDR 36 million in previously unpaid special charges.[13] No new considerations have arisen during FY 2008 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.

[13] These comprised amounts owed to the GRA (SDR 31 million) and the Trust Fund (SDR 5 million). In addition, the deferred charges refund following the arrears clearance and the partial distribution of the SCA-1 included amounts contributed by Somalia (about SDR 1 million).

Annex I. Updated Projections for FY 2008 Income Position
(In millions of SDRs)

Income shortfall projected at midyear review 1/	**-88**
Income variances	**62**
Changes due to:	
Higher investments returns	91
Updated purchases projections	-28
SDR interest rate assumptions	-5
Reimbursements to the GRA	4
Expenditure variances	**28**
Changes due to:	
Projected budget outturn	6
Updated estimates of capital expenses	7
US$/SDR exchange rate	15
Net operational income now projected	**2**

1/ *The Fund's Income Position for FY 2008--Midyear Review* .

Annex II. The Fund's Precautionary Balances (FY 2002–2008)

	Financial Years						
	2002	2003	2004	2005	2006	2007	2008 1/
	(In billions of SDRs)						
Precautionary balances	4.6	5.4	6.4	7.2	7.6	7.6	7.0
Reserves	3.3	4.0	4.9	5.6	6.0	5.9	5.8
General	1.2	1.9	2.7	3.3	3.5	3.5	3.5
Special 2/	2.1	2.1	2.2	2.4	2.4	2.4	2.3
SCA-1	1.3	1.4	1.5	1.6	1.7	1.7	1.2
Free reserves 3/	3.7	4.7	5.6	6.5	7.0	7.0	6.7
Memorandum items:							
Credit Capacity 4/	123.7	130.4	131.3	136.1	136.6	139.1	139.5
Credit Outstanding	52.1	66.0	62.2	49.9	19.2	7.3	5.9
Credit in good standing	51.2	65.2	61.4	49.1	18.6	6.7	5.6
Arrears	1.9	1.7	1.8	1.8	1.6	1.7	1.0
Principal	0.9	0.7	0.7	0.7	0.6	0.6	0.3
Charges	1.0	1.0	1.0	1.0	1.0	1.1	0.7
Ratios of:							
Precautionary balances to credit capacity	3.7	4.2	4.9	5.3	5.6	5.5	5.0
Precautionary balances to credit outstanding	8.9	8.2	10.3	14.5	39.8	104.0	119.6
Free reserves to credit capacity	3.0	3.6	4.3	4.8	5.2	5.0	4.8
Free reserve to credit in good standing	7.3	7.2	9.2	13.2	37.8	104.3	120.7

Note: Figures may not add due to rounding.

1/ Projected for end-FY 2008.
2/ After adjusting for IAS 19 related accounting gains.
3/ Precautionary balances 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 III. Assumptions Underlying the Income Projections (FY 2008–2009)

