

**QUARTERLY REPORT TO CONGRESS ON
FINANCIAL IMPLICATIONS OF U.S. PARTICIPATION
IN THE INTERNATIONAL MONETARY FUND**

FEBRUARY 2002

This report has been prepared in compliance with Section 504(b) of Appendix E, Title V of the Consolidated Appropriations Act for FY 2000¹. The report focuses exclusively on the financial implications of U.S. participation in the IMF and does not attempt to quantify the broad and substantial economic benefits to the United States and the global economy resulting from U.S. participation in the IMF.

As required, the report provides financial information on the net interest and valuation changes associated with U.S. participation in the International Monetary Fund (IMF). The broader context for the financial implications of U.S. participation in the IMF and the methodology used in deriving these figures is laid out in previous reports; the methodology is also summarized briefly in the footnotes attached to the tables. Reports under this provision are prepared quarterly and made available to the public on the Treasury website:

<http://www.treas.gov/press/releases/reports.htm>.

This report provides quarterly data for FY 2001. It provides information on U.S. participation in the IMF's General Department as well as information related to U.S. holdings of Special Drawing Rights (SDRs)² as part of its international reserves and the financial implications of U.S. participation in the SDR Department of the IMF.

Data on U.S. participation in the IMF's General Department during the second, third, and fourth quarters, and year-end data for fiscal year 2001 are provided in Table 1. Data on U.S. participation in the SDR Department of the IMF are provided in Table 2. Historical data are also included in this report to reflect a methodological adjustment, relative to previous reports. In previous reports dollar financing costs were calculated using the 3-month T-bill rate. This methodology has been revised to use the average cost of funds to the U.S. Treasury on all of its borrowings.

Table 1 shows the net interest and valuation changes related to U.S. participation in the General Department for the quarters ending March 31, June 30, and September 30, 2001. Table 2 shows the net interest and valuation changes related to U.S. participation in the SDR Department, also for the quarters ending March 31, June 30, and September 30, 2001. The attached footnotes

¹ Section 504(b) of Appendix E, Title V of the Consolidated Appropriations Act for FY 2000, Public Law 106-113, 113 Stat. 1501A-317 requires that the Secretary of the Treasury prepare and transmit to the appropriate committees of the Congress a quarterly report on the costs or benefits of United States participation in the International Monetary Fund (IMF), detailing the costs or benefits to the United States, as well as valuation gains or losses on the United States' reserve position in the IMF.

² The SDR is an international reserve asset created by the IMF. The SDR is used as a unit of account by the IMF and other international organizations. Its value is determined as a weighted average of a basket of currencies -- the dollar, euro, pound sterling and yen. The SDR carries a market-based interest rate determined on the basis of a weighted average of interest rates on short-term instruments in the markets of the currencies included in the SDR valuation basket.

explain the columns shown on each table and provide pertinent information and assumptions used in the calculations.

As shown in Table 1, for the second, third, and fourth quarters of the fiscal year beginning on October 1, 2000 (FY 2001), the financial implications of U.S. participation in the General Department reflected a net interest effect of positive \$7 million, positive \$1 million, and negative \$16 million, respectively. The valuation changes for the second, third, and fourth quarters were negative \$474 million, negative \$181 million, and positive \$543 million, respectively. For FY 2001 as a whole, net interest paid was \$4 million. The valuation change on the reserve position was negative \$56 million.³

As shown in Table 2, for the second, third, and fourth quarter of FY 2001, the net interest effect of U.S. participation in the SDR Department was negative \$12 million, negative \$6 million, and negative \$10 million, respectively. Over the same period, the valuation changes on SDR holdings were negative \$135 million, negative \$50 million, and positive \$150 million, respectively. For FY 2001 as a whole, net interest paid was \$47 million. The valuation change on the reserve position was negative \$20 million.⁴

Attachments

³ For an explanation of the methodology used in deriving these figures, see section on “Calculating the Financial Implications of U.S. Participation in the General Department” in the report prepared for the fourth quarter of fiscal year 2000, submitted in December 2000 and available at <http://www.treas.gov/press/releases/reports.htm>.

⁴ For an explanation of the methodology used in deriving these figures, see section on “Calculating the Financial Implications of U.S. Participation in the SDR Department” in the report prepared for the fourth quarter of fiscal year 2000, submitted in December 2000 and available at <http://www.treas.gov/press/releases/reports.htm>.

