INTERNATIONAL MONETARY FUND

Review of the Fund's Income Position for FY 2004 and FY 2005

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In consultation with the Legal Department

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I. Executive Summary

This paper provides the basis for the Executive Board's annual review of the Fund's income position. On this occasion, the Board also reviews the burden sharing mechanism, the level of precautionary balances and the system of special charges. This review assesses the outcome for FY 2004 and sets the net income target and rate of charge for FY 2005. A number of other decisions, related to the implementation of burden sharing and allocation of income to reserves, are also proposed. Key points include:

- **The Fund's income mechanism,** as implemented in accordance with Rule I-6(4) and related Executive Board decisions on the rate of charge, burden sharing (including annual contributions to the SCA-1) and retention of income to strengthen precautionary balances**, continues to serve the Fund well.**

- Consistent with the Executive Board's understandings on charges and its agreement on the target for precautionary balances**, it is proposed that the current income mechanism remain in effect for FY 2005 by adopting decisions similar to those agreed for FY 2004.**

- **Regular net income (i.e., income other than that derived from surcharges) for FY 2004 is estimated to be on the order of SDR 68 million, short of the net income target by about SDR 40 million,** owing mainly to the decline in the SDR interest rate during the year. In accordance with decisions taken at the beginning of the year, this shortfall is to be recovered by a corresponding increase in the net income target for FY 2005.

- **Other income for FY 2004, derived from SRF and level-based surcharges, is estimated at about SDR 793 million and is to be placed to reserves.**

- **For FY 2005, the net income target, calculated in accordance with Rule I-6(4) and the related decisions, amounts to SDR 191 million, including the recovery of the shortfall in FY 2004.** In order to achieve this target, the rate of charge would be set at 156.0 percent of the SDR interest rate compared with 132.0 percent for FY 2004, which implies an increase in the basic rate of charge from 2.09 percent to 2.46 percent on the basis of the current SDR interest rate.

II. The Fund's Income Mechanism—Overview

1. **The Fund's income mechanism in many ways parallels that of other financial institutions**.[1] The Fund's income derives primarily from interest and other charges levied on the use of Fund credit. Interest charges consist of basic charges levied on all credit from the Fund's general resources and surcharges. Income from basic charges and related income from fees are considered "regular income." In contrast, "other income" derives from surcharges that apply only to very large extensions of credit.[2] The Fund's expenses encompass the interest paid to the member countries that provide funding for the credit extended and the administrative expenses of running the institution. Like any other financial institution, the Fund also aims to generate net income in order to remain financially viable and to build up an adequate level of precautionary balances, including reserves.[3]

2. **The Fund is a cooperative financial institution with financial resources provided by members through quota subscriptions**. Fund credit takes the form of an exchange of foreign exchange reserve assets among Fund members, but with the Fund taking the risk. Members that provide the Fund with foreign exchange assets to be used in granting credit obtain from the Fund a liquid asset, the so-called reserve tranche position. The Fund pays a market-related interest rate on members' reserve tranche positions (except for a small portion that is not remunerated).

3. **The Fund's structure of interest rates is based on the most creditworthy short-term paper in the major industrial countries**. The SDR is the Fund's unit of account, and the SDR interest rate is determined weekly and is based on a weighted average of representative interest rates on short-term debt in the money markets of the SDR basket currencies (currently the euro, the Japanese yen, the pound sterling, and the U.S. dollar).

4. **The basic rate of charge on Fund credit is set in relation to this short-term risk-free SDR interest rate by a rule (Rule I-6(4)).** This rule specifies that the Fund should generate a specific amount of net income after covering projected expenses (as detailed in Box 1). The basic rate of charge on Fund credit is thus not determined by what the market could bear, as is the case in a commercial financial institution. Rather, the Executive Board

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[1] The income mechanism pertains to the Fund's General Resources Account and not to Poverty Reduction and Growth Facility resources, which are administered by the Fund as Trustee.

[2] Surcharges apply to credit under the Supplemental Reserve Facility and on credit in excess of 200 percent of quota in the credit tranches and under the Extended Fund Facility.

[3] See *Financial Risk in the Fund and the Level of Precautionary Balances* (EBS/04/11, 2/4/04).

decides annually on the basic rate of charge (expressed as a coefficient of the SDR interest rate) which is necessary for the coming financial year to cover projected expenses and a net income target. Under the rule, the net income target is set at 5 percent of the Fund's reserves at the beginning of the year, though the Executive Board can decide on a different percentage.

5. **The basic income mechanism also incorporates a number of more complex features, reflecting decisions taken by the Executive Board**. These decisions, which do not change the income mechanism fundamentally, have been taken for a variety of reasons and normally in the spirit of compromise around a balanced package of measures necessary for decisions that require a high majority of the total voting power. For example, since FY 2000 the Board has decided to reduce the income target by an agreed amount and finance this amount under burden sharing instead. Box 2 sets out the current decisions for FY 2004.

Box 1. The Fund's Rule on the Rate of Charge (Rule I-6(4))

Purpose

The Fund adopted Rule I-6(4) to provide objective guidance for determining the rate of charge on the use of Fund resources and an appropriate margin to protect the Fund's income position against the adverse effect of unforeseen circumstances during the financial year. The provisions of Rule I-6(4) address the following issues:

The Rate of Charge

The basic rate of charge is determined at the beginning of each financial year on the basis of (i) estimated income and expenses for the coming year and (ii) the net income target. The rate of charge is set as a proportion of the SDR interest rate. The rate of charge is adjusted weekly in line with the weekly changes in the SDR interest rate.

The Net Income Target

The rule specifies a net income target equal to 5 percent of the Fund's reserves at the beginning of the financial year, unless the Executive Board decides otherwise.

Review of the Fund's Income Position

The Fund reviews its income position semi-annually, at midyear and at the end of the financial year. The purpose of the midyear review is to determine if any corrective measures, such as an adjustment to the rate of charge, need to be taken in order to achieve the net income target. At year end, the Fund decides on the disposition of net income for the current financial year and the net income target and the rate of charge for the next financial year.

Safeguard Clause

If the actual net income for the first half of the financial year falls short of a threshold amount (two-fifths of the net income target), then the Executive Board must decide by December 15 what actions need to be taken to achieve the net income target. Otherwise, the rate of charge would be increased automatically as of November 1 to the level necessary to reach such target.

III. THE FUND'S INCOME POSITION IN FY 2004[4]

6. **Current estimates indicate that regular net income[5] for FY 2004 will be in the order of SDR 68 million, short of target by SDR 40 million**. This shortfall reflects a number of factors as presented in Table 1 below:

Table 1. Projected Regular Income – FY 2004
(In SDR millions)

Regular net income as projected at beginning of the year	108
Variance due to:	
• lower SDR interest rate	(50)
• lower charges because of lower credit balances	(26)
• lower administrative expenses in SDR terms	36
Regular net income: updated projection	68

- *Lower SDR interest rate*: the income projections and the determination of the coefficient for the rate of charge for the year were based on an SDR interest rate of 1.76 percent prevailing at the beginning of the year. The average interest rate over the period has in fact been 18 basis points lower. With the given coefficient (of 132.0 percent), the decline in the SDR interest rate resulted in a smaller margin between the rate of charge and the SDR interest rate and adversely impacted the Fund's income. Over the course of FY 2004, the margin declined by an average of about 6 basis points, lowering the Fund's net income by SDR 50 million.

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[4] See also *Review of the Fund's Income Position, the Rate of Charge, Precautionary Balances, and Burden Sharing for FY 2003 and FY 2004* (EBS/03/43, 4/7/03) and *The Fund's Income Position for FY 2004—Midyear Review* (EBS/03/163, 12/5/03).