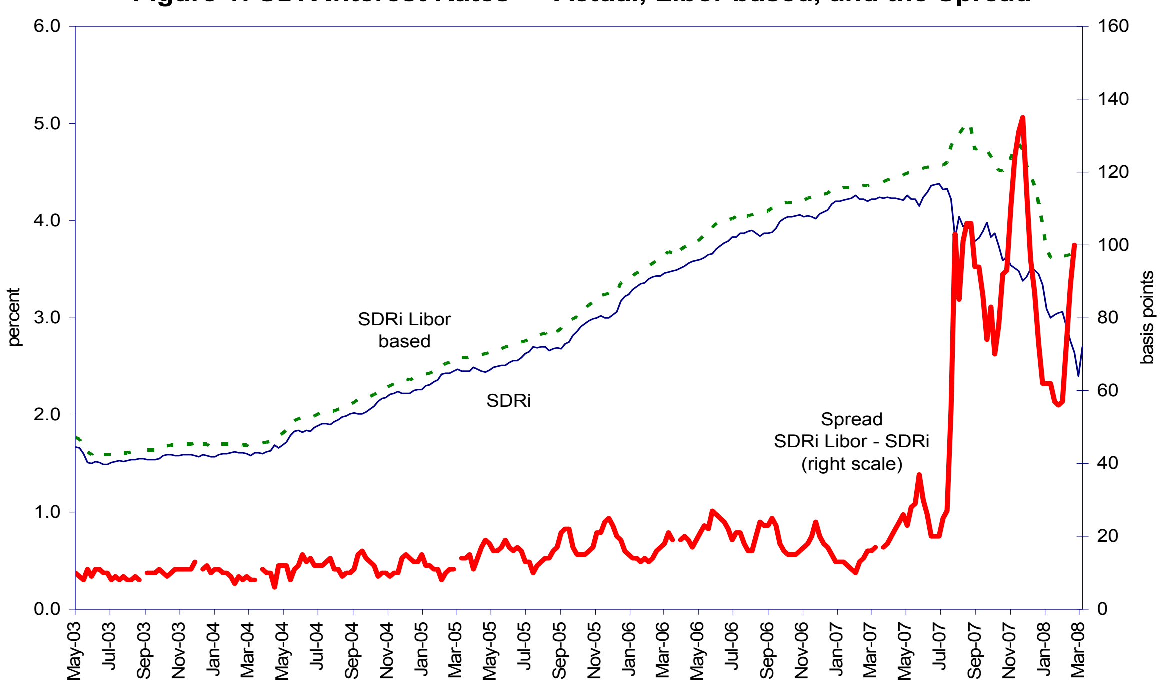
	FY 2008			FY 2009
	Actual through end-February	Midyear Projections	Current Projections	100 basis points margin
			(In billions of SDRs)	
Regular Facilities:				
1. Purchases (excl. reserve tranche purchases)	0.9	3.5	1.4	2.3
2. Repurchases	2.4	2.6	2.9	1.7
3. Average balances subject to charges	6.8	7.3	6.7	7.2
4. Average SDR holdings	2.5	2.3	2.3	1.7
5. Average remunerated positions	7.5	7.9	7.3	7.8
6. Average investment account assets 1/	6.0	6.0	6.0	6.0
7. Investment account assets (stock)	6.4	6.3	6.4	6.2
			(In percent)	
Return on investments 2/	6.83	4.60	6.14	3.25
Average interest rates:				
SDR interest rate and basic rate of remuneration	3.83	4.10	3.64	2.75
Basic rate of charge	3.89	5.18	4.77	3.75
Margin of the rate of change	1.08	1.08	1.08	1.00

1/ Assumes investment income is transferred annually to the GRA.
2/ All returns expressed in annual terms.

Annex IV. SDR Interest Rate Projections

The future path of the SDR interest rate plays a key role in projections of the Fund's income position. Past reviews of the Fund's income position (including the Midyear Review for FY 2008 circulated in December 2007) have used WEO projections of interest rates in the four currencies in the SDR basket to obtain a future path for the SDR interest rate. WEO interest rate projections are based on staff forecasts for Libor/Pibor rates[14] on the currencies in the SDR basket; those rates typically carry a small premium over the rates of the underlying instruments that comprise the SDR interest rate basket.[15] Historically, the ex-post spread between the (synthetic) SDR interest rate based on Libor/Pibor rates and the actual SDR interest rate has been low and stable. From May 2003 to May 2007, for example, that spread averaged 15 basis points, and fluctuated within a 20 basis points range (Figure 1). Owing to this stable relationship, projections of the future path of the SDR interest rate based on WEO interest rate projections did not give rise to systematic forecast errors that distorted the projected outlook of the Fund's income position.

Figure 1: SDR Interest Rates — Actual, Libor based, and the Spread



The turmoil in global financial markets that started in mid-2007, however, has altered the relationship between Libor/Pibor rates and the instruments that comprise the SDR interest rate basket. Since July 2007 the ex-post spread between the returns on those two sets of

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[14] Libor stands for London interbank offered rate, while Pibor for Paris interbank offered rate.

[15] The SDR interest rate is the weighted average of equivalent annual bond yields of three-month US Treasury bills, the three-month Eurepo rate, thirteen-week financing bills of the Japanese Government, and three-month UK Treasury bills.

instruments has more than tripled, and has fluctuated widely. As a consequence, WEO interest rate projections do not currently provide a reasonable benchmark on which to base the forecast of the future path of the SDR interest rate.

For FY 2009, the current WEO-based projection of the SDR interest rate would be 3.48 percent. However, reflecting the above-noted widening of spreads between Libor-based rates and treasury bill rates, market data as of end-March 2008 on forward rates of the underlying instruments of the SDR interest rate basket (and on forward bilateral exchange rates) yield an SDR interest rate for FY 2009 of 2.57 percent. In view of this large discrepancy, the interest rate assumption for FY 2009 used in the medium term income projection reported in EBAP/08/27 was 2.75 percent, broadly in line with recent forward market rates, and the same assumption has been retained in this paper.

