IMF Annual Report 2017

Promoting Inclusive Growth

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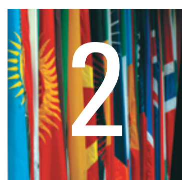

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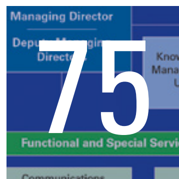

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The IMF's financial year is May 1 through April 30.

The analysis and policy considerations expressed in this publication are those of the IMF Executive Directors.

The unit of account of the IMF is the SDR; conversions of IMF financial data to US dollars are approximate and provided for convenience. On April 28, 2017, the SDR/US dollar exchange rate was US$1 = SDR 0.729382 and the US dollar/SDR exchange rate was SDR 1 = US$1.37102. The year-earlier rates (April 30, 2016) were US$1 = SDR 0.705552 and SDR 1 = US$1.41733.

"Billion" means a thousand million; "trillion" means a thousand billion; minor discrepancies between constituent figures and totals are due to rounding.

As used in this *Annual Report*, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

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About the IMF

The International Monetary Fund (IMF) is a global organization of 189 member countries set up to promote the health of the world economy. It works to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

The IMF, which oversees the international monetary system to ensure its effective operation, has among its key purposes to promote exchange rate stability and to facilitate the expansion and balanced growth of international trade. The IMF's mission enables countries (and their citizens) to buy goods and services from one another and is essential for achieving sustainable economic growth and raising living standards.

All IMF member countries are represented on its Executive Board, which discusses the national, regional, and global consequences of each member's economic policies and approves IMF loans to help member countries address temporary balance of payments problems, as well as capacity-building efforts. This *Annual Report* covers the activities of the Executive Board and IMF management and staff during the financial year May 1, 2016, through April 30, 2017. The contents reflect the views and policy discussions of the IMF Executive Board, which has actively participated in preparation of this *Annual Report*.

Message from the Managing Director

Every year presents the IMF membership with fresh hopes and new challenges. The period between May 2016 and April 2017—our financial year 2017—was no exception.

After several years of disappointing growth, the global economy began building momentum. Advanced, emerging market, and some low-income developing countries were buoyed by the cyclical upturn. Most importantly, employment growth returned to many economies.

Underneath this welcome news, however, lie some deep uncertainties about the future of the postwar global economic and financial order. These reflect several challenges that the IMF and its membership face over the next few years.

The first challenge we face is to sustain that momentum. The IMF membership continues to endorse the three-pronged approach that I described in the *2016 Annual Report*—the country-specific combination of monetary support, growth-friendly fiscal policies, and structural reforms that can produce an essential lift to the world economy. This approach is making a difference in building resilience to the vulnerabilities that have so concerned our membership.

But that is only one crucial issue. The past year also highlighted challenges that have become more apparent since the 2008 global financial crisis and require greater focus—concerns

rooted in the job losses and disruptions of an era of rapid economic, technological, and social change. They are most evident in the worries about rising inequality.

Inequality has implications for all countries, and in many of them is compounded by weak performance compared to precrisis trends. It is essential that the international community undertake a concerted effort to make growth stronger, more sustainable, and more inclusive. The IMF is deeply committed to playing its role in building a global economy that benefits all people—with policy advice, knowledge sharing, and financial support. This includes essential work on gender inequality.

A core issue behind weaker growth trends is the measurable decline of productivity across economies that stems from several causes. These include the aging of many societies—including in some emerging market economies, the declining benefits from the information technology revolution, and slower trade growth.

Our work on these challenges—slower trade, declining productivity, gender inequality, and inclusive growth—is a central focus of this *Annual Report*, as outlined in the Spotlights section.

There are other challenges, of course. For emerging markets, we need to provide substantive advice on financing and managing infrastructure investment and building fiscal frameworks to support strong health and education systems—all of which are essential to their continued economic success. For many low-income developing countries, it means ensuring that they can overcome the impact of the downturn in commodity prices to sustain the solid progress of the past two decades that has lifted millions out of poverty. For countries across the globe, it also means giving focus to crucial issues such as climate change and corruption that affect all their economic fortunes.