[5] Regular income consists of income that is taken into account in the determination of the net income target and the rate of charge. For this purpose, the Executive Board has decided to exclude the income from surcharges, the expenses of administering the PRGF Trust, and the pension expense determined under IAS 19 (see Box 2).

Box 2. Executive Board Decisions in Effect Related to the Fund's Income Position in FY 2004 [1/]

The Executive Board has taken the following decisions affecting the Fund's income position for FY 2004:

Net Income Target
The net income target based on Rule I-6(4) was SDR 202 million. Since FY 2001, the Executive Board decided to reduce this net income target by SDR 94 million to take account of the effects of the off-market gold transactions completed in FY 2000. The target was therefore set at SDR 108 million. To offset the impact of the reduction in the net income target on the Fund's precautionary balances, the Board decided to finance SDR 94 million under burden sharing and place this to the SCA-1.

Rate of charge on the Use of Fund Resources
The rate of charge was set at 132.0 percent of the SDR interest rate.

Disposition of Excess Income and Recovery of Income Shortfall
If actual net income for the financial year were to exceed the target of SDR 108 million, the excess will be returned to members paying charges through a retroactive reduction in the rate of charge after the end of the financial year. Any net income shortfall will be recovered by increasing the net income target for the next financial year.

Income from Surcharges, Pension Expense
For purposes of determining the net income target and the basic rate of charge, income from surcharges under the SRF and on purchases in the credit tranches and under the Extended Fund Facility will be excluded, as will be the pension expense determined under IAS 19. The income from surcharges, after meeting the cost of administering the PRGF Trust, will be placed to the General Reserve after the end of the financial year.

PRGF Trust Expenses
The GRA will forgo the reimbursements for expenses incurred in conducting the business of the PRGF Trust.

Burden Sharing:

For Allocation to the SCA-1
The reduction in the net income target of SDR 94 million, to take account of the effects of the off-market gold transactions, will be generated instead by equal contribution by debtor and creditor members under burden sharing.

For Deferred Charges
Income losses resulting from unpaid charges are shared equally between the debtor and creditor members under the burden sharing mechanism by a decision taken in 2000. This mechanism will continue for as long as arrears persist.

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[1] See *Review of Fund's Income Position, the Rate of Charge, Precautionary Balances, and Burden Sharing for FY 2003 and 2004* (EBS/03/43, 4/7/03). See also Decision No. 12065-(99/130), adopted on December 8, 1999, Decision No. 12189-(00/45), adopted on April 28, 2000, and Decision Nos. 12988-(03/36) and 12991 (03/36), adopted on April 21, 2003.

- The impact of the lower margin was exacerbated by lower-than-projected use of Fund credit, resulting in lower-than-projected income from service charges and regular charges.[6]

- The negative impact on the net income of the two factors above was offset to some extent by lower administrative expenditures in SDR terms, reflecting primarily the depreciation of the U.S. dollar vis-à-vis the SDR and the revised estimated outturn for the financial year.

In accordance with the decision adopted at the beginning of the financial year, the projected income shortfall, if realized, is to be recovered in FY 2005 by increasing the net income target for that financial year (Box 2).

7. **Other income is projected to be SDR 754 million** (see Table 2). Income derived from SRF and level-based surcharges amount to SDR 851 million and the cost of administering the PRGF Trust amounts to SDR 58 million. The surcharge income, net of the PRGF Trust expenses, of SDR 793 million is to be placed to the Fund's General Reserve in accordance with the decision taken by the Executive Board at the beginning of the financial year.

8. The cost of pension and other post-retirement benefits in FY 2004, determined under International Accounting Standard 19–Employee Benefits (IAS 19), amounts to SDR 39 million. Under IAS 19, the costs of pension and post-retirement benefits are measured actuarially on an accrual rather than on a pay-as-you-go basis. IAS 19 also requires the recognition of a net asset on the balance sheet if pension assets exceed pension liabilities. The adoption of IAS 19 by the Fund in FY 2000 resulted in such an asset of SDR 268 million, which was placed on the Fund's balance sheet. Since this windfall gain was of an accounting nature and not generated from the Fund's operations, it was decided to exclude the gain from the net income target and to place it in an "earmarked" portion of the Special Reserve, against which the annual cost of implementing IAS 19 is charged.

[6] In addition to periodic charges on the outstanding use of Fund credit, the Fund also levies a commitment fee of 0.25 percent on amounts committed under arrangements (0.10 percent on amounts above 100 percent of quota) and a service charge of 0.5 percent on each purchase. The commitment fee is refundable as purchases are made. Any nonrefunded portion accrues to the Fund's income upon cancellation or expiration of the arrangement.

Table 2. Projected Income and Expense
Financial Years 2004 and 2005

(In millions of SDRs)

	FY 2004			
	Initial Projections	Actual Ten Months ended Feb. 29, 2004	Revised projections 1/	FY 2005 preliminary projections 2/
Regular Income				
1. Operational Income				
a. Periodic charges, including burden sharing	1,633	1,164	1,383	1,461
b. Interest on SDR holdings	21	14	16	13
c. Service and stand-by charges:	105	77	91	25
Total operational income	1,759	1,255	1,490	1,499
2. Operational Expense				
Remuneration, including burden sharing	1,158	815	966	841
3. Net operational income	601	440	524	658
4. Administrative expense	564	429	514	533
Less: estimated cost of administering the PRGF Trust	(71)	(48)	(58)	(66)
	492	381	456	467
5. Regular net income	108	59	68	191
Other Income				
6. Surcharges	779	732	851	672
Less: estimated cost of administering the PRGF Trust	(71)	(48)	(58)	(66)
	708	684	793	606
7. Other - IAS 19	(58)	(33)	(39)	(169)
8. Total other income	650	651	754	437
9. Total net income	758	710	822	628
Memorandum items:				
Deferred charges	-	14	16	-
Allocation to the SCA-1	94	78	94	94
Total burden sharing adjustments	**94**	**92**	**110**	**94**
- on charges	47	46	55	47
- on remuneration	47	46	55	47

1/ Revised projections based on the actual outcome for the first ten months of the financial year.
2/ Based on the assumptions and projections set out in Section V, a coefficient of 156.0 percent is necessary to achieve the net income target of SDR 191 million.

IV. Precautionary Balances and the Implementation of Burden Sharing in FY 2004

9. On the occasion of the review of the Fund's income position, the Executive Board also reviews the pace of accumulation of the Fund's precautionary balances and the implementation of the burden sharing mechanism. As detailed in Box 3, the Fund's precautionary balances consist of reserves, which in turn are made up of the General and Special Reserves, and the Special Contingent Account (SCA-1).

10. **Precautionary balances are of critical importance in safeguarding the Fund's financial base, as recently underlined by the Executive Board in its discussion on financial risk.** [7] Directors agreed that mitigating financial risk at the Fund rests on the implementation of a multi-layered framework that includes the Fund's arrears strategy and burden sharing mechanism, along with an adequate level and pace of accumulation of precautionary balances. They viewed precautionary balances as an essential buffer to help protect the value of reserve assets that members place with the Fund and safeguard the Fund's unique financing structure, which is based on exchange of reserve assets.