Annex V. Cumulative Burden Sharing Adjustments by Member as of end-March 2008
(In millions of SDRs unless otherwise stated)

	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	1.14	13.2	0.5	13.6	1.15
Angola	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Argentina	31.0	-	31.0	4.55	64.7	-	64.7	5.45
Armenia	0.1	0.0	0.1	0.01	0.2	0.0	0.2	0.02
Australia	-	2.8	2.8	0.41	-	7.0	7.0	0.59
Austria	-	4.5	4.5	0.66	-	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	-	0.6	0.6	0.09	-	0.9	0.9	0.07
Bangladesh	3.0	-	3.0	0.44	2.9	-	2.9	0.24
Barbados	0.1	0.0	0.1	0.02	0.2	0.0	0.2	0.02
Belarus	0.4	-	0.4	0.06	1.0	-	1.0	0.09
Belgium	-	5.9	5.9	0.87	-	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	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	-	23.8	3.50	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	0.55	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	-	5.8	5.8	0.85	-	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	6.3	0.93	5.7	1.6	7.3	0.62
China	4.0	7.2	11.2	1.65	3.5	16.2	19.7	1.66
Colombia	-	1.1	1.1	0.16	-	2.3	2.3	0.19
Comoros	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Congo, D.R.	3.4	-	3.4	0.50	3.9	-	3.9	0.33
Congo, Rep. of	0.1	-	0.1	0.02	0.2	-	0.2	0.01
Costa Rica	0.4	0.0	0.5	0.07	0.5	0.1	0.6	0.05
Cote d'Ivoire	2.4	-	2.4	0.35	2.4	-	2.4	0.20
Croatia	1.1	-	1.1	0.16	1.6	-	1.6	0.13
Cyprus	-	0.2	0.2	0.03	-	0.4	0.4	0.03

Cumulative Burden Sharing Adjustments by Member as of end-March 2008 (continued)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Czech Republic	2.2	0.2	2.4	0.35	2.7	0.6	3.3	0.28
Denmark	-	3.4	3.4	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	2.1	-	2.1	0.30	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	-	18.2	18.2	2.68	-	33.5	33.5	2.82
Gabon	0.6	-	0.6	0.10	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	0.02	0.4	-	0.4	0.03
Germany	-	37.6	37.6	5.52	-	59.1	59.1	4.98
Ghana	1.7	0.0	1.7	0.25	1.8	0.0	1.8	0.15
Greece	-	1.1	1.1	0.16	-	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	0.06	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	0.07	0.6	0.0	0.7	0.05
Hungary	5.7	0.4	6.1	0.90	6.9	1.3	8.2	0.69
Iceland	0.0	0.1	0.1	0.01	0.0	0.1	0.1	0.01
India	24.0	2.3	26.2	3.85	28.4	3.4	31.9	2.68
Indonesia	14.7	0.9	15.6	2.29	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	0.3	0.9	0.14	0.6	0.3	0.9	0.08
Ireland	-	1.9	1.9	0.28	-	3.3	3.3	0.28
Israel	0.6	0.3	0.8	0.12	0.9	0.9	1.7	0.15
Italy	-	17.3	17.3	2.54	-	28.2	28.2	2.37
Jamaica	2.5	-	2.5	0.37	2.9	-	2.9	0.25
Japan	-	39.0	39.0	5.73	-	64.5	64.5	5.43
Jordan	1.7	0.0	1.7	0.24	3.1	0.0	3.1	0.26
Kazakhstan	0.8	-	0.8	0.11	1.7	-	1.7	0.15

Cumulative Burden Sharing Adjustments by Member as of end-March 2008 (continued)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Kenya	1.2	0.0	1.2	0.18	1.1	0.0	1.1	0.09
Kiribati	-	0.0	0.0	0.00	-	-	0.0	0.00
Korea	7.8	3.1	11.0	1.61	19.6	5.0	24.6	2.07
Kuwait	-	2.6	2.6	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	0.3	-	0.3	0.04	0.5	-	0.5	0.05
Lebanon	0.1	0.3	0.3	0.05	-	0.3	0.3	0.03
Lesotho	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Liberia	2.1	-	2.1	0.31	3.1	-	3.1	0.26
Libya	-	4.7	4.7	0.69	-	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, FYR	0.3	-	0.3	0.04	0.5	-	0.5	0.04
Madagascar	0.4	-	0.4	0.07	0.4	-	0.4	0.03
Malawi	0.3	-	0.3	0.04	0.3	-	0.3	0.03
Malaysia	-	3.1	3.1	0.46	-	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	0.5	38.8	5.70	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	0.0	-	0.0	0.01	0.1	-	0.1	0.01
Montenegro, Rep. of	-	0.0	0.0	0.00	-	-	0.0	0.00
Morocco	2.8	0.1	2.9	0.43	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	-	9.4	9.4	1.38	-	17.7	17.7	1.49
New Zealand	-	0.6	0.6	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	-	6.3	6.3	0.92	-	9.2	9.2	0.77
Oman	-	0.5	0.5	0.07	-	0.7	0.7	0.06
Pakistan	6.2	-	6.2	0.91	9.4	-	9.4	0.79
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

