

Explaining the IMF's financial resources and liquidity position

How much does the IMF have available to lend? The IMF recently introduced a more transparent measure of its capacity to make new loans. The FCC, or one-year-forward commitment capacity, gives a concrete figure of the resources that the IMF has available for lending in the coming year. The IMF computes the FCC from the total resources in its balance sheet as follows (see table).

The total resources of the IMF comprise holdings of its members' currencies; SDRs; gold; "other assets," such as buildings and receivables; and unused amounts under lines of credit (when activated) that the IMF has with a number of its members—the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB). Some of these resources are not usable for lending. For example, the use of gold is severely restricted by the IMF's Articles of Agreement. In addition, the currencies of members that have outstanding IMF loans or relatively weak external positions are not usable because these members are not in a position to make foreign exchange assets available in exchange for their currencies. "Other assets" are also nonusable.

When nonusable resources are subtracted from total resources, what remain are the usable resources from which the IMF can finance its operations and transactions. The usable resources consist of the currencies of financially strong members (as determined by the IMF's Executive Board), SDR holdings, and unused amounts under activated lines of credit.

The IMF's capacity to commit new loans a year ahead is smaller than its base of usable resources because some of the usable resources have already been committed to upcoming loans. The measure of the uncommitted usable resources excludes the undrawn balances under existing lending arrangements.

The FCC includes the amounts that member countries will be repaying on their existing IMF loans in the year ahead, which add to the IMF's capacity to make new loans, and it excludes a prudential balance. This balance safeguards the liquidity of creditors' claims on the IMF and takes into account the possibility of a weakening of some members' financial positions that would make their currencies nonusable.

The prudential balance is set at 20 percent of the quotas of members whose currencies are used in financing IMF transactions and any amounts activated under the IMF's lines of credit. The balance does not represent a rigid minimum, and IMF resources available for new lending could, on a strictly temporary basis, fall below this level.

In brief, the FCC is equal to uncommitted usable resources, plus repayments in the coming 12 months, minus the prudential balance. This measure of liquidity expresses concretely the resources the IMF can use for new lending in the coming year. ■

IMF's financial resources and liquidity position, 2001–2003
(billion SDRs, unless otherwise indicated; end of period)

	2001	2002	April 2003	
			SDRs	US\$
Total resources	217.1	218.1	218.5	302
Members' currencies	209.0	210.3	210.7	292
SDR holdings	1.5	1.2	1.0	1
Gold holdings	5.9	5.9	5.9	8
Other assets	0.7	0.8	1.0	1
Available under GAB/NAB activation
Less: Nonusable resource	114.7	117.9	120.5	167
Of which: Credit outstanding	53.5	63.6	66.0	91
Equals: Usable resources	102.5	100.2	98.0	136
Less: Undrawn balances under GRA¹ arrangements	25.8	31.9	23.6	33
Equals: Uncommitted usable resources	76.7	68.3	74.4	103
Plus: Repurchases one-year forward	15.2	19.0	19.1	26
Less: Prudential balance	30.9	32.6	32.6	45
Equals: One-year forward commitment capacity (FCC)	61.0	54.7	60.8	84

Note: Details may not add due to rounding.

¹General Resources Account

Data: IMF Finance Department

For more information about the IMF's finances, see its website (www.imf.org).

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