INTERNATIONAL MONETARY FUND

Report of the Managing Director to the International Monetary and Financial Committee on the IMF's Policy Agenda

September 15, 2006

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Abbreviations and Acronyms

CGER	Consultative Group on Exchange Rates
DSF	Debt Sustainability Framework
EMEs	Emerging Market Economies
EPA	Ex Post Assessments
EPE	Ex Post Evaluation of Exceptional Access
FSAP	Financial Sector Assessment Program
GFM	Global Fiscal Model
HIPC	Heavily Indebted Poor Countries
IF	Integrated Framework for Trade-Related Technical Assistance
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
LICs	Low-Income Countries
MDRI	Multilateral Debt Relief Initiative
MTS	Medium-Term Strategy
PIN	Public Information Notice
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
ROSCs	Report on Standards and Codes
TA	Technical Assistance
WEO	World Economic Outlook

I. INTRODUCTION

1. **This report provides an update on the work and direction of the Fund since the 2006 Spring Meetings and for the period ahead.** Over the past six months work has concentrated on implementing key aspects of the Medium-Term Strategy (MTS), especially in the areas of surveillance and quotas and voice. In surveillance, the new multilateral consultation has been launched, the Board is reviewing the Fund's general decision on surveillance (the *1977 Decision on Surveillance over Exchange Rate Policies*), and it has discussed the possibility of setting a remit for surveillance based on a set of objectives and priorities. Progress is being made on quotas and voice and specific proposals are contained in the report and resolution from the Executive Board to the Board of Governors.[1] Work in other areas has focused on the role of the Fund in emerging markets and low-income countries (LICs), building institutions and capacity, and managing an effective institution.

2. **Since the Spring Meetings, global growth has remained robust, but risks are slanted to the downside.** The most notable risks are an intensification of inflationary pressures, higher oil prices, the disorderly unwinding of global imbalances, and a cooling of housing markets in a number of industrial countries. The threats of protectionist measures and increased trade distortions also need to be firmly resisted. Many countries, particularly LICs in sub-Saharan Africa, have performed well despite high oil prices. Commodity exporters are benefiting from higher revenues, but they face the challenge of effectively managing these revenues.

3. The paper reports on progress in the following key areas: surveillance (Section II); the Fund's role in emerging markets (Section III); the Fund's role in LICs (Section IV); capacity and institution building (Section V); quotas and voice (Section VI); and managing an effective institution (Section VII).

II. ADAPTING SURVEILLANCE TO MEET THE DEMANDS OF GLOBALIZATION

4. **The Fund is reshaping its surveillance to meet the demands of integrated financial markets and large-scale private capital flows.** The surveillance agenda has advanced substantially since the Spring Meetings. The Fund has established a new vehicle for multilateral consultations. The Board has begun its review of the framework for surveillance. Work to sharpen exchange rate analysis is underway. And a new framework for analyzing the links between financial sector and macroeconomic developments is being developed.

A. The New Multilateral Consultation

5. **The new multilateral consultation has been launched.** The multilateral consultation is a vehicle that allows the Fund to take up issues of shared concern with several members, or a group of members, at the same time. It provides a new forum for multilateral debate and action on a common issue, and complements the Fund's other bilateral and

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[1] *IMF Executive Board Recommends Quota and Related Governance Reforms* (PR/06/189, 9/1/2006).

multilateral surveillance work. It aims to foster cooperation on policy actions to address vulnerabilities and the challenges that face individual members and the global financial system, and help policy makers to show that the measures being taken by themselves and others are for the benefit of all.[2]

6. **The topic of the first multilateral consultation is how to address global imbalances while maintaining robust global growth.** A policy dialogue has begun with five members and groups of members—China, the Euro area, Japan, Saudi Arabia, and the United States. This consultation is focusing on the roots of the imbalances, the spillovers and linkages among these and other economies, and on the actions that could sustain growth and promote the orderly unwinding of imbalances. A report is expected to be discussed by the Board early next year. Future multilateral consultations are likely to include different groups of countries, those that are particularly relevant to the issues then under consideration. For example, given the increased importance of financial markets for growth, the risks involved for the global economy, and the increased focus of the Fund's work in these areas, a topic for the next multilateral consultation could be financial stability issues.

B. The Framework for Surveillance and Exchange Rate Issues

7. **The Fund is reviewing the foundations of surveillance to ensure they are clear and relevant for today's international monetary system.** The Fund's general decision on surveillance (the *1977 Decision on Surveillance over Exchange Rate Policies*) was drafted in the wake of the collapse of the Bretton Woods system of fixed exchange rate parities. The Board has had preliminary discussions on a review of that decision to secure a common understanding and consensus on the operational objectives of surveillance. On balance, the Board saw a case for continuing to explore a possible revision that would build more comprehensive links with Article IV and better align the decision with current best practice on surveillance.[3] A revised decision would demonstrate the Fund's resolve to strengthen the effectiveness of surveillance, particularly over exchange rates. A revised decision should serve as a basis for the practice of surveillance—unifying guidance that is currently spread over various other forms, clarifying issues/procedures, and providing a better foundation for surveillance to address priority issues. The Board will have a further discussion of these issues on the basis of a new staff paper following the Annual Meetings. Separately, Directors have also explored the case for the introduction of a new surveillance remit. A remit would provide a statement of objectives, priorities, and responsibilities for the medium term and could improve transparency in setting the Fund's surveillance agenda and make it more specific. Directors felt that it was premature to decide on the adoption of a new remit now, given the other improvements to the surveillance framework already underway. However, they agreed to reconsider the issue in light of progress with other surveillance reforms. As a necessary step, further work on a methodological framework for assessing the effectiveness of surveillance will be presented to the Board after the Annual Meetings.

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[2] *IMF to Begin Multilateral Consultations with Focus on Global Imbalances* (PR/06/118, 6/5/06).

[3] *Article IV of the Fund's Articles of Agreement: An Overview of the Legal Framework* (6/28/06).