**Table 1 -- Net Interest and Valuation Changes Related to US Participation in the General Department, IMF
(U.S. Fiscal Year Basis, in millions of US Dollars)**

<i>fiscal year ending 9/30</i>	Transactions with the IMF			Interest Calculations			Valuation Changes	Totals	
	Transactions Under US Quota (Letter of Credit & Transfers of Reserve Assets, Cumulative)	US Loans to IMF Under SFF, GAB, NAB (Cumulative)	Total US Transactions with IMF (Col. 1+2)	Interest Associated with Financing US Transactions with IMF	Remuneration Received by US from IMF & Refund of Burden Sharing	Interest Received from IMF Under SFF, GAB, and NAB	Net Interest (Col. 4+5+6)	Valuation Changes on US Reserve Position	Total (Col 7+ 8)
	Col. 1	Col. 2	Col. 3	Col. 4	Col.5	Col.6	Col. 7	Col. 8	Col. 9
1981	-2,061	-840	-2,902	-189	22	45	-122	-365	-487
1982	-3,883	-1,186	-5,069	-520	216	121	-183	-323	-506
1983	-6,564	-1,685	-8,249	-672	345	138	-189	-150	-339
1984	-9,501	-1,601	-11,102	-1,066	673	175	-218	-565	-783
1985	-9,102	-1,405	-10,507	-958	644	154	-161	547	386
1986	-8,073	-1,052	-9,125	-690	595	111	17	1,444	1,461
1987	-6,904	-597	-7,501	-511	449	71	9	575	584
1988	-5,846	-217	-6,063	-434	406	49	22	135	157
1989	-5,262	-3	-5,265	-462	471	22	31	-67	-36
1990	-4,686	0	-4,686	-435	546	4	115	810	925
1991	-5,078	0	-5,078	-364	475	0	111	-178	-67
1992	-5,068	0	-5,068	-282	400	0	118	687	805
1993	-7,752	0	-7,752	-336	422	0	86	-336	-250
1994	-7,310	0	-7,310	-321	336	0	15	394	409
1995	-9,649	0	-9,649	-421	407	0	-14	270	256
1996	-11,051	0	-11,051	-488	475	0	-13	-695	-708
1997	-10,433	0	-10,433	-489	438	0	-50	-787	-837
1998	-17,363	-410	-17,773	-732	590	1	-141	151	10
1999	-16,058	0	-16,058	-769	686	21	-62	198	136
2000	-10,004	0	-10,004	-598	578	0	-21	-1,119	-1,140
1Q01	-11,949	0	-11,949	-129	133	0	4	56	60
2Q01	-11,378	0	-11,378	-128	135	0	7	-474	-467
3Q01	-13,778	0	-13,778	-114	115	0	1	-181	-180
4Q01	-17,021	0	-17,021	-121	105	0	-16	543	527
2001	-17,021	0	-17,021	-492	488	0	-4	-56	-60

Detail may not add to total due to rounding.

Footnotes to Columns in Table 1

Column 1: Total cumulative transactions under the U.S. Quota, including drawings by the IMF under the Letter of Credit (75% portion of the U.S. quota) and the transfers of reserve assets to the IMF (generally 25% of the U.S. quota).

Column 2: Total cumulative dollar funding through loans to the IMF made by the U.S. under the Supplementary Financing Facility (SFF, in 1980), the General Arrangements to Borrow (GAB, in FY1998) and the New Arrangements to Borrow (NAB, in FY1999). All U.S. loans under the three facilities/arrangements have been repaid.

Column 3: Total cumulative U.S. transactions with the Fund (horizontal summation of columns 1 and 2).

Column 4: Total interest associated with total cumulative transactions shown in column 3. This includes interest paid on additional public borrowing to fund day-to-day transactions under the Letter of Credit and occasional transfers under loan arrangements (SFF, GAB, NAB), as well as interest income foregone due to the transfer of reserve assets to the IMF at the time of a quota increase. In order to provide resources under the Letter of Credit or under loan arrangements, the Treasury borrows from the public via additional issuance in the Treasury market; average cost of funds is used as a proxy for calculating the associated interest cost. This portion of the total interest paid enters the U.S. budget as interest on the public debt. For purposes of calculating foregone interest on the transfer of reserve assets to the IMF, the SDR interest rate is used.

Column 5: The U.S. earns interest on the non-gold portion of its reserve position in the IMF. This interest is called remuneration and, in combination with an adjustment by the IMF related to burden-sharing, is paid by the IMF every quarter. If remuneration is paid in SDRs, it is paid to the Exchange Stabilization Fund (ESF) and the ESF transfers the dollar equivalent to the Treasury General Fund. It is recorded in the budget as an offsetting receipt from the public. If the United States took payment in dollars (which it does not now do) the payment would be in the form of a decrease in the U.S. Letter of Credit and a counterpart increase in the U.S. reserve position.

Column 6: These amounts constitute the interest payments the United States has received on its loans to the IMF under the SFF, GAB, and NAB.

Column 7: Total net interest paid, foregone or received as a result of U.S. participation in the General Department of the IMF.