11. **In February 2004, Directors reconfirmed as broadly appropriate the decision taken in 2002 for a target level of precautionary balances of some SDR 10 billion and the system for accumulating precautionary balances**. The agreed system of accumulation consists of placing income from surcharges directly to the Fund's General Reserve and regular net income to the Special Reserve. The use of the proceeds of surcharges has been discussed a number of times by the Executive Board. It was first discussed in the context of the establishment of the Supplemental Reserve Facility in 1997 and reviewed in 1999 during the FY 1999 income review.[8] The principles were discussed again during the review of facilities in 2000, when surcharges became a part of the Fund's structure of charges. In considering alternative uses of surcharges, the Executive Board examined a wide range of possible uses, including possible refunds, substitution for burden sharing, or for another income-generating or cost recovery mechanism. The Executive Board agreed that the best use was to allocate such income to the Fund's reserves.[9] The reasons underlying the judgment on

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[7] See *The Acting Chair's Summing Up – Financial Risk in the Fund and the Level of Precautionary Balances* (BUFF/04/35, 3/2/04).

[8] See *Charges on the Supplemental Reserve Facility* (EBS/97/234, 12/12/97) and *Review of the Fund's Income Position, Precautionary Balances, Burden Sharing and Special Charges for FY 1999 and FY 2000* (EBS/99/53, 4/6/99).

[9] The Executive Board also decided to use the income from surcharges to meet the cost of conducting the PRGF Trust (to avoid imposing a burden on debtor members by foregoing the reimbursement to the General Resources Account).

Box 3. The Fund's Precautionary Balances

The Fund's precautionary balances consist of its Reserves and the Special Contingent Account (SCA-1). The Reserves comprise the General Reserve and the Special Reserve and have three main functions: (i) to protect the Fund's financial position against credit risk and risk of operational losses; (ii) to demonstrate, through the achievement and retention of net income, the soundness and prudence of the institution's financial management; and (iii) to augment the Fund's liquidity.

General Reserve

The General Reserve was established in 1958 to meet losses of a capital character or administrative deficits. Additions to the General Reserve have been made since FY 1998 from income derived from surcharges under the Supplemental Reserve Facility, in the credit tranches and under the Extended Fund Facility.

Special Reserve

The Special Reserve was established in 1957 with the proceeds from a gold investment program to provide safeguards against deficits in the Fund's operations. Deficits were subsequently charged against the Special Reserve. Additions to the Special Reserve have been financed out of net income (other than income derived from surcharges). The Fund may use the Special Reserve for any purpose for which it may use the General Reserve, except distribution.

SCA-1

The Fund set up the Special Contingent Account (SCA-1) in 1987 to protect it against the risk of loss arising from the ultimate failure of members to settle their overdue principal obligations in the GRA.

- **Allocation to the Account**: The SCA-1 was initially funded with a modest amount of income in excess of the target the Fund realized in FY 1987. Subsequently, and until FY 2001, the Fund allocated to the SCA-1 annually an amount equal to 5 percent of its reserves. Since then, the addition to the SCA-1 has been set at SDR 94 million, the amount representing the income effect on the Fund of the acceptance of gold, instead of currencies, in connection with the Fund's support of the HIPC Initiative.
- **Financing Mechanism:** With the exception of the initial allocation in FY 1987, allocations to the SCA-1 are made under the burden sharing mechanism. Under this mechanism, debtor members pay higher charges and creditor members receive lower remuneration.
- **Uses of SCA resources:** Should the Fund realize a loss resulting from the ultimate failure of a member to repay its overdue principal in the GRA, the loss would first be charged against the SCA-1. All contributors would bear the burden of the loss in proportion to their cumulative contributions to the SCA-1.
- **Dissolution and Refunds:** The SCA-1 would be dissolved and the resources would be distributed to all members in proportion to their cumulative contributions when there are no overdue GRA charges on principal balances. The Fund could also decide to make an early distribution.

the use of level-based and SRF surcharges, i.e., to strengthen reserves, have lost none of their validity since surcharges were introduced, because they provide the means to finance, for an important part, the strengthening of precautionary balances that was agreed by the Executive Board. Furthermore, the imposition of surcharges recognizes the higher risks associated with very large access to Fund resources and the need for price incentives to reinforce the revolving character of Fund resources. Part of the agreement to impose level-based surcharges was to leave them unchanged for a number of years, and not to review the decision prior to November 2004.

12. **The Fund's precautionary balances are expected to reach SDR 6.4 billion by the end of this financial year, some SDR 1 billion higher than at the end of financial year 2003**, reflecting largely the SDR 0.8 billion in surcharge income placed to reserves.[10] Regular income of SDR 68 million would also be placed to reserves, and SDR 94 million to the SCA-1, from contributions by both debtors and creditors of the Fund.

13. **At the recent discussion on precautionary balances, a number of Directors saw a need for further consideration of a range of options that would allow the Fund to achieve a faster pace of accumulation**, in light of the potentially large financial risks that the Fund faces and the uncertainties regarding the availability of surcharge income. **There are two basic options to achieve a faster pace of accumulation**:

- **First, the net income target could be set at a higher percentage than the current 5 percent** of beginning period reserves. This would be possible within the current legal setting, as Rule I-6(4) specifically provides that the Executive Board can set a different target. For example, an increase in the net income target of SDR 100 million would, under current assumptions, raise the rate of charge by 16 basis points. However, such acceleration in the rate of accumulation through an increase in the net income target at this time would not be consistent with the agreement on charges reached during the time of the review of facilities in November 2000 to leave the structure unchanged for four years.

[10] Member countries that paid surcharges during FY 2004 included Argentina (SDR 0.18 billion), Brazil (SDR 0.39 billion), Turkey (SDR 0.26 billion) and Uruguay (SDR 0.02 billion).

Table 3. The Fund's Precautionary Balances, 1999-2004

	End of Financial Year					
	1999	2000	2001	2002	2003	2004 1/
	(In billions of SDRs)					
Precautionary balances	4.6	4.0	4.2	4.6	5.4	6.4
Reserves	2.6	2.9	2.9	3.3	4.0	4.9
General	0.8	0.9	0.9	1.2	1.9	2.7
Special 2/	1.8	1.9	2.0	2.1	2.1	2.2
SCA-1	1.0	1.1	1.2	1.3	1.4	1.5
SCA-2	1.0	--	--	--	--	--
Free reserves 3/	2.6	3.0	3.3	3.7	4.7	5.6
Memorandum items:						
Credit Capacity 4/	111.2	120.6	122.3	123.7	130.4	131.3
Credit Outstanding	60.7	44.0	42.2	52.1	66.0	62.2
Credit in good standing	59.7	43.0	41.4	51.2	65.2	61.4
Arrears	1.9	1.9	1.9	1.9	1.7	1.8
Principal	1.0	1.0	0.9	0.9	0.7	0.7
Charges	1.0	1.0	1.0	1.0	1.0	1.0
	(In percent)					
Ratios of:						
Precautionary balances to credit capacity	4.1	3.3	3.4	3.7	4.2	4.9
Precautionary balances to credit outstanding	7.5	9.0	9.8	8.9	8.2	10.3
Free reserves to credit capacity	2.3	2.5	2.7	3.0	3.6	4.3
Free reserve to credit in good standing	4.3	7.0	8.0	7.3	7.2	9.2

1/ Projected.
2/ Excluding the IAS 19-related accounting gains.
3/ Precautionary balances (excluding SCA-2) in excess of arrears on principal.
4/ Quotas of members in the FTP excluding prudential level of uncommitted usable resources (i.e., 20 percent of FTP member quotas).

- **Second, precautionary balances could be increased in the form of additional accumulations in SCA-1**. In previous years (1991 to 1999), when balances in the SCA-1 were below the level of overdue principal outstanding, the annual accumulations in the SCA-1 were in fact equal to the net income target.[11] This option of increasing precautionary balances would share the cost of accumulating balances among most, if not all members.

14. **On balance, the staff considers that the current structure and pace of accumulation remain appropriate for FY 2005** in light of currently expected surcharge income and the agreement not to modify the determination of the basic rate of charge through an increase in the net income target. Nevertheless, in view of the uncertainty of future surcharge income, and as agreed at the recent discussion on precautionary balances, the pace of accumulation will need to be kept under close review.