Given the range of pressing issues facing IMF member countries, the topics addressed by the IMF Executive Board in the past year—and, by extension, in this *Annual Report*—are especially important, and include reinforcing the global financial safety net, focusing on macro-financial issues in surveillance, assessing fiscal space, and deepening our capacity development work.

All this work comes under the umbrella of a renewed commitment to international cooperation and integration. The well-being of the world economy and the family of nations depends on an enduring willingness to work together to solve the challenges we face by reinforcing financial stability, reducing global imbalances, and providing the foundation for economic growth that benefits all.

IMF Policy Work

The Managing Director's April 2017 Global Policy Agenda, following up on the October 2016 Agenda, outlined key IMF policy work undertaken during the year ended April 30, 2017, including the following:

Major policy reviews and analytical work:

- Began mainstreaming the assessment of available fiscal space in the IMF's annual economic health checks
- Initiated work to strengthen analytical tools for stepped-up monitoring of structural issues in economic health checks
- Analyzed the causes of the global productivity slowdown
- Discussed macroeconomic developments and prospects for low-income developing countries
- Issued a paper on structural policies and income inequality in low-income developing countries
- Continued to highlight domestic revenue mobilization and international tax issues in economic health checks
- Examined the economic and market case for state-contingent debt instruments
- Reviewed experience with the liberalization and management of capital flows
- Reviewed the experience with mainstreaming financial issues into economic health checks
- Discussed financial stability issues in countries with Islamic finance systems
- Reviewed recent trends in correspondent banking relationships
- Reviewed the role of the IMF in boosting resilience to natural disasters and climate change in small states
- Explored methods for strengthening the Framework for Post-Program Monitoring

Making multilateralism work for all:

- Issued a paper on making trade an engine of growth
- Secured the renewal of the New Arrangements to Borrow decision through 2022 and additional commitments for bilateral lending agreements
- Looked at the adequacy of the global financial safety net to consider IMF toolkit reforms

Supporting the Global Policy Agenda through capacity development:

- Continued to expand activities, with nearly half of all technical assistance going to low-income developing countries and over half of training to emerging and middle-income market economies

- Continued to expand the reach of IMF training through online learning, now accounting for about 30 percent of all training participation, and online offerings, including in languages other than English
- Enhanced coordination among IMF economic surveillance, lending, and knowledge sharing, especially through the newly opened South Asia Regional Training and Technical Assistance Center and the redesign of the training curriculum and course offerings
- Continued to develop capacity in issues related to the financial sector, mainly in Africa
- Continued work on a capacity development framework for fragile states to support institution building, strengthen the outcome-monitoring and evaluation framework, and enhance coordination with other partners
- In collaboration with the Organisation for Economic Co-operation and Development, United Nations (UN), and World Bank, continued to support work on international taxation issues, including through the Platform for Collaboration on Tax
- Worked with partners on tackling the challenges of reaching the 2030 UN Sustainable Development Goals, including by supporting revenue mobilization; continued to address data and financial sector issues in low-income developing countries, including by launching new funds on data gaps and financial stability; and continued to provide hands-on, field-based follow-up support through the Fund's network of regional technical assistance centers

The IMF's Key Roles

The key roles of the IMF are the following:

Provide advice to members on adopting policies that can help them achieve macroeconomic stability, thereby accelerating economic growth and alleviating poverty.

Make financing temporarily available to member countries to help them address balance of payments problems, which include circumstances in which they find themselves short of foreign exchange because their external payments exceed their foreign exchange earnings.

Offer technical assistance and training to countries, at their request, to help them build and strengthen the expertise and institutions they need to implement sound economic policies.

The IMF is headquartered in Washington, DC, and, reflecting its global reach and close ties with its members, also has offices around the world.