8. **Surveillance is becoming more selective, and analytical tools are increasingly being applied to capture cross-country spillovers and draw policy lessons.** For example, the potential spillover effects of countries' fiscal policies can be captured in the Fund's new Global Fiscal Model (GFM). The GFM has been used to evaluate the impacts of fiscal policy changes—including the effects of fiscal consolidation, tax reform, and social security reform—in a number of industrial and emerging market economies, and is being used in the context of the multilateral consultation. Streamlined Article IV consultations have been introduced for selected countries to sharpen the focus on key issues, to tailor analysis better to individual country circumstances, and to make surveillance more effective. The Board will assess the experience with streamlined consultations and take stock in early 2007. The introduction of multi-year surveillance agendas for each member should also help to bolster a strategic approach to key issues.

9. **In addition, substantial efforts are under way to strengthen the operational and analytical aspects of exchange rate surveillance.** First, multilaterally consistent assessments of equilibrium exchange rates (the Consultative Group on Exchange Rates, CGER) are being extended this year to cover about 20 emerging markets using a variety of approaches, in addition to the advanced economies already included in the exercise and the Board has informally reviewed CGER methodology. Second, a stock-taking exercise provided a fresh look at the quality of coverage of exchange rate issues in Article IV staff reports for 30 systemically important countries. The exercise concluded that for these large economies recent exchange rate surveillance was in many respects adequate but that the assessments of the exchange rate level and external competitiveness could be improved. Third, the *2006 Annual Report on Exchange Rate Arrangements and Exchange Restrictions,* which includes updated information on the classification of members' de facto exchange rate regimes, will be accompanied by a companion review of the criteria for classifying exchange rate regimes. Finally, efforts will continue to improve the quality of exchange rate assessments in Article IV reports by deepening their analytical underpinnings.

C. Financial Sector Surveillance

10. **The Monetary and Capital Markets Department (MCM) has been established for financial sector and capital markets work in the Fund and a task force on financial sector surveillance was created.** The new department will facilitate the integration of bilateral and multilateral aspects of financial sector work in the Fund, eliminate overlap, and realize other significant synergies. The task force, which recently briefed the Board, will provide a comprehensive examination of how the Fund can improve its analysis of financial issues, and how this analysis can be better integrated into Article IV surveillance. The structure of MCM, and the nature and extent of its enhanced support for area departments in financial sector surveillance, will be finalized in the near future.

11. **The Fund has also helped members prepare strategies for reducing the financial market risks of an Avian flu pandemic.** Preparedness for such an event varies significantly across the Fund's membership. To raise awareness, the Fund published a paper on *The*

Global Economic and Financial Impact of an Avian Flu Pandemic and the Role of the IMF.[4] Regional seminars have been held on business continuity practices and technical assistance is also available. The Fund also stands ready to provide balance of payments support through its existing facilities.

D. Current Themes in Surveillance

12. **In the past six months, multilateral and bilateral surveillance has focused on selected core themes, and regional surveillance has been strengthened**. Three issues have been particularly prominent in surveillance: first, the impact of heightened volatility in financial markets and how that affects the global outlook; second, the spillovers and risks associated with a disorderly unwinding of global imbalances (as discussed in Section IIA above); and third, the continuing effects of high oil and non-oil commodity prices.

13. **The recent period of heightened volatility in financial markets has been analyzed in multilateral and bilateral surveillance.** The global environment became somewhat more testing over May and June reflecting uncertainty over the sustainability of global growth and rising inflationary pressures, but conditions have subsequently calmed. The analyses in the *World Economic Outlook* (*WEO)* and the *Global Financial Stability Report* conclude that asset markets have undergone a correction, rather than a fundamental reassessment of economic risks, which has not significantly affected the global outlook. Nonetheless, the *WEO* also examined the potential effects of a more serious general reversal in market sentiment. Article IV consultations (for example, for Indonesia and South Africa) have examined the impact of market turbulence, the effects on balance sheets, and looked at future prospects for capital flows. Helping countries to increase resilience to shocks by strengthening fiscal positions and improving the structure of debt continues to be a high priority both in staff surveillance and technical assistance (see Section V).

14. **High oil prices continue to complicate policy making, and the Fund has provided advice on the appropriate responses.** A report has been prepared for low-income petroleum-importing countries on living with high oil prices. This report highlights the policy options available for adjusting to the shock, including: fiscal and monetary policy responses, domestic petroleum pricing, maintaining effective safety nets, and hedging strategies. For oil exporters, the key challenge is to manage effectively the revenues from the energy boom; staff have looked at the role of fiscal institutions, petroleum fiscal regimes, and the issues specifically facing the Middle East economies. The Fund will continue to emphasize the need to encourage investment in the oil sector, as well as passing international oil prices through to prevent a distortion of consumption patterns. There is a need for dialogue between consumers and producers to help ensure consistency of policies on investment and conservation, as well as to help reduce data uncertainty. The international community is working to improve the quality and transparency of oil market data, and in this context, the Fund is increasing the provision of metadata in the General Data Dissemination System and the Special Data Dissemination Standard, and has participated in training on the Joint Oil Data Initiative.

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[4] *The Global Economic and Financial Impact of an Avian Flu Pandemic and the Role of the IMF* (2/28/06).

III. Role of the Fund in Emerging Market Economies

15. **The Fund is considering ways to strengthen its support for emerging markets.** Against the background of generally favorable external conditions, emerging market economies (EMEs) have strengthened policies, lowered vulnerabilities, improved debt structures, and reduced borrowing from the Fund. Some EMEs, particularly in Asia, have accumulated high levels of reserves and expanded regional reserve pooling arrangements. Nonetheless, macroeconomic fundamentals still vary widely among EMEs and some vulnerabilities remain, as suggested by recent market turbulence. Thus, it is prudent to prepare for times when market access is more constrained and the risk of spillovers is heightened.

