

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

MARCH 2003

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/reports2.html>.

This report provides quarterly data for fiscal year 2002 and the first quarter of fiscal year 2003. 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 the net interest and valuation changes related to U.S. participation in the IMF's General Department during the fourth quarter of fiscal year 2002, ended September 30, 2002, and the first quarter of fiscal year 2003, ended December 31, 2002, are provided in Table 1. For comparison purposes, previously-reported data for the first three quarters of fiscal year 2002 are also provided., (The data for the third quarter reflects a correction to the data previously provided.) Similarly, data for net interest and valuation changes related to U.S. participation in the SDR Department of the IMF during fiscal year 2002 and the first quarter of fiscal year 2003 are provided in Table 2. The attached footnotes explain the columns shown on each table and provide pertinent information and assumptions used in the calculations.

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.

As shown in Table 1, for the third quarter of FY 2002, the financial implications of U.S. participation in the General Department reflected a net interest effect of negative \$6 million (rather than *the* positive \$15 million previously reported); for the fourth quarter of FY 2002 the net interest effect was positive \$9 million. The valuation changes for the fourth quarter were negative \$1 19 million. For the first quarter of the fiscal year beginning on October 1, 2002 (FY 2003), the financial implications of U.S. participation in the General Department reflected a net interest effect of positive \$13 million. The valuation changes for the first quarter of FY 2003 were positive **\$580** million.³

As shown in Table 2, for the fourth **quarter** of FY 2002, the net interest effect of U.S. participation in the SDR Department was positive \$4 million. Over the same period, the valuation changes on SDR holdings were negative \$30 million. For the first quarter of the fiscal year beginning on October 1, 2002 (FY 2003), the financial implications of U.S. participation in the SDR Department reflected a net interest effect of positive \$5 million. The valuation changes for the first quarter of FY 2003 were positive \$146 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/report3073.litm>

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/report3073.htm>.