15. **The recent Executive Board discussion on precautionary balances also focused renewed interest on the Fund's burden-sharing mechanism, which was designed to share the financial consequences of protracted arrears between creditors and debtors.** The burden-sharing mechanism is implemented through increases in periodic charges paid by debtor members and remuneration withheld from creditors.[12] The current contributors to burden-sharing comprise 89 members with remunerated reserve positions in the Fund and 44 members with GRA credit outstanding. These members and their relevant creditor and debtor positions as of end-February 2004 are listed in Appendix Table 5. The level and distribution of GRA credit changes over time, of course, as the result of purchases and repurchases. The changes in the level of GRA credit, in turn, determine the level of remunerated reserve tranche positions in the Fund, but the distribution of remunerated reserve tranche positions remains largely stable because it is determined by the relative quotas of the 45 members that participate in the Financial Transactions Plan.

16. **The overall capacity of the burden-sharing mechanism is determined by the limit on the rate of remuneration and remunerated positions.** Current policy decisions limit the rate of remuneration to no less than 85 percent of the SDR interest rate, whereas Article V, Section 9 prescribes a limit of 80 percent.[13] The lower limit under the Articles of Agreement provides the Fund with additional means, and flexibility, to protect its financial position

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[11] Moreover, the Fund accumulated, during the period 1990-1997, through burden-sharing, SDR 1 billion in balances in SCA-2 (which were subsequently refunded).

[12] The burden sharing decision applies in the General Resources Account only. PRGF Trust loans are not subject to burden sharing.

[13] Executive Board Decisions No. 12189-(00/45), adopted on April 28, 2000 and 12989-(03/36), adopted on April 21, 2003.

under unusual circumstances, such as when a large debtor member fails to settle its financial obligations to the Fund for a protracted period of time. The maximum burden-sharing capacity on an annual basis would be SDR 280 million with the rate of remuneration at 85 percent of the SDR interest rate, using the current SDR interest rate of 1.58 percent and the current GRA positions as shown in Appendix Table 5. A further reduction in the rate of remuneration to the limit set in the Articles of Agreement would raise the capacity to SDR 370 million. This would imply a decrease in the rate of remuneration of about one-third of one percent and an increase in the basic rate of charge of some 28 basis points.

17. **During FY 2004, the Fund is generating some SDR 110 million through the burden-sharing mechanism for two related but distinct purposes**:

- SDR 94 million is to be allocated to SCA-1, as explained in Box 2. The decision on the allocation to SCA-1 is taken on an annual basis by the Executive Board and requires a 70 percent majority of the total voting power. Contributions to SCA-1 are refundable when there are no outstanding overdue charges or repurchases, or at such earlier time as the Fund may decide.

- Compensation for the loss of income resulting from deferred charges is estimated at some SDR 16 million.[14] The proceeds from the settlement of overdue charges of SDR 0.7 million were distributed to contributing members. The decision on burden sharing for deferred charges is permanent and operates as long as arrears persist or arise.[15]

18. On average, the burden-sharing adjustments amounted to 9 basis points in the rate of remuneration and 8 basis points in the rate of charge for FY 2004.[16] Appendix Table 6 provides the cumulative adjustments to charges and remuneration for deferred charges and contributions to the SCA-1.

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[14] The members in protracted arrears and the amounts of overdue GRA charges as of end-February 2004 are Liberia (SDR 250 million), Somalia (SDR 96 million), Sudan (SDR 654 million) and Zimbabwe (SDR 10 million). See also *Review of the Fund's Strategy on Overdue Financial Obligations* (EBS/03/118, 8/14/03) and *Overdue Financial Obligations – Statistical Update*, to be issued shortly.

[15] Executive Board Decision No. 12189-(00/45), adopted on April 28, 2000.

[16] The SDR interest rate, rates of remuneration and charge, and burden sharing adjustments are updated weekly and are available on the Fund's external web site (http://www.imf.org/cgi-shl/create_x.pl?bur).

V. Net Income Target and Rate of Charge for FY 2005

19. **The current income mechanism has served the Fund well and it is proposed that the principles for setting the basic rate of charge and target level of net income be maintained in FY 2005.** The current income mechanism based on Rule I-6(4), with some adjustments, has protected the Fund's income position and balances the different interests of the Fund's members in financing its operations. The continuation of the present mechanism is also consistent with the Executive Board's broad agreement reconfirmed in February regarding the target level of precautionary balances and the principles underlying the income mechanism.

20. **The proposed decisions for FY 2005 are as follows**:

Net income target

- The net income target for FY 2005, calculated in accordance with Rule I-6(4) at 5 percent of reserves at the beginning of the period, would be SDR 245 million. As has already been decided, the projected income shortfall of FY 2004 of SDR 40 million needs to be added to the target for a total of SDR 285 million.

- As in previous years, the net income target would be reduced by SDR 94 million, to be accumulated in SCA-1 through burden sharing.

- Taking into account the above, the overall net income target for FY 2005 would thus be SDR 191 million.

- Net income in excess of the target would be refunded through a retroactive reduction in the rate of charge while any shortfalls would be recovered in the following year.

Disposition of surcharge income

- As in previous years, the income from surcharges in FY 2005 would be placed in the General Reserve, and no reimbursement would be made to the GRA for the cost of administering the PRGF Trust.

21. **The determination of the rate of charge for FY 2005 is based on a number of assumptions, including projections regarding the use of Fund credit.** Preliminary projections indicate that average Fund credit outstanding subject to charges will be slightly lower than in FY 2004 (at some SDR 60 billion). On this basis, the coefficient for the rate of charge would need to be set at 156.0 percent of the SDR interest rate for FY 2005 (see Table 4). At the current SDR interest rate, the basic rate of charge would then be equal to 2.46 percent, somewhat higher (one-third of one percent) than the average rate prevailing over FY 2004. Lower outstanding use of credit, a lower level of purchases and historically low market interest rates result in the need to increase the coefficient of the rate of charge in order to cover the Fund's operating expenses. However, the basic rate of charge at 2.46

percent would still be quite low compared to prevailing risk-free medium-term market rates. Furthermore, setting the rate of charge lower than proposed would conflict with the decision by the Executive Board to maintain the pace and target accumulation of precautionary balances.

Table 4. Rate of Charge

(In percent)

	FY 2004		
	Beginning of year	Average	FY 2005 (proposed)
SDR Interest Rate	1.76	1.58	1.58
Basic Rate of Charge	2.32	2.09	2.46
Margin between Rates of Charge and Remuneration	0.56	0.51	0.88
Coefficient of the Rate of Charge	132.0	132.0	156.0

22. **The projections are sensitive to changes in the underlying assumptions, in particular the level of the SDR interest rate.** It has been the Fund's practice not to forecast interest rates in projecting its income. Instead it is assumed that the SDR interest rate prevailing at the time of the projections would remain constant for the projection period. For illustrative purposes, the Fund's income would increase/decrease by SDR 40 million for every 10 basis points increase/decrease in the SDR interest rate (Appendix Table 2). The Executive Board will again review the Fund's income position at midyear. Should interest rate developments at that time justify a reduction in the rate of charge, the Executive Board could reduce the coefficient at midyear, as has been decided in the past when the circumstances warranted it.

23. **In its recent discussion of PRGF financing options, the Board agreed to continue the non-reimbursement to the GRA of PRGF Trust administrative expenses for the life of the Interim PRGF.**[17] These expenses would continue to be covered by surcharge income, with the remaining surcharge income placed to the Fund's General Reserve.