16. **Deepening financial and capital market surveillance, as well as exchange rate analysis, has particular relevance for emerging markets** (as highlighted in Section II). In addition, recognizing that the member's own policies are central to crisis prevention, the Board has considered a staff paper on the sources and costs of shocks and the policy options that can best insulate members from crisis—the important role of domestic policies, appropriate international reserves levels, and desirable external liability structures.[5]

17. **A number of members, both EMEs and others, have called for consideration of a new financing instrument specifically designed to support crisis prevention by members active in international capital markets.** Recognizing the challenges associated with designing an effective instrument that can garner broad support and building on the lessons from experience with the Contingent Credit Line, work has proceeded in the Board and through outreach efforts to examine these issues closely. A Board seminar on the Fund's role in crisis prevention found that Fund financial support can lower the likelihood of a crisis by providing liquidity and by promoting strong policies.[6] A separate Board meeting discussed the usefulness of precautionary arrangements in signaling the Fund's endorsement of a member's policies and the evidence showing that this is accomplished with well calibrated signals to markets and without negative effects on market confidence.[7] Discussions with members in Singapore (July) and Korea (August) as part of broader seminars on the MTS provided valuable input on members' views regarding an instrument for crisis prevention. Taking these findings and views into account, the Board exchanged preliminary views in a seminar on design elements of an instrument that could be available to members that have strong macroeconomic policies but remain vulnerable to shocks.[8] The seminar helped to clarify the broad outlines of a potential new liquidity instrument, providing a good starting point for future work and for further discussions with members. We aim to make further concrete progress by the 2007 Spring Meetings.

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[5] *Country Insurance: The Role of Domestic Policies* (6/19/06).

[6] *The Role of Fund Support in Crisis Prevention* (3/23/06).

[7] *IMF Executive Board Discusses Precautionary Arrangements* (PIN/06/94, 8/10/06).

[8] *IMF Executive Board Holds Board Seminar on Consideration of a New Liquidity Instrument for Market Access Countries* (PIN/06/104, 9/13/06).

18. **After the Annual Meetings, work will concentrate on implementing the remaining recommendations of the MTS relating to emerging markets**. In addition to following up on a new liquidity instrument, a paper will be presented to the Board that will take stock of the basic elements of regional reserve pooling arrangements and possible ways in which the Fund could support them. An informal seminar on the lending into arrears policy will help to clarify the scope of a review of this issue for Board discussion. A follow up paper on charges and maturities will consider the alignment of surcharges for exceptional access across facilities along with the policy on repurchase expectations. A review of access policy and the exceptional access framework will consider how the application of policy to non-capital account cases could be clarified.

IV. Role of the Fund in Low-Income Countries

19. **The Fund's policy advice to LICs is becoming more focused on sustainable growth and on macro-critical areas that would support the achievement of the Millennium Development Goals.** This entails looking at absorptive capacity and the macroeconomic impact of increased aid flows and debt relief, policies on the part of LICs and creditors to promote debt sustainability, the provision of financial assistance, and efforts to strengthen members' institutional capacity.

A. Managing Aid and Preserving Debt Sustainability Post-Debt Relief

20. **The Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) have moved forward.** A total of 20 countries have reached the HIPC completion point, and 22 countries have received debt relief from the Fund under the MDRI.[9] A total of nine countries are between the HIPC decision and completion points. The Fund and World Bank Boards decided to let the sunset clause on the HIPC Initiative take effect at end-2006 and grandfather all countries that are assessed to have met the income and indebtedness criteria based on end-2004 data, which will permit these countries to qualify for HIPC Initiative debt relief at their own pace. The Fund will also need to secure additional resources to allow all pre-decision point HIPCs (including the protracted arrears cases) to benefit from debt relief. Staff will continue to monitor the debt situation of HIPCs closely, and encourage all creditors to provide their fair share of debt relief under the Initiative.

21. **The Fund is undertaking analysis to help LICs avoid building up unsustainable debt.** A new paper on the Joint Debt Sustainability Framework for low-income countries (DSF) will be discussed at the Fund and Bank Boards after the Annual Meetings. It will propose practical guidelines that will allow both borrowers and creditors to use the DSF to share information and reach consistent financing decisions. It will also suggest modifications to the framework to adapt it to the increasing availability of financing from emerging donors and the implications for concessionality in Fund programs. As a further modification, the framework will pay increased attention to domestic debt.

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[9] Cambodia and Tajikistan are the two non-HIPCs that have received MDRI relief.

22. **In the coming months, the Fund will continue to refine its policy advice to LICs.** This will include helping them to put in place policies to support macroeconomic stability and absorb aid, and to use their fiscal space more effectively to direct spending to priority areas in order to meet the MDGs. The Fund is helping countries deal with the management of increased aid through fiscal and monetary responses to scaled-up foreign exchange inflows. The Fund will continue to monitor the new financing landscape and the increasingly important role of non-Paris Club creditors, to work with the World Bank and the donor community, and advise borrowers and lenders on issues related to debt sustainability and debt management. Other work will focus on the role of the Fund in the Poverty Reduction Strategy (PRS) process and donor coordination, and review of the Fund's support to post-conflict countries and fragile states. To support members that do not need or want Fund financing, but wish the Fund to support, monitor, and endorse their policies, the Board has now approved arrangements under the Policy Support Instrument for three members: Cape Verde, Nigeria, and Uganda.

B. Doha Round and Aid for Trade

23. **The de facto suspension of the Doha Round negotiations since late July is regrettable.**[10] Failure to conclude the talks will adversely affect global economic prospects, and the growth of low-income countries in particular. WTO members should maintain their commitment to the rules-based multilateral trading system, resist protectionist calls, preserve progress that has already been made, and return to the negotiating table to create the basis for an ambitious and successful agreement. Notwithstanding developments in the Doha Round, the donor community should push forward vigorously with the delivery of "aid for trade." In this regard, the Board reviewed progress in support for trade-related assistance by the Fund and Bank, as well as in the Geneva-based task forces which provided recommendations to enhance the Integrated Framework for Trade-Related Technical Assistance (IF), and on aid for trade more broadly.[11]

V. Building Institutions and Capacity

24. **Further efforts have been made to align capacity-building activities better with the needs of member countries and evolving Fund priorities.** As sound institutions and implementation capacity are critical for stability, growth, and poverty reduction, the Fund continues to provide policy advice and technical assistance (TA) in its core areas of expertise. These activities are also a major element in national and international efforts to strengthen governance, transparency, and accountability. In its TA and training activities, the Fund is increasingly stressing country ownership and coordination with other providers. A third African Technical Assistance Center will open in Libreville, Gabon in December 2006, which is being financed mainly by external resources from donors and beneficiary countries. Operational changes are being made to the Fund's work on Standards and Codes, to

[10] *IMF Executive Board Discusses Doha Development Agenda and Aid for Trade* (PIN/06/105, 9/12/06).

