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May 3, 1999

To: Members of the Executive Board

From: The Secretary

Subject: **Review of the Fund's Income Position, Precautionary Balances, Burden
Sharing, and Special Charges for FY 1999 and FY 2000**

Attached for the records of Executive Directors is the Secretary's understanding of the decisions adopted at Executive Board Meeting 99/49 (4/30/99), relating to the Fund's income position, precautionary balances, burden sharing, and special charges for FY 1999 and FY 2000.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Executive Board Decisions—April 30, 1999

Review of the Fund's Income Position, Precautionary Balances, Burden Sharing, and Special Charges for FY 1999 and FY 2000

Decision No. 1

Disposition of Net Income for FY 1999

SDR 106,675,756 of the Fund's net income for financial year 1999 shall be placed to the Fund's Special Reserve after the end of the financial year.

Decision No. 2

The Rate of Charge on the Use of Fund Resources for FY 2000

1. Notwithstanding Rule I-6(4)(a), effective May 1, 1999, the proportion of the rate of charge referred to in Rule I-6(4) to the SDR interest rate under Rule T-1 shall be 113.7 percent.
2. Any net income for financial year 2000 in excess of an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year shall be used to reduce retroactively the proportion of the rate of charge to the SDR interest rate for financial year 2000. If net income for financial year 2000 is below an amount equivalent to 5 percent of the Fund's reserves at the beginning of that financial year, the amount of projected net income for financial year 2001 shall be increased by the equivalent of that shortfall. For the purpose of this provision, net income shall be calculated without taking into account net operational income generated by the Supplemental Reserve Facility and Contingent Credit Lines or the effect on income of the implementation of International Accounting Standard 19—Employee Benefits.

Decision No. 3

Burden Sharing—Implementation in FY 2000

Section I. Principles of "Burden Sharing"

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.
2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. Determination of the Rate of Charge

The rate of charge for financial year 2000 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.

Section III. Amount for Special Contingent Account I

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 2000 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account-1 referred to in Decision No. 9471-(90/98), adopted June 20, 1990.

Section IV. Implementation of Burden Sharing

1. During financial year 2000, notwithstanding Rule I-6(4)(a) and (b) and Rule I-10, the rate of charge referred to in Rule I-6(4) and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account-1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189)G/TR, adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1999, August 1, 1999, November 1, 1999, and February 1, 2000:
shortly after July 31 for the period May 1 to July 31;
shortly after October 31 for the period from August 1 to October 31;
shortly after January 31 for the period from November 1 to January 31;
shortly after April 30 for the period from February 1 to April 30;

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. (a) Subject to paragraph 3 of Decision No. 8780-(88/12), adopted January 29, 1988, the balances held in the Special Contingent Account-1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74), adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12), adopted January 29, 1988, if any loss is charged against the Special Contingent Account-1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 4

ESAF Trust-Reserve Account—Transfer to the ESAF-HIPC Trust

For financial year 2000, no reimbursement shall be made to the General Resources Account from the ESAF Trust Reserve Account for the cost of administering the ESAF Trust. One-fourth of the estimated annual cost shall be transferred at the end of each financial quarter ended July 31 and October 31, 1999 and January 31 and April 30, 2000 from the ESAF Trust Reserve Account (through the Special Disbursement Account) to the ESAF-HIPC Trust.

**Decision No. 5
Review of Extended Burden Sharing**

The Fund has reviewed the operation of Decision No. 9471-(90/98), adopted June 20, 1990, as amended.

**Decision No. 6
Review of the System of Special Charges**

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

**Decision No. 7
Supplemental Reserve Facility and Contingent Credit Lines—Disposition
of Net Operating Income**

For financial year 2000, after meeting the cost of administering the ESAF Trust, any remaining net operational income generated by the Supplemental Reserve Facility and Contingent Credit Lines shall be transferred, after the end of that financial year, to the General Reserve.