[17] See "The Acting Chairman's Summing Up: The Fund's Role in Low-Income Countries—Considerations on Instruments and Financing" EBM/04/32, 3/31/04.

24. **If the Executive Board were unable to come to an agreement on a net income target and on the rate of charge, the current decision on the rate of charge would continue, with the following implications**:

- The current coefficient of the rate of charge, at 132.0 percent of the SDR interest rate, would remain in effect. Based on current projections, the Fund would then incur a deficit on regular income of SDR 36 million in the next financial year, and would also not recover the income shortfall for FY 2004. The total regular net income shortfall would then amount to about SDR 76 million.
- The current decision on addition to the SCA-1 would lapse and there would be no further accumulation of precautionary balances through burden sharing, equal to SDR 94 million.

VI. Review of Special Charges

25. The decision on special charges on overdue financial obligations in the General Resources Account and the Trust Fund calls for an annual review.[18] The system of special charges was established to provide members with incentives to settle their financial obligations to the Fund in a timely manner. While the overall effectiveness of the system of special charges is doubtful because there are so many exceptions to the system, Directors have expressed opposing views on the retention of the system. No new considerations have arisen during the current financial year and no changes are proposed to the system currently in place, i.e., special charges are levied on overdue repurchases and charges that are in arrears for less than six months. No special charges have been collected during the financial year. Decision No. 6, which can be adopted by a majority of the votes cast, is intended to complete this annual review.

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[18] Decision No. 8165-(85/189) G/TR, adopted December 30, 1985, effective February 1, 1986, as amended.

History of Charges

26. The IMF derives nearly all of its operational income from the charges it levies on use of Fund credit. The system of charges has evolved over time, along with the Fund's various credit arrangements.

Inception–1974

- The system of charges was a complex graduated method, based on both length of time and level of credit outstanding. The structure encouraged members' temporary use of Fund resources, and longer time and higher level increments resulted in higher rates.

- Repurchase schedules did not exist and repayments were not linked to specific obligations. The system was designed so that lower priced credit was paid off first, and members had no incentive to repay early.

1974–1981

- A separate charges structure was developed for credit financed with *ordinary* resources and credit financed with *borrowed* resources.

    - For credit financed with ordinary resources, members were charged quarterly at a fixed "basic" rate with a surcharge that increased over time.

    - For credit financed with *borrowed* resources members were charged semi-annually at a premium rate, linked to market rates or the cost of the borrowing. A time-based surcharge was also levied on borrowed resources.

1981–present

- In 1982, the concept of annual income target was introduced, and the rate of charge was set annually to reach that target. The mechanism provided for a mid-year review. Separate rates existed for credit financed with borrowed resources.

- Repurchase "schedules", introduced by the Second Amendment of 1978, were in effect for all stand-by and other Fund credit.

- In 1989, the basic rate of charge for ordinary resources was linked directly to the weekly SDR interest rate by a coefficient to link the Fund's revenues to its principal cost, i.e., remuneration on reserve tranche position.

- In 1993, a *consolidated rate of charge* for all Fund credit was introduced. The distinction between credit financed by ordinary and borrowed resources was eliminated and members were billed quarterly.

- In December 1997, when the SRF was established, a *time-based surcharge* was introduced to encourage prompt or early repayment.

- In November 2000, when the Board completed the review of facilities, a *level-based surcharge* was introduced. It applies to outstanding credit under stand-by and extended arrangements exceeding 200 percent of quota, to discourage arrangements with high access levels.

Table 1. Assumptions Underlying the Projections
for Financial Years 2004 and 2005

(in billions of SDRs and in percent)

	FY 2004		
	Actual Ten Months ended Feb. 29, 2004	Revised projections	FY 2005 preliminary projections
		(In billions of SDRs)	
1. Average balances subject to charges	67.5	66.8	59.3
2. Average SDR holdings	0.9	0.9	0.8
3. Average remunerated positions	62.5	61.7	53.2
		(in percent)	
Average interest rates:			
1. SDR interest rate and basic rate of remuneration	1.57	1.58	1.58
2. Basic rate of charge	2.07	2.09	2.46
3. Margin between the rate of charge and SDR interest rate	0.50	0.51	0.88
Coefficient of the rate of charge	132.0	132.0	156.0

Table 2. Effect on Projected Regular Net Income for FY 2005 of
Changes in Selected Assumptions

(in millions of SDRs)

	Average SDR Interest Rate (in percent)				
	1.48	1.58	1.68	1.78	1.88
1. Regular net income with a fixed proportion of 156.0 percent	150.7	191.0	231.3	271.7	312.1
2. Increase in regular net income due to purchases in the credit tranches higher by SDR 1 billion					
a. In the first half of the year	11.2	11.6	12.1	12.5	12.9
b. In the second half of the year	7.1	7.2	7.4	7.5	7.6
<u>Memorandum Item:</u>					
Charges coefficient (in percent) necessary to achieve net income target of SDR 191 million	161.0	156.0	152.0	148.0	145.0

Table 3. Rates of Charge during FYs 1993-2004 1/
(in percent)

Financial Year	Average SDR Interest Rate (1)	Coefficient of Rate of Charge 2/ (2)	Average Basic Rate of Charge (3)	Margin (3)-(1) (4)
1993	5.80	97.9	5.68	-0.12
1994	4.24	111.0	4.71	0.47
1995	4.60	113.6	5.22	0.62
1996	4.26	102.5	4.37	0.11
1997	3.92	109.4	4.29	0.37
1998	4.17	108.3	4.52	0.35
1999	3.85	107.0	4.12	0.27
2000	3.69	113.7	4.19	0.50
2001	4.47	115.9	5.18	0.71
2002	2.80	117.6	3.29	0.49
2003	2.06	128.0	2.64	0.58
2004 3/	1.57	132.0	2.08	0.50

1/ Prior to FY 1993, the Fund levied separate rates of charge on credit financed by its own resources and those financed by borrowed resources. For interest rates prior to FY 1993, see *Simplication of the Fund's Charges* (EBS/92/184, 11/20/92).
2/ Average for the financial year.
3/ Average rates for the first 10 months of the financial year.

Table 4. Reconciliation of Administrative and Capital Budgets and Administrative Expenses: FY 2005

(in millions of U.S. Dollars and SDRs)

	U.S. $	SDR 1/
Administrative Budget 2/	850	574
Less: Approved budget for employee benefits		
in excess of IAS 19 cost	(109)	(74)
Reimbursements for administering the SDR Department	(2)	(1)
Administrative Budget Expense	739	499
Capital Budget expenditures not capitalized	29	19
Depreciation expense	23	15
Total Administrative expenses	791	533

1/ Based on current exchange rate.
2/ Total budgetary expenses net of recovery and reimbursements of expenses, as presented in the FY 2005 Budget and the Medium-Term Expenditure Framework (EBAP/04/37, 4/1/04).