[11] The vehicles of the Fund's provision of aid for trade include the Trade Integration Mechanism as part of regular IMF program arrangements, analysis and policy dialogues on trade-related issues, technical assistance for customs administration, and Fund inputs on macroeconomic issues into the diagnostic studies for the IF.

implement the MTS, and the recommendations of the *2005 IMF-World Bank Review of the Standards and Codes Initiative* are being put in place.[12] The changes aim at improving: (i) the country coverage and prioritization of Reports on the Observance of Standards and Codes (ROSCs) to make more efficient use of resources; (ii) the integration of ROSCs with Fund surveillance and technical assistance, for a better use of ROSC findings and greater support of reform efforts; and (iii) the clarity and timelines of ROSCs.

25. **Work after the Annual Meetings will focus on implementing the MTS for capacity building and exploring options for raising additional external financing for these activities.** A seminar will be held on the lessons from country experience of strengthening debt management practices. The Board will discuss the actions that have been taken to implement the Independent Evaluation Office (IEO) recommendations on the provision of TA by the Fund.[13]

VI. Quotas and Voice Issues

26. **Fair weight and voice are crucial to the Fund's credibility and effectiveness.** To this end, the Executive Board has recommended to the Board of Governors a two-year reform program that seeks to achieve two main goals: (i) better alignment of quota shares with economic weight in the global economy; and (ii) enhanced participation of LICs in the governance of the Fund.[14] Both elements are central to the reform program. The Board of Governors has been asked to adopt by September 18 a resolution that would provide for an initial limited round of ad hoc quota increases for a small group of countries (China, Korea, Mexico, and Turkey) that are clearly underrepresented, and a set of more fundamental reforms to be delivered within two years from Singapore. The latter would include: (i) agreement on a new quota formula; (ii) a second round of ad hoc quota increases based on the new formula; (iii) a commitment to ensuring that quotas shares continue to evolve in future in line with countries' changing positions in the world economy; (iv) an increase in basic votes—at least a doubling—to at a minimum protect the existing voting share of LICs as a group, together with a mechanism to safeguard the proportion of basic votes in the total voting power in the future; and (v) additional measures to strengthen the capacity of the chairs with the largest constituencies, notably in Africa.

VII. Managing an Effective Institution

27. The role of the Fund is being given sharper definition through the MTS and the review of collaboration between the Bretton Woods institutions; and internal governance and processes are being strengthened.

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[12] *Standards and Codes: Implementing the Fund's Medium-Term Strategy and the Recommendations of the 2005 Review of the Initiative* (6/29/06).

[13] *Report on the Evaluation of Technical Assistance Provided by the Fund* (1/31/05).

[14] *Quotas - Updated Calculations* (8/4/06), *Quota and Voice Reform in the International Monetary Fund* (8/31/06), and *IMF Executive Board Recommends Quota and Related Governance Reforms* (PR/06/189, 9/1/2006).

28. **An External Review Committee is examining collaboration between the Bretton Woods institutions.** Fund and Bank managements have set up a six-member External Review Committee supported by a high-level Bank and Fund staff task force to review whether areas of primary responsibility in the 1989 Concordat, as updated by subsequent reviews, provide a clear enough foundation for Fund-Bank collaboration; whether the established areas of responsibility are consistent with the two institutions' mandates; the “lead agency” concept; and collaboration on thematic work, such as Financial Sector Assessment Programs (FSAPs), public expenditure management, and debt sustainability analyses in low-income countries. The report from the Committee is expected by year-end.

29. **Our communications strategy has centered on explaining the MTS.** A variety of channels has been used to obtain feedback on the MTS. Management has held a number of outreach sessions to discuss surveillance, quotas and voice, and the proposal for a new crisis prevention instrument. The Fund is disseminating its views to a wide range of groups, including civil society, through briefings and seminars. Surveillance findings are now made widely available through Regional Economic Outlooks and regional conferences. A Board paper on the Fund’s communications strategy will propose ways to make external communications more effective, including via publications in languages other than English.

30. **The Fund is working to develop more stable and predictable sources of income against a background of tight budget constraints.** In an environment of declining Fund credit outstanding and a shift in focus toward crisis prevention, the Fund’s income model needs to shift away from being so heavily dependent on credit. Lending is only one aspect of what the Fund does to promote global stability, and the Fund needs a durable medium-term revenue framework to support its operations. The Board has agreed on a two-pronged strategy to adapt the Fund’s financing to its changing needs. For FY 2007, a package of measures has been agreed including the activation of the Investment Account (as of June 2006); a pause in the accumulation of reserves; and use of the Fund’s existing reserves to meet remaining income shortfalls, together with continued budgetary restraint. To find a lasting solution, the Managing Director has formed a Committee of Eminent Persons to study the sustainable long-term financing of Fund operating costs.[15]

31. **Expenditures are also being tightly constrained.** The new medium-term budget set a zero growth budget in real terms for FY 2007, while reductions in real terms are planned in both FY 2008 and FY 2009. The policy changes, and the shifts in priorities, being implemented under the MTS, will be financed within this budget envelope. A number of initiatives are also being undertaken to deliver the Fund’s outputs more efficiently and at lower cost—including through greater outsourcing and some offshoring of support services; a reexamination of travel regulations and policies; and a review of staffing levels across departments against best practice standards. The review of employment, compensation, and benefits has led to changes relative to the previous system that ensure the Fund’s compensation package is cost effective. Follow up work is underway on a number of further aspects so as to continue to meet the Fund’s staffing needs in a cost-effective manner.

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[15] *IMF Managing Director de Rato Appoints Committee of Eminent Persons to Study Sustainable Long-Term Financing of IMF Running Costs* (PR/06/100, 5/18/06).

32. **Discussions are continuing on proposals to strengthen the Fund's risk management environment**. The Board supported the proposal to intensify efforts to assess and manage risks in the Fund, and further consideration is being given to the scope of risks to be covered and appropriate roles for staff, management, and the Board. Further discussions will take place after the Annual Meetings.