Cumulative Burden Sharing Adjustments by Member as of end-March 2008 (continued)

Member	Adjustments for Deferred Charges				Adjustments for SCA-1			
	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Paraguay	-	0.2	0.2	0.03	-	0.2	0.2	0.02
Peru	7.1	-	7.1	1.05	9.4	-	9.4	0.80
Philippines	`	0.3	9.5	1.40	14.4	0.6	15.0	1.26
Poland	3.4	0.5	3.9	0.57	4.1	1.5	5.6	0.47
Portugal	0.8	2.0	2.7	0.40	0.8	3.8	4.6	0.38
Qatar	-	0.4	0.4	0.05	-	0.7	0.7	0.05
Romania	4.4	-	4.4	0.64	7.4	-	7.4	0.62
Russia	23.7	-	23.7	3.49	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	-	10.2	10.2	1.49	-	17.1	17.1	1.44
Senegal	0.5	-	0.5	0.08	0.6	-	0.6	0.05
Serbia	1.7	-	1.7	0.25	3.2	-	3.2	0.27
Seychelles	-	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	-	1.7	1.7	0.25	-	3.2	3.2	0.27
Slovak Republic	1.6	0.0	1.6	0.24	2.5	0.0	2.5	0.21
Slovenia	0.4	0.1	0.5	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	1.0	-	1.0	0.15	1.5	-	1.5	0.13
South Africa	1.7	-	1.7	0.25	2.9	-	2.9	0.25
Spain	-	10.9	10.9	1.60	-	16.3	16.3	1.37
Sri Lanka	2.0	0.1	2.0	0.30	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	5.9	-	5.9	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	-	4.4	4.4	0.65	-	8.2	8.2	0.69
Switzerland	-	4.2	4.2	0.62	-	10.8	10.8	0.91
Tajikistan	0.0	-	0.0	0.01	0.1	-	0.1	0.01
Tanzania	0.3	-	0.3	0.05	0.3	-	0.3	0.02
Thailand	4.1	1.2	5.3	0.78	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	0.25	1.5	0.3	1.7	0.15
Tunisia	2.4	0.0	2.4	0.36	2.8	0.1	2.8	0.24
Turkey	21.5	0.2	21.8	3.20	50.9	0.5	51.4	4.33
Uganda	0.4	-	0.4	0.06	0.3	-	0.3	0.03

Cumulative Burden Sharing Adjustments by Member as of end-March 2008 (concluded)

	Adjustments for Deferred Charges				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Ukraine	4.8	-	4.8	0.71	12.2	-	12.2	1.03
United Arab Emirates	-	2.2	2.2	0.33	-	3.3	3.3	0.28
United Kingdom	-	12.9	12.9	1.90	-	25.8	25.8	2.18
United States	-	99.4	99.4	14.59	-	157.9	157.9	13.30
Uruguay	2.2	0.0	2.2	0.32	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	15.4	1.9	17.3	2.54	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	0.76	5.5	-	5.5	0.46
Zimbabwe	0.8	-	0.8	0.12	1.6	-	1.6	0.14
	340.0	340.8	680.8	100.0	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; the most recent billing was for the quarter ending January 31, 2008.

Annex VI. Reconciliation of Administrative Expenses (FY 2008 and FY 2009)
(In millions of U.S. dollars unless otherwise indicated)

	FY 2008	FY 2009
Administrative budget	886	868
Capital budget expenditures not capitalized	20	18
Depreciation expense	35	38
Total administrative expenses 1/	941	924
Total administrative expenses in SDRs 2/	599	560

1/ Before IAS 19 timing differences and restructuring costs.
2/ Based on exchange rate of 1 SDR=$1.57 for FY 2008 and 1 SDR=$1.65 for FY 2009.