Table 5. GRA Credit Outstanding and Remunerated Positions as at February 29, 2004
(In millions of SDRs and in percent)

Member	Outstanding Credit		Remunerated Position	
	Amount	Percentage of total	Amount	Percentage of total
Afghanistan	-	-	-	-
Albania	-	-	1.3	0.00
Algeria	615.7	0.96	52.6	0.09
Angola	-	-	-	-
Antigua and Barbuda	-	-	-	-
Argentina	10,687.2	16.62	-	-
Armenia	7.0	0.01	-	-
Australia	-	-	1,146.5	1.96
Austria	-	-	669.9	1.14
Azerbaijan	55.2	0.09	-	-
Bahamas, The	-	-	1.2	0.00
Bahrain	-	-	67.5	0.12
Bangladesh	-	-	-	-
Barbados	-	-	1.8	0.00
Belarus	11.7	0.02	-	-
Belgium	-	-	1,649.8	2.81
Belize	-	-	3.4	0.01
Benin	-	-	-	-
Bhutan	-	-	0.8	0.00
Bolivia	64.3	0.10	-	-
Bosnia	98.6	0.15	-	-
Botswana	-	-	24.3	0.04
Brazil	19,056.5	29.64	-	-
Brunei	-	-	50.0	0.09
Bulgaria	820.8	1.28	7.1	0.01
Burkina Faso	-	-	4.0	0.01
Burundi	-	-	-	-
Cambodia	-	-	-	-
Cameroon	-	-	-	-
Canada	-	-	2,227.7	3.80
Cape Verde	-	-	-	-
Central African Rep.	-	-	-	-
Chad	-	-	-	-
Chile	-	-	314.9	0.54
China	-	-	2,418.5	4.13
Colombia	-	-	246.6	0.42
Comoros	-	-	0.1	0.00
Congo, Dem.Rep.of	-	-	-	-
Congo, Rep. of	9.3	0.01	-	-
Costa Rica	-	-	12.0	0.02
Cote d'Ivoire	-	-	-	-
Croatia	-	-	-	-

Table 5. GRA Credit Outstanding and Remunerated Positions as at February 29, 2004
(In millions of SDRs and in percent)

	Outstanding Credit		Remunerated Position	
Member	Amount	Percentage of total	Amount	Percentage of total
Cyprus	-	-	49.8	0.08
Czech Republic	-	-	285.1	0.49
Denmark	-	-	584.1	1.00
Djibouti	-	-	0.4	0.00
Dominica	3.0	0.00	-	-
Dominican Republic	131.3	0.20	-	-
Ecuador	248.2	0.39	8.9	0.02
Egypt	-	-	-	-
El Salvador	-	-	-	-
Equatorial Guinea	-	-	-	-
Eritrea	-	-	-	-
Estonia	-	-	-	-
Ethiopia	-	-	0.4	0.00
Fiji	-	-	11.9	0.02
Finland	-	-	450.7	0.77
France	-	-	3,861.9	6.59
Gabon	37.8	0.06	-	-
Gambia, The	-	-	-	-
Georgia	11.6	0.02	-	-
Germany	-	-	4,764.3	8.13
Ghana	-	-	-	-
Greece	-	-	299.8	0.51
Grenada	2.9	0.00	-	-
Guatemala	-	-	-	-
Guinea	-	-	-	-
Guinea-Bissau	1.5	0.00	-	-
Guyana	-	-	-	-
Haiti	-	-	-	-
Honduras	-	-	2.4	0.00
Hungary	-	-	382.2	0.65
Iceland	-	-	12.8	0.02
India	-	-	652.0	1.11
Indonesia	6,825.9	10.62	80.5	0.14
Iran, I.R. of	-	-	-	-
Iraq	-	-	-	-
Ireland	-	-	303.3	0.52
Israel	-	-	331.3	0.57
Italy	-	-	2,541.8	4.34
Jamaica	6.0	0.01	-	-
Japan	-	-	4,928.6	8.41
Jordan	267.0	0.42	-	-
Kazakhstan	-	-	-	-

Table 5. GRA Credit Outstanding and Remunerated Positions as at February 29, 2004
(In millions of SDRs and in percent)

	Outstanding Credit		Remunerated Position	
Member	Amount	Percentage of total	Amount	Percentage of total
Kenya	-	-	0.7	0.00
Kiribati	-	-	-	-
Korea	-	-	487.7	0.83
Kuwait	-	-	505.7	0.86
Kyrgyz Republic	-	-	-	-
Lao P.D.R.	-	-	-	-
Latvia	1.9	0.00	-	-
Lebanon	-	-	16.6	0.03
Lesotho	-	-	2.3	0.00
Liberia	200.8	0.31	-	-
Libya	-	-	389.5	0.66
Lithuania	28.9	0.04	-	-
Luxembourg	-	-	106.0	0.18
Macedonia, FYR	19.7	0.03	-	-
Madagascar	-	-	-	-
Malawi	17.4	0.03	-	-
Malaysia	-	-	539.7	0.92
Maldives	-	-	1.4	0.00
Mali	-	-	3.4	0.01
Malta	-	-	36.3	0.06
Marshall Islands	-	-	-	-
Mauritania	-	-	-	-
Mauritius	-	-	16.4	0.03
Mexico	-	-	460.8	0.79
Micronesia	-	-	-	-
Moldova	62.8	0.10	-	-
Mongolia	-	-	-	-
Morocco	-	-	42.2	0.07
Mozambique	-	-	-	-
Myanmar	-	-	-	-
Namibia	-	-	-	-
Nepal	-	-	2.7	0.00
Netherlands	-	-	1,880.0	3.21
New Zealand	-	-	319.0	0.54
Nicaragua	-	-	-	-
Niger	-	-	5.3	0.01
Nigeria	-	-	-	-
Norway	-	-	599.9	1.02
Oman	-	-	75.8	0.13
Pakistan	393.2	0.61	-	-
Palau	-	-	-	-

Table 5. GRA Credit Outstanding and Remunerated Positions as at February 29, 2004
(In millions of SDRs and in percent)

Member	Outstanding Credit Amount	Outstanding Credit Percentage of total	Remunerated Position Amount	Remunerated Position Percentage of total
Panama	30.0	0.05	2.9	0.00
Papua New Guinea	79.4	0.12	-	-
Paraguay	-	-	16.7	0.03
Peru	80.3	0.12	-	-
Philippines	702.0	1.09	48.6	0.08
Poland	-	-	481.7	0.82
Portugal	-	-	313.4	0.53
Qatar	-	-	98.5	0.17
Romania	387.5	0.60	-	-
Russia	3,188.2	4.96	-	-
Rwanda	-	-	-	-
Samoa	-	-	0.2	0.00
St. Kitts	-	-	-	-
St. Lucia	-	-	-	-
St. Vincent	-	-	0.2	0.00
San Marino	-	-	3.6	0.01
Sao Tome	-	-	-	-
Saudi Arabia	-	-	2,716.7	4.63
Senegal	-	-	-	-
Seychelles	-	-	-	-
Serbia & Montenegro	616.9	0.96	-	-
Sierra Leone	-	-	-	-
Singapore	-	-	347.4	0.59
Slovakia	-	-	-	-
Slovenia	-	-	83.2	0.14
Solomon Islands	-	-	0.2	0.00
Somalia	96.7	0.15	-	-
South Africa	-	-	-	-
Spain	-	-	1,100.2	1.88
Sri Lanka	220.7	0.34	23.4	0.04
Sudan	340.5	0.53	-	-
Suriname	-	-	0.4	0.00
Swaziland	-	-	4.6	0.01
Sweden	-	-	863.0	1.47
Switzerland	-	-	1,225.6	2.09
Syria	-	-	-	-
Tajikistan	-	-	-	-
Tanzania	-	-	-	-
Thailand	-	-	52.5	0.09
Timor-Leste	-	-	-	-
Togo	-	-	-	-
Tonga	-	-	1.4	0.00

Table 5. GRA Credit Outstanding and Remunerated Positions as at February 29, 2004
(In millions of SDRs and in percent)

	Outstanding Credit		Remunerated Position	
Member	Amount	Percentage of total	Amount	Percentage of total
Trinidad and Tobago	-	-	114.9	0.20
Tunisia	-	-	8.2	0.01
Turkey	15,734.4	24.47	75.0	0.13
Turkmenistan	-	-	-	-
Uganda	-	-	-	-
Ukraine	1,228.3	1.91	-	-
United Arab Emirates	-	-	235.6	0.40
United Kingdom	-	-	3,549.9	6.06
United States	-	-	13,067.0	22.29
Uruguay	1,719.1	2.67	-	-
Uzbekistan	24.9	0.04	-	-
Vanuatu	-	-	1.7	0.00
Venezuela	-	-	239.4	0.41
Vietnam	1.0	0.00	-	-
Yemen, Republic of	39.4	0.06	-	-
Zambia	-	-	-	-
Zimbabwe	117.5	0.18	-	-
	64,292.8	100.00	58,619.5	100.0

Values of 0.0 represent balances of less than SDR 0.1 million; "-" denotes zero balance.