33. **Internal procedures and processes are being streamlined to enhance efficiency.** The Board has agreed in principle to proposals to lengthen the cycle for policy reviews. Streamlined Article IVs have been introduced on an experimental basis and documents will be shortened. The Board has agreed to proposals to reduce the burden of the Fund's misreporting policies in cases that are judged to be *de minimis*.[16] This will reduce the costs to members in *de minimis* cases while preserving incentives for good data reporting and the Fund's capacity to deal with serious misreporting cases.

34. **The Board discussed the external evaluation of the IEO earlier this year.** There was agreement that the IEO has served the IMF well and has earned strong support for its work across a broad range of stakeholders. It was also agreed that the Fund continues to need an independent evaluation office to contribute to the institution's learning culture and facilitate oversight and governance by the Executive Board.[17] Going forward, a more focused and strategic orientation, together with strong support from the Board and management, will help ensure the IEO's continued usefulness and relevance. The Board agreed that the choice of topics for IEO evaluations is critical, and that evaluations should focus on the Fund's core activities. It was also considered appropriate to conduct another external evaluation of the IEO in five years.

35. **Staff have completed a review of ex post assessments (EPAs) and issues related to longer-term program engagement.** The review concluded that EPAs have generally provided an independent and fresh perspective on Fund operations in program countries and should be retained.[18] The Board decided to narrow the definition of longer-term program engagement, and further decided that future reports should focus selectively on a few critical issues and that there should be an interval of at least five years between EPAs.

36. **The eighth basic period for a general SDR allocation will end on December 31, 2006.** The Managing Director has concluded that there is no proposal for a general SDR allocation for the ninth basic period consistent with the provisions of the Articles of Agreement that has the necessary broad support among participants in the SDR department, and has issued a report to this effect to the Executive Board.

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[16] *IMF Executive Board Modifies Procedures in De Minimis Cases of Misreporting* (PIN/06/95, 8/10/06).

[17] *IMF Executive Board Discusses External Evaluation of the Independent Evaluation Office* (PIN/06/67, 6/15/06).

[18] *IMF Executive Board Concludes Review of Ex Post Assessments* (PIN/06/96, 8/10/06).

Table 1. Participation in Transparency, FSAP, and Standards and Codes Initiatives 1/ 2/

(As of July 31, 2006)

	(1) Africa	(2) Developing Asia	(3) Central and Eastern Europe	(4) CIS and Mongolia	(5) Western Hemisphere	(6) Middle East	(7) Advanced Economies	(8) Total IMF Members
Number of Members	51	29	17	13	32	14	28	184
Initiatives								
SDDS Subscriber 3/								
Number of subscribers	3	5	12	7	10	1	26	64
GDDS Participant 4/								
Number of members	40	13	3	3	19	7	0	85
PIN Published								
Number of members 5/	50	28	17	12	31	14	28	180
Percentage	98%	97%	100%	92%	97%	100%	100%	98%
Article IV Staff Report Published								
Number of members	49	23	17	11	28	10	28	166
Percentage	96%	79%	100%	85%	88%	71%	100%	90%
FSAPs Completed								
Number of members	23	5	15	9	24	10	22	108
Percentage	45%	17%	88%	69%	75%	71%	79%	59%
FSAP Updates Completed								
Number of members	5	0	2	2	3	1	2	15
Percentage	10%	0%	12%	15%	9%	7%	7%	8%
ROSC Modules Completed								
Number of members 6/	31	14	17	11	24	10	28	135
Percentage	61%	48%	100%	85%	75%	71%	100%	73%
ROSC Modules Completed								
Number of modules 7/	136	63	153	75	128	51	165	771
Percentage of total modules	18%	8%	20%	10%	17%	7%	21%	100%
ROSC Modules Published								
Number of members	27	13	17	11	23	9	27	127
Percentage	53%	45%	100%	85%	72%	64%	96%	69%
ROSC Modules Published								
Number of modules 7/	88	38	139	50	69	25	154	563
Percentage of completed modules	65%	60%	91%	67%	54%	49%	93%	73%

Source: IMF and World Bank staff estimates.

1/ This table does not include territories, special administrative regions (SARs), and monetary unions except for SDDS, GDDS and ROSCs. SDDS subscribers include Hong Kong SAR, GDDS participants include West Bank and Gaza, and ROSC figures include 14 completed modules for Hong Kong SAR, the Euro area, the ECCB and CEMAC, of which thirteen have been published.
2/ The regional groupings are based on the composition of World Economic Outlook (WEO) groups.
3/ The SDDS was established in 1996 to guide countries that have, or might seek, access to international capital markets in the dissemination of economic and financial data to the public. The table includes subscribers in full observance only.
4/ The GDDS was established in 1997 to encourage members to improve data quality, provide a framework for evaluating needs for data improvement and setting priorities in this respect, and guide members in the dissemination to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics.
5/ The number of members that published at least one such document.
6/ The number of members for which at least one ROSC module has been completed. ROSC modules not derived from an FSAP are considered completed once they have been circulated to Directors, and in the case of Bank-led modules, sent in their final form to the authorities ROSC modules derived from an FSAP are considered completed only after the FSSA has been discussed by the Executive Board.
7/ Shows the total number of completed modules. A member can have more than one full assessment for the same standard. The table includes 14 completed modules for Hong Kong SAR, the Euro Area, the ECCB and CEMAC, of which 13 have been published.

Table 2. FSAP Participation

(as of July 31, 2006)