Column 8: The U.S. reserve position in the IMF is denominated in SDRs. The valuation gain (if positive) or loss (if negative) refers to the exchange rate gain or loss on the reserve position due to changes in the dollar value of the SDR. For example, if the SDR appreciates/dollar depreciates, then the dollar value of the reserve position rises and a valuation gain is recorded. This column would also include valuation gains or losses experienced as a result of U.S. loans under SFF, GAB and NAB.

Column 9: The total of net interest and valuation changes, obtained by summing column 7 and column 8.

**Table 2 -- Net Interest and Valuation Changes Related to U.S. Participation in the SDR Department
in the IMF, U.S. Fiscal Year, Quarterly*
(in millions of U.S. Dollars)**

<i>fiscal year ending 9/30</i>	Net SDR Holdings			Interest Calculations			Valuation Changes	Total
	<i>Dollar Value of SDR Holdings</i>	<i>Dollar Value of Cumulative SDR Allocation</i>	<i>Net SDR Holdings (Col. 1 - Col. 2)</i>	<i>Interest Earned (or Paid) on Net SDR Holdings</i>	<i>Interest Associated with Financing Cumulative U.S. SDR Transactions</i>	<i>Net Interest (Col. 4 + Col. 5)</i>	<i>Valuation Changes</i>	<i>Total</i>
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
1981	3,896	5,608	-1,712	-233	311	78	274	352
1982	4,809	5,254	-445	-130	137	7	79	86
1983	5,628	5,178	450	10	-12	-2	-11	-14
1984	5,554	4,895	660	25	-31	-6	-23	-29
1985	6,847	5,191	1,656	95	-109	-14	85	71
1986	8,295	5,945	2,350	146	-157	-11	283	272
1987	9,078	6,270	2,809	153	-165	-12	130	119
1988	9,074	6,322	2,751	179	-215	-36	17	-18
1989	9,487	6,270	3,217	248	-265	-17	-35	-51
1990	10,666	6,823	3,843	344	-305	40	324	364
1991	10,722	6,703	4,019	312	-262	51	-64	-14
1992	12,111	7,216	4,895	290	-205	85	326	412
1993	9,203	6,950	2,253	98	-74	23	-266	-242
1994	9,971	7,189	2,782	106	-115	-9	91	82
1995	11,035	7,380	3,655	172	-225	-52	39	-13
1996	10,177	7,052	3,125	144	-202	-58	-170	-228
1997	9,997	6,689	3,308	129	-179	-50	-170	-220
1998	10,106	6,719	3,387	146	-184	-39	20	-19
1999	10,284	6,799	3,485	116	-160	-45	33	-12
2000	10,316	6,359	3,957	164	-227	-64	-247	-310
1Q-2001	10,539	6,384	4,155	45	-65	-19	15	-4
2Q-2001	10,379	6,177	4,202	41	-53	-12	-135	-147
3Q-2001	10,409	6,103	4,306	37	-43	-6	-50	-56
4Q-2001	10,919	6,316	4,604	30	-40	-10	150	140
2001	10,919	6,316	4,604	153	-201	-47	-20	-67

Detail may not add to total due to rounding.

Footnotes to Columns in Table 2

Column 1: Total stock of U.S. holdings of Special Drawing Rights (SDRs) measured from end of period, converted into dollars at the fiscal year-end exchange rate. Source: IMF.

Column 2: Total stock of U.S. SDR allocations measured from end of period, converted into dollars at the fiscal year-end exchange rate. Changes in dollar value of SDR allocations reflect only exchange rate changes. Source: IMF.

Column 3: Total stock of U.S. SDR holdings minus allocations measured from end of period (Column 1 minus Column 2), converted into dollars at the fiscal year-end exchange rate.

Column 4: Net interest earned on SDR holdings. Derived by subtracting charges on SDR allocations (the SDR end-of-quarter interest rate times SDR allocations) from interest earned on SDR holdings (the SDR end-of-quarter interest rate times SDR holdings). All interest is calculated as compounding quarterly.

Column 5: Net effect on U.S. borrowing costs due to cumulative net SDR purchases or sales, using the simplifying assumption that transactions are carried out in dollars. Derived by multiplying the dollar equivalent of cumulative net SDR purchases by the average cost of funds rate. Interest is calculated on the basis of end-quarter holdings and compounded quarterly.

Column 6: Net Interest (Column 4 plus 5).

Column 7: Derived by subtracting the change in total SDR holdings from the change in the dollar equivalent of total SDR holdings (end-period to end-period) divided by the end-period SDR/dollar exchange rate. The valuation gain (if positive) or loss (if negative) refers to the exchange rate gain or loss on the reserve position due to changes in the dollar value of the SDR. For example, if the SDR appreciates/dollar depreciates, then the impact on the dollar value of U.S. holdings of SDRs is positive, and a valuation gain is recorded.

Column 8: The total net interest and valuation changes (sum of Columns 6 and 7).