Table 6. Cumulative Burden Sharing Adjustments 1/
As of February 29, 2004
(In millions of SDRs and in percent)

	Adjustments for Deferred Charges 2/				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	9.3	0.4	9.7	1.22	18.7	0.5	19.2	1.30
Angola	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Argentina	37.4	-	37.4	4.74	77.2	-	77.2	5.21
Armenia	0.1	0.0	0.1	0.02	0.3	0.0	0.3	0.02
Australia	-	3.1	3.1	0.39	-	8.2	8.2	0.55
Austria	-	5.3	5.3	0.67	-	10.0	10.0	0.67
Azerbaijan	0.4	-	0.4	0.05	1.3	-	1.3	0.09
Bahamas, The	-	0.1	0.1	0.01	-	0.1	0.1	0.00
Bahrain, Kingdom of	-	0.6	0.6	0.07	-	1.0	1.0	0.07
Bangladesh	3.8	-	3.8	0.49	3.8	-	3.8	0.25
Barbados	0.2	0.0	0.2	0.02	0.3	0.0	0.3	0.02
Belarus	0.6	-	0.6	0.07	1.5	-	1.5	0.10
Belgium	-	6.7	6.7	0.85	-	14.9	14.9	1.00
Belize	0.0	0.0	0.1	0.01	0.0	0.1	0.1	0.01
Bhutan	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Bolivia	1.1	-	1.1	0.14	1.0	-	1.0	0.07
Bosnia and Herzegovina	0.6	-	0.6	0.08	1.0	-	1.0	0.07
Botswana	-	0.3	0.3	0.04	-	0.5	0.5	0.03
Brazil	26.8	-	26.8	3.39	53.8	-	53.8	3.63
Brunei Darussalam	-	0.1	0.1	0.01	-	0.3	0.3	0.02
Bulgaria	4.2	0.0	4.3	0.54	10.2	0.1	10.3	0.70
Burkina Faso	-	0.1	0.1	0.01	-	0.1	0.1	0.01
Burundi	0.0	0.1	0.1	0.01	0.0	0.1	0.1	0.00
Cambodia	0.0	-	0.0	0.00	0.1	-	0.1	0.00
Cameroon	0.9	-	0.9	0.12	1.1	-	1.1	0.08
Canada	-	6.4	6.4	0.81	-	16.8	16.8	1.13
Cape Verde	-	0.0	0.0	0.00	-	-	-	-
Central African Rep.	0.1	-	0.1	0.02	0.2	-	0.2	0.01
Chad	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Chile	7.3	0.5	7.8	0.99	7.6	1.8	9.4	0.63
China	5.1	7.5	12.6	1.59	4.8	19.0	23.8	1.61
Colombia	-	0.8	0.8	0.10	-	2.4	2.4	0.16
Comoros	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Congo, Dem. Republic o	4.3	-	4.3	0.55	5.1	-	5.1	0.35
Congo, Republic of	0.2	-	0.2	0.02	0.2	-	0.2	0.02
Costa Rica	0.6	0.0	0.6	0.07	0.6	0.1	0.7	0.05
Cote D`Ivoire	3.0	-	3.0	0.38	3.2	-	3.2	0.21
Croatia, Republic of	1.4	-	1.4	0.17	2.2	-	2.2	0.15
Cyprus	-	0.2	0.2	0.03	-	0.5	0.5	0.03
Czech Republic	2.7	0.1	2.8	0.35	4.1	0.3	4.4	0.30
Denmark	-	4.0	4.0	0.51	-	8.1	8.1	0.54

Table 6. Cumulative Burden Sharing Adjustments 1/
As of February 29, 2004
(In millions of SDRs and in percent)

Member	Adjustments for Deferred Charges 2/ Charges	Remuneration	Total	Percentage of total	Adjustments for SCA-1 Charges	Remuneration	Total	Percentage of total
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	1.7	-	1.7	0.22	2.1	-	2.1	0.14
Ecuador	2.5	0.1	2.5	0.32	3.1	0.1	3.3	0.22
Egypt	1.8	0.1	1.9	0.24	2.2	0.3	2.5	0.17
El Salvador	0.1	-	0.1	0.01	0.0	-	0.0	0.00
Equatorial Guinea	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Estonia	0.2	-	0.2	0.02	0.4	-	0.4	0.03
Ethiopia	0.3	0.0	0.3	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	-	3.0	3.0	0.38	-	5.8	5.8	0.39
France	-	21.2	21.2	2.68	-	42.0	42.0	2.84
Gabon	0.7	-	0.7	0.09	1.3	-	1.3	0.08
Gambia, The	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Georgia	0.2	-	0.2	0.03	0.6	-	0.6	0.04
Germany	-	44.7	44.7	5.65	-	77.5	77.5	5.24
Ghana	2.2	0.0	2.2	0.27	2.1	0.0	2.2	0.15
Greece	-	1.2	1.2	0.16	-	2.6	2.6	0.18
Grenada	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Guatemala	0.5	0.0	0.5	0.06	0.5	0.0	0.5	0.03
Guinea	0.2	-	0.2	0.02	0.2	-	0.2	0.01
Guinea-Bissau	0.0	-	0.0	0.00	0.0	-	0.0	0.00
Guyana	0.5	-	0.5	0.07	0.6	-	0.6	0.04
Haiti	0.3	-	0.3	0.04	0.4	-	0.4	0.03
Honduras	0.6	0.0	0.6	0.07	0.9	0.0	0.9	0.06
Hungary	7.2	0.3	7.5	0.95	9.6	1.2	10.9	0.73
Iceland	0.0	0.0	0.1	0.01	0.0	0.1	0.1	0.01
India	30.0	2.3	32.3	4.09	39.6	3.1	42.8	2.89
Indonesia	15.7	0.9	16.6	2.10	44.2	2.0	46.1	3.11
Iran, Islamic Rep of	-	0.1	0.1	0.01	-	0.1	0.1	0.00
Ireland	-	2.3	2.3	0.29	-	4.3	4.3	0.29
Israel	0.7	0.1	0.8	0.11	1.3	0.6	1.9	0.13
Italy	-	20.4	20.4	2.58	-	36.6	36.6	2.47
Jamaica	3.2	-	3.2	0.41	3.9	-	3.9	0.27
Japan	-	46.1	46.1	5.83	-	85.4	85.4	5.77
Jordan	1.8	0.0	1.8	0.23	3.9	0.0	3.9	0.26
Kazakhstan	0.9	-	0.9	0.12	2.5	-	2.5	0.17
Kenya	1.5	0.0	1.5	0.19	1.4	0.0	1.4	0.10
Kiribati	-	0.0	0.0	0.00	-	-	-	-
Korea	10.3	3.3	13.6	1.72	27.9	6.2	34.1	2.30
Kuwait	-	3.0	3.0	0.38	-	5.1	5.1	0.34
Kyrgyz Republic	0.2	-	0.2	0.02	0.4	-	0.4	0.03