Countries Completed 1/		Countries Under Way 3/	Future Participation Confirmed
Albania	Kyrgyz Republic	Australia	Angola
Algeria	Latvia	Bosnia and Herzegovina	Botswana
Antigua and Barbuda	Lebanon 2/	Denmark	Burkina Faso
Armenia	Lithuania	Fiji	Burundi
Austria	Luxembourg	Guyana	Cape Verde
Azerbaijan	Macedonia, FYR	Mauritania	Central African Republic
Bahrain	Madagascar	Portugal	Haiti
Bangladesh	Malta	Sierra Leone	Malawi
Barbados	Mauritius	Turkey	Mali
Belarus	Mexico		Montenegro
Belgium	Moldova		Qatar
Bolivia	Morocco		San Marino
Brazil	Mozambique		Tajikistan
Bulgaria	Namibia		Thailand
Cameroon 2/	Netherlands		
Canada 2/	New Zealand		
CEMAC 4/	Nicaragua		
Chile	Nigeria		
Colombia 2/	Norway		
Costa Rica	Oman		
Croatia	Pakistan		
Czech Republic	Paraguay		
Dominica	Peru		
Dominican Republic	Philippines		
Ecuador	Poland		
Egypt	Romania		
El Salvador 2/	Russia		
Estonia 2/	Rwanda		
Finland	Saudi Arabia		
France	Senegal		
Gabon	Serbia		
Georgia	Singapore		
Germany	Slovak Republic		
Greece	Slovenia		
Ghana	South Africa 2/		
Grenada	Spain		
Guatemala	Sri Lanka		
Honduras	St. Kitts and Nevis		
Hong Kong SAR	St. Lucia		
Hungary 2/	St. Vincent and the Grenadines		
Iceland	Sudan		
India 2/	Sweden		
Iran 2/	Switzerland		
Ireland 2/	Tanzania		
Israel	Tunisia		
Italy	Trinidad and Tobago		
Jamaica	Uganda		
Japan	Ukraine		
Jordan	United Arab Emirates		
Kazakhstan 2/	Uruguay		
Kenya	United Kingdom		
Korea	Yemen		
Kuwait	Zambia		

Sources: IMF and World Bank staff estimates.

1/ Defined as cases where the FSSA has been discussed by the Fund's Executive Board.
2/ The initial assessment was a part of the pilot program.
3/ In addition, initial assessments were started, but not completed for Argentina (FY 01; interrupted by the financial crisis) and Cote d'Ivoire (FY 02; uncompleted for security reasons).
4/ Comprises Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon. The regional FSAP has been discussed by the Board; only the country modules remain to be completed.

Table 3. HIPC Initiative: Committed Debt Relief and Outlook 1/

Status as of August 31, 2006

(In millions of U.S. dollars, in end-2005 NPV terms; unless otherwise specified)

			Assistance Under the HIPC Initiative		Assistance Under the MDRI	Total
	HIPC Decision Point Date	HIPC Completion Point Date	Committed Assistance in NPV terms as of the Decision Point	Committed Assistance in end-2005 NPV terms	Committed Assistance in end-2005 NPV terms	Total Committed Assistance under the HIPC Initiative and MDRI in end-2005 NPV terms
Countries that have reached their Completion Points (20)						
TOTAL			**24,462**	**30,020**	**18,926**	**48,946**
Benin	Jul-00	Mar-03	265	328	571	899
Bolivia 2/	Feb-00	Jun-01	1,302	1,663	1,004	2,667
Burkina Faso 2/ 3/	Jul-00	Apr-02	553	672	573	1,244
Cameroon	Oct-00	Apr-06	1,267	1,569	707	2,276
Ethiopia 3/	Nov-01	Apr-04	1,982	2,284	1,383	3,666
Ghana	Feb-02	Jul-04	2,186	2,595	1,963	4,558
Guyana 2/	Nov-00	Dec-03	591	732	140	872
Honduras	Jul-00	Apr-05	556	688	733	1,421
Madagascar	Dec-00	Oct-04	836	1,035	1,219	2,255
Malawi 3/	Dec-00	Aug-06	1,057	1,211	618	1,829
Mali 2/	Aug-00	Mar-03	539	667	985	1,652
Mauritania	Feb-00	Jun-02	622	770	424	1,194
Mozambique 2/	Apr-00	Sep-01	2,023	2,599	1,004	3,603
Nicaragua	Dec-00	Jan-04	3,308	4,098	466	4,565
Niger 3/	Dec-00	Jun-04	664	800	489	1,289
Rwanda 3/	Dec-00	Jun-05	696	814	206	1,020
Senegal	Jun-00	Apr-04	488	605	1,297	1,902
Tanzania	Apr-00	Nov-01	2,026	2,511	1,919	4,430
Uganda 2/	Feb-00	May-00	1,003	1,282	1,705	2,987
Zambia	Dec-00	Apr-05	2,499	3,096	1,522	4,618
Countries that have reached their Decision Points (9)						
TOTAL			**10,710**	**11,659**	...	**11,659**
Burundi	Aug-05		826	826	...	826
Chad	May-01		170	202	...	202
Congo, Dem. Rep. of the	Jul-03		6,311	6,875	...	6,875
Congo, Rep. of	Apr-06		1,679	1,679	...	1,679
Gambia, The	Dec-00		67	83	...	83
Guinea	Dec-00		545	676	...	676
Guinea-Bissau	Dec-00		416	515	...	515
São Tomé and Príncipe	Dec-00		97	120	...	120
Sierra Leone	Mar-02		600	683	...	683
Countries that have not yet reached their Decision Points 4/ (11)						
Côte d'Ivoire 5/	...	...	...	...	...	...
Central African Republic	...	...	...	...	...	...
Comoros	...	...	...	...	...	...
Eritrea	...	...	...	...	...	...
Haiti	...	...	...	...	...	...
Liberia	...	...	...	...	...	...
Kyrgyz Republic	...	...	...	...	...	...
Nepal	...	...	...	...	...	...
Somalia	...	...	...	...	...	...
Sudan	...	...	...	...	...	...
Togo	...	...	...	...		
Total debt relief committed			**35,172**	**41,679**	**18,926**	**60,605**

Sources: HIPC documents, World Bank, and IMF staff estimates.

1/ Committed debt relief under the assumption of full participation of creditors.

2/ Also reached completion point under the original HIPC initiative. The assistance includes original debt relief.

3/ The assistance includes topping up at the completion point.

4/ These are countries that may wish to be considered for HIPC Initiative assistance, as defined in EBS/06/35.

5/ Côte d'Ivoire reached its decision point under the original HIPC Initiative in 1998; but did not reach its completion point under the original HIPC Initiative, nor has it reached the decision point under the enhanced HIPC Initiative.

Table 4. IMF Implementation of the HIPC Initiative and the MDRI

(In millions of SDRs, unless otherwise indicated; as of September 1, 2006)

Member	HIPC Initiative Assistance			MDRI Debt Relief 1/		Total
	Amount Committed		Amount Disbursed into HIPC Umbrella Account 2/ (A)	Total Delivered 3/ (B)		HIPC and MDRI debt relief delivered (A+B)
Completion point countries (20)	**1,455.9**		**1,551.8**	**2,091.2**		**3,642.9**
Benin	18.4		20.1	34.1		54.2
Bolivia	62.4	4/	65.5	154.8		220.3
Burkina Faso	44.0	4/	46.0	57.1		103.0
Cameroon	28.6		33.7	149.2	5/	182.8
Ethiopia	45.1		46.7	79.6		126.3
Ghana	90.1		94.3	220.0		314.3
Guyana	56.6	4/	59.6	31.6		91.2
Honduras	22.7		26.4	98.2		124.6
Madagascar	14.7		16.4	128.5		144.9
Malawi	33.4	6/	27.0	14.5	5/	41.5
Mali	45.5	4/	49.3	62.4		111.7
Mauritania	34.8		38.4	30.2	5/	68.7
Mozambique	106.9	4/	108.0	83.0		191.0
Nicaragua	63.5		71.2	91.8		162.9
Niger	31.2		34.0	59.8		93.8
Rwanda	46.8		50.6	20.2		70.7
Senegal	33.8		38.4	94.8		133.2
Tanzania	89.0		96.4	207.0		303.4
Uganda	119.6	4/	121.7	75.8		197.5
Zambia	468.8		508.3	398.5		906.7
Decision point countries (9)	**401.2**		**83.9**			**83.9**
Burundi	19.3		0.1	...		0.1
Chad	14.3		8.6	...		8.6
Congo, Dem. Rep. of	228.3		3.4	...		3.4
Congo, Rep. of	5.6		...	...		...
Gambia, The	1.8		0.1	...		0.1
Guinea	24.2		5.2	...		5.2
Guinea-Bissau	9.2		0.5	...		0.5
São Tomé and Príncipe	...	7/	...	...		...
Sierra Leone	98.5		66.0	...		66.0
Decision point countries under the original HIPC initiative (1)						
Côte d'Ivoire	16.7	8/	...	...		...
Non HIPCs (2)	…		…	**126.1**		**126.1**
Cambodia	…	3/	…	56.8		56.8
Tajikistan	...		...	69.3		69.3
Total	**1,873.8**		**1,635.7**	**2,217.3**		**3,853.0**

Source: IMF, Finance Department.

1/ Includes remaining HIPC Initiative assistance delivered.

2/ Excludes remaining HIPC initiative assistance delivered.

3/ Assistance was delivered in January 2006, unless otherwise specified.

4/ Includes commitment under the original HIPC Initiative.

5/ MDRI Debt Relief delivered to Cameroon in April 2006 and Mauritania in June 2006, and Malawi on September 1, 2006.

6/ Including topping-up assistance of SDR 10.07mn to be disbursed upon receipt of satisfactory financing assurances.

7/ At the time of its decision point, São Tomé and Principe did not have eligible debt to the IMF.

8/ Côte d'Ivoire reached its decision point under the original HIPC Initiative in 1998; but did not reach its completion point under the original HIPC Initiative, nor has it reached the decision point under the enhanced HIPC Initiative.

Table 5. Access Under Fund Arrangements by Year of Approval, 1996–2006 1/

(In percent of quota, unless otherwise indicated; as of July 31, 2006) 2/

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 Jan-July
Number of arrangements approved											
All arrangements	33	21	21	20	23	21	20	21	13	14	9
Non-exceptional arrangements	31	18	19	19	22	20	18	19	13	12	9
Commitments (on approval)											
In percent of total quota	9	20	17	6	6	7	18	7	1	4	0
In billions of SDRs	13	29	24	14	12	15	39	15	2	9	0
GRA resources											
Average annual access											
SBA											
Non-exceptional 3/	39	36	44	43	46	34	39	55	21	44	29
Exceptional and SRF	27	27	42	21	40	30	30	55	17	33	29
Precautionary	...	329	200	100	...	320	510	156	...	157	...
EFF											
Non-exceptional	37	28	50	46	12	...	46	12	...	...	6
Exceptional and SRF	...	...	45	21	...	...	...	...	...	...	...
Precautionary	53	...	144	...	58	...	...	...	...	...	...
SBA and EFF											
Non-exceptional 3/	38	33	46	42	43	34	40	50	21	44	17
Exceptional and SRF	27	27	43	21	40	30	30	55	17	33	29
Precautionary	53	329	172	100	58	320	510	156	...	157	...
Range of average annual access											
SBA											
Non-exceptional 3/	18–80	24–69	20–81	20–85	18–85	16–57	19–97	25–100	7–42	25–86	29
Exceptional and SRF	...	163–646	200	100	...	320	456–564	141–170	...	83–230	...
EFF											
Non-exceptional	17–55	20–45	45–55	21–84	12	...	46	12	...	...	6
Exceptional and SRF	53	...	144	...	58	...	...	...	...	...	...
Projected use of Fund credit outstanding at start of arrangement, including all GRA and PRGF facilities											
SBA	71	47	41	84	52	47	76	111	47	262	0
EFF	145	78	217	94	224	...	68	53	...	...	0
Projected use of Fund credit outstanding at end of arrangement, including all GRA and PRGF facilities											
SBA	103	365	116	133	103	113	109	184	47	203	65
EFF	230	189	317	181	237	...	163	118	...	...	18
Concessional resources											
Average annual access											
ESAF/PRGF	35	35	25	24	22	25	21	16	16	8	15
Range of average annual access											
ESAF/PRGF	20–50	25–50	27–53	14–40	5–33	17–42	2–36	3–31	3–30	3–22	3–30
Projected use of Fund credit outstanding at start of arrangement, including all GRA and PRGF facilities											
ESAF/PRGF	87	96	94	103	78	98	74	71	84	102	49
Projected use of Fund credit outstanding at end of arrangement, including all GRA and PRGF facilities											
ESAF/PRGF	166	183	169	134	122	123	109	90	85	86	76

Sources: IMF Executive Board documents; and information provided by the Finance Department.

1/ Reflects amounts and duration at the time arrangements were approved; excludes potential access under external contingency mechanisms and other augmentations and reductions.