Table 6. Cumulative Burden Sharing Adjustments 1/
As of February 29, 2004
(In millions of SDRs and in percent)

Member	Adjustments for Deferred Charges 2/ Charges	Remuneration	Total	Percentage of total	Adjustments for SCA-1 Charges	Remuneration	Total	Percentage of total
Lao People's Dem Rep	0.0	-	0.0	0.00	-	-	-	-
Latvia	0.3	-	0.3	0.04	0.8	-	0.8	0.05
Lebanon	-	0.3	0.3	0.04	-	0.5	0.5	0.03
Lesotho	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Liberia	2.1	-	2.1	0.26	3.7	-	3.7	0.25
Libya	-	4.9	4.9	0.62	-	8.0	8.0	0.54
Lithuania	0.7	-	0.7	0.09	1.8	-	1.8	0.12
Luxembourg	-	0.3	0.3	0.03	-	0.6	0.6	0.04
Macedonia, FRY	0.3	-	0.3	0.04	0.5	-	0.5	0.04
Madagascar	0.6	-	0.6	0.07	0.5	-	0.5	0.03
Malawi	0.4	-	0.4	0.05	0.4	-	0.4	0.03
Malaysia	-	3.6	3.6	0.46	-	7.5	7.5	0.50
Maldives	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Mali	0.2	0.1	0.3	0.04	0.2	0.1	0.3	0.02
Malta	-	0.4	0.4	0.05	-	0.7	0.7	0.04
Mauritania	0.3	-	0.3	0.03	0.3	-	0.3	0.02
Mauritius	0.2	0.0	0.2	0.03	0.2	0.1	0.2	0.02
Mexico	47.9	0.1	48.0	6.08	82.0	0.3	82.3	5.56
Micronesia	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Moldova	0.5	-	0.5	0.07	1.5	-	1.5	0.10
Mongolia	0.1	-	0.1	0.01	0.1	-	0.1	0.01
Morocco	3.5	0.1	3.6	0.45	3.5	0.2	3.7	0.25
Myanmar	0.1	-	0.1	0.01	0.0	-	0.0	0.00
Namibia	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Nepal	0.1	0.0	0.2	0.02	0.1	0.1	0.2	0.01
Netherlands	-	10.9	10.9	1.38	-	22.4	22.4	1.51
New Zealand	-	0.7	0.7	0.09	-	2.1	2.1	0.14
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	0.4	0.02
Norway	-	7.7	7.7	0.97	-	12.5	12.5	0.84
Oman	-	0.6	0.6	0.07	-	0.9	0.9	0.06
Pakistan	7.8	-	7.8	0.99	12.6	-	12.6	0.85
Panama	1.4	0.0	1.5	0.18	2.0	0.0	2.1	0.14
Papua New Guinea	0.4	0.0	0.4	0.05	0.8	0.0	0.8	0.05
Paraguay	-	0.2	0.2	0.02	-	0.3	0.3	0.02
Peru	8.9	-	8.9	1.13	13.2	-	13.2	0.89
Philippines	11.5	0.3	11.8	1.49	19.3	0.7	20.0	1.35
Poland	4.2	0.4	4.6	0.58	6.1	1.4	7.5	0.51
Portugal	1.0	2.3	3.3	0.42	0.5	4.9	5.5	0.37
Qatar	-	0.4	0.4	0.05	-	0.8	0.8	0.05
Romania	5.3	-	5.3	0.67	9.8	-	9.8	0.66

Table 6. Cumulative Burden Sharing Adjustments 1/
As of February 29, 2004
(In millions of SDRs and in percent)

	Adjustments for Deferred Charges 2/				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Russian Federation	30.8	-	30.8	3.89	88.3	-	88.3	5.96
Rwanda	0.0	0.0	0.1	0.01	0.1	0.1	0.2	0.01
Samoa	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
San Marino	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Saudi Arabia	-	10.9	10.9	1.38	-	19.1	19.1	1.29
Serbia and Montenegro	1.6	-	1.6	0.20	0.7	-	0.7	0.05
Senegal	0.7	-	0.7	0.09	2.5	-	2.5	0.17
Seychelles	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Sierra Leone	0.6	-	0.6	0.08	0.7	-	0.7	0.05
Singapore	-	2.0	2.0	0.25	-	4.1	4.1	0.27
Slovak Republic	2.0	0.0	2.0	0.25	3.7	0.0	3.7	0.25
Slovenia	0.5	0.1	0.6	0.08	0.5	0.4	0.9	0.06
Solomon Islands	0.0	0.0	0.0	0.00	0.0	0.0	0.0	0.00
Somalia	1.0	-	1.0	0.13	1.8	-	1.8	0.12
South Africa	2.1	-	2.1	0.27	3.7	-	3.7	0.25
Spain	-	13.0	13.0	1.65	-	21.9	21.9	1.48
Sri Lanka	2.1	0.0	2.1	0.27	2.2	0.1	2.3	0.16
St. Kitts And Nevis	0.0	-	0.0	0.00	0.0	-	0.0	0.00
St. Vincent	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Sudan	6.7	-	6.7	0.84	10.7	-	10.7	0.72
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	-	5.1	5.1	0.65	-	10.3	10.3	0.69
Switzerland	-	4.7	4.7	0.60	-	13.6	13.6	0.92
Tajikistan	0.0	-	0.0	0.01	0.1	-	0.1	0.01
Tanzania	0.4	-	0.4	0.05	0.4	-	0.4	0.02
Thailand	5.5	1.3	6.8	0.86	12.5	2.6	15.1	1.02
Togo	0.2	-	0.2	0.03	0.2	-	0.2	0.01
Tonga	-	0.0	0.0	0.00	-	0.0	0.0	0.00
Trinidad And Tobago	1.9	0.1	2.0	0.26	2.2	0.2	2.4	0.16
Tunisia	3.0	0.0	3.0	0.39	4.0	0.0	4.1	0.28
Turkey	9.0	0.1	9.1	1.15	35.9	0.4	36.2	2.45
Uganda	0.5	-	0.5	0.06	0.5	-	0.5	0.03
Ukraine	4.8	-	4.8	0.61	14.7	-	14.7	0.99
United Arab Emirates	-	2.6	2.6	0.33	-	4.3	4.3	0.29
United Kingdom	-	15.4	15.4	1.95	-	31.8	31.8	2.15
United States	-	119.0	119.0	15.06	-	208.0	208.0	14.04
Uruguay	1.5	0.0	1.6	0.20	3.1	0.1	3.2	0.22
Uzbekistan	0.4	-	0.4	0.05	1.1	-	1.1	0.07
Vanuatu	-	0.0	0.0	0.00	-	0.0	0.0	0.00

Table 6. Cumulative Burden Sharing Adjustments 1/
As of February 29, 2004
(In millions of SDRs and in percent)

	Adjustments for Deferred Charges 2/				Adjustments for SCA-1			
Member	Charges	Remuneration	Total	Percentage of total	Charges	Remuneration	Total	Percentage of total
Venezuela	19.1	1.8	20.9	2.64	29.5	2.6	32.1	2.17
Vietnam	0.7	-	0.7	0.09	1.2	-	1.2	0.08
Yemen	0.3	0.0	0.3	0.04	0.8	0.0	0.8	0.06
Zambia	6.5	-	6.5	0.82	7.7	-	7.7	0.52
Zimbabwe	1.0	0.0	1.0	0.13	2.1	0.0	2.1	0.14
	394.8	395.1	790.0	100.00	739.3	741.8	1,481.1	100.00

Values of 0.0 represent amounts of less than SDR 0.1 million; "-" denotes no adjustments.
1/ adjustments to charges and remuneration represent amounts billed
2/ net of cumulative refunds