2/ Access expressed in terms of quotas of: Ninth General Review of Quotas through January 1999; 11th General Review of Quotas through January 2003; and 12th Review of Quotas thereafter. From November 1992 to October 1994, annual access limits were set at 68 percent of the Ninth General Review Quotas, and since the access limit of 100 percent quota has been in effect

3/ Including first credit tranche and precautionary arrangements.

Table 6. Current Financial Arrangements (GRA) 1/

(In millions of SDRs, as of July 31, 2006)

Member	Date of Approval	Date of Expiration	Amount Agreed	Undrawn Balance	IMF Credit Outstanding
Stand-by Arrangements					
Bulgaria	8/6/2004	9/5/2006	100	100	269
Colombia	5/2/2005	11/2/2006	405	405	…
Croatia	8/4/2004	11/15/2006	99	99	…
Dominican Republic	1/31/2005	5/31/2007	438	193	349
Iraq	12/23/2005	3/22/2007	475	475	297
Macedonia, FYR	8/31/2005	8/30/2008	52	41	31
Paraguay	5/31/2006	8/31/2008	65	65	…
Peru	6/9/2004	8/16/2006	287	287	27
Turkey	5/11/2005	5/10/2008	6,662	4,997	7,593
Uruguay	6/8/2005	6/7/2008	766	503	1,347
10 Arrangements			9,349	7,165	9,912
Extended Arrangements					
Albania	2/1/2006	1/31/2009	9	6	2
Total 11 STBY and EFF			9,358	7,171	9,915

Source: IMF, Finance Department; also available at www.imf.org/external/fin.htm, which are updated on a weekly basis.

1/ Figures may not add due to rounding.

Table 7. Current Financial Arrangements (PRGF) 1/

(In millions of SDRs; as of July 31, 2006)

Member	Date of Approval	Date of Expiration	Amount Agreed	Undrawn Balance	IMF Credit Outstanding
Afghanistan	6/26/2006	6/25/2009	81	81	…
Albania	2/1/2006	1/31/2009	9	7	61
Armenia	5/25/2005	5/24/2008	23	13	116
Bangladesh	6/20/2003	12/31/2006	400	117	283
Benin	8/5/2005	8/4/2008	6	5	1
Burkina Faso	6/11/2003	9/30/2006	24	3	14
Burundi	1/23/2004	1/22/2007	69	29	41
Cameroon	10/24/2005	10/23/2008	19	13	5
Chad	2/16/2005	2/15/2008	25	21	50
Congo, Rep. of	12/6/2004	12/5/2007	55	39	16
Dominica	12/29/2003	12/28/2006	8	2	5
Georgia	6/4/2004	6/3/2007	98	42	158
Ghana	5/9/2003	10/31/2006	185	26	79
Grenada	4/17/2006	4/16/2009	11	9	2
Guyana	9/20/2002	9/12/2006	55	9	28
Honduras	2/27/2004	2/26/2007	71	31	20
Kenya	11/21/2003	11/20/2006	225	150	105
Kyrgyz Republic	3/15/2005	3/14/2008	9	5	115
Madagascar	7/21/2006	7/20/2009	55	55	11
Malawi	8/5/2005	8/4/2008	38	28	37
Mali	6/23/2004	6/22/2007	9	4	4
Moldova	5/5/2006	5/4/2009	80	69	38
Mozambique	7/6/2004	7/5/2007	11	3	6
Nepal	11/19/2003	11/18/2006	50	36	14
Nicaragua	12/13/2002	12/12/2006	98	28	14
Niger	1/31/2005	1/30/2008	26	9	18
Rwanda	6/12/2006	6/11/2009	8	7	3
Sao Tome	8/1/2005	7/31/2008	3	2	2
Sierra Leone	5/10/2006	5/9/2009	31	26	138
Tanzania	8/16/2003	8/15/2006	20	3	8
Zambia	6/16/2004	6/15/2007	220	33	22
31 Arrangements			2,021	906	1,415

Source: IMF, Finance Department; also available ar www.imf.org/exgternal/fin.htm, which are updated on a weekly basis.

1/ Figures may not add due to rounding.

Table 8. IMF's Financial Resources and Liquidity Position, 2002–06 1/

(In billions of SDRs, unless otherwise indicated; as of August 31, 2006)

						Aug 2006	
		2002	2003	2004	2005	SDRs	US$
I.	Total resources	218.1	219.1	220.6	221.1	221.2	329
	Member' currencies	210.3	211.3	213.1	213.4	205.5	306
	SDR holdings	1.2	1.1	0.8	1.1	3.1	5
	Gold holdings	5.9	5.9	5.9	5.9	5.9	9
	Other assets	0.8	0.9	0.8	0.8	6.7	10
	Available under GAB/NAB activation	...	...	...	...	...	...
II.	Less: Nonusable resources	117.9	118.4	109.2	75.9	67.5	100
	Of which: Credit outstanding	63.6	65.0	55.4	28.4	14.4	21
III.	Equals: Usable resources	100.2	100.7	111.4	145.2	153.7	229
IV.	Less: Undrawn balances under GRA arrangements	31.9	22.8	19.4	12.7	5.6	8
V.	Equals: Uncommitted usable resources	68.3	77.9	91.9	132.5	148.1	220
VI.	Plus: Repurchases one-year forward	19.0	9.2	12.9	8.0	5.1	8
VII.	Less: Prudential balance	32.6	32.8	32.8	34.1	34.2	51
VIII.	Equals: One-year forward commitment capacity (FCC) 2/	54.7	54.2	72.0	106.4	119.0	177
	Memorandum items:						
	Potential GAB/NAB borrowing	34.0	34.0	34.0	34.0	34.0	51
	Quotas of members that finance IMF transactions	163.1	164.1	164.1	170.5	170.8	254
	Liquid liabilities	66.1	66.5	55.7	28.6	22.3	33
	Liquidity ratio (in percent)	83.8	104.2	149.5	411.3	592.0	828
	US$ per SDR	1.35952	1.48597	1.55301	1.42927	1.48852	

Source: IMF Finance Department; also available at www.imf.org/external/fin.htm, which are updated on a monthly basis.

1/ Figures may not add due to rounding.
2/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less a prudential balance intended to safeguard the liquidity of creditors' claims and to take account of any erosion of the Fund's resources base.