Additional information on the IMF and its member countries can be found on the IMF's website, www.imf.org.

How to Jump-Start Global Growth

IMF activities in FY2017 focused on pressing global issues:

Trade, its positive impact on growth and those left behind

Productivity, whose low growth has contributed to stagnating incomes

Inclusive Growth policies, to address rising inequality due largely to technological changes

Gender Equality, for the global economy to reach its potential

Debt Management, to help countries adjust to lower commodity revenues

The Challenges of World Trade

Trade has played an instrumental role in driving global growth, helping to produce unprecedented advances in productivity and living standards, to lift millions out of poverty, and to lower prices. However, the growth of trade—along with productivity and incomes—has slowed. This trend partly reflects, and has contributed to, the slackening of economic growth in the wake of the 2008 global financial crisis.

For all its benefits, trade has had a negative impact on groups of workers and communities, particularly in Europe and the United States. These dislocations, which also reflect the impact of technological innovation, have been intensified by slower growth, and the resulting backlash has undermined support for global economic integration.

At the 2016 Group of Twenty (G20) financial and economic forum summit in China, leaders called for domestic policies that would enable the gains from trade to be shared more widely.

A paper jointly prepared by the IMF, World Bank, and World Trade Organization for the March 2017 G20 Sherpas meeting in Germany discussed policies that can respond to this call.

In its April 2017 communiqué, the IMF's International Monetary and Financial Committee acknowledged that "the prolonged period of low growth has brought to the fore the concerns of those who have been left behind," and stated that "it is important to ensure that everyone has the opportunity to benefit from global economic integration and technological progress." The IMF staff is increasingly focused on the impact of trade on labor market outcomes.

STAFF PAPER SUMMARY

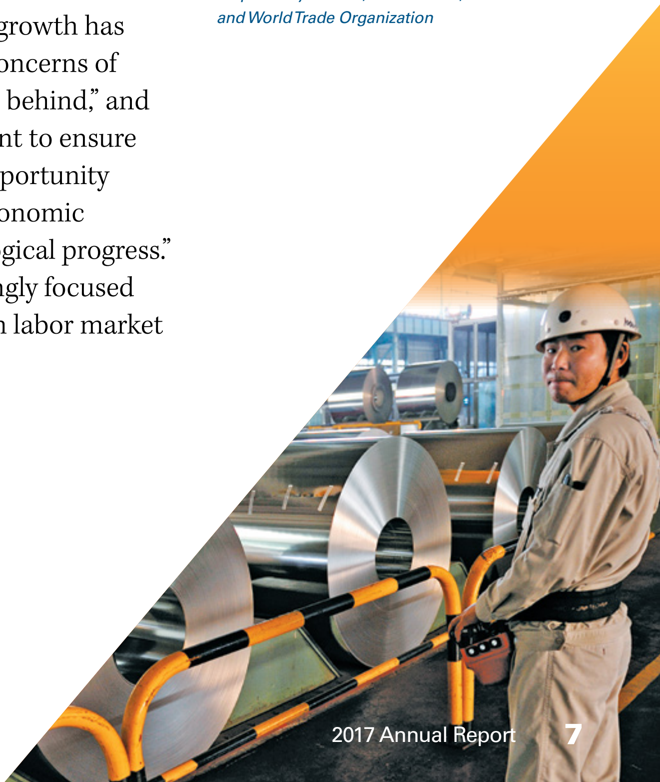
Making Trade an Engine of Growth for All: The Case for Trade and for Policies to Facilitate Adjustment

Increased trade integration helped drive economic growth in advanced and developing economies in the latter part of the twentieth century.

Since the early 2000s, however, the pace of trade, productivity, and income growth has slowed, leaving many behind, most notably in advanced economies.

With the right policies, countries can benefit from trade, lift up those who have been left behind, and strengthen overall economic flexibility and performance.

Prepared by the IMF, World Bank, and World Trade Organization



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Trade Is Closely Linked to Growth...

From 1960 to the 2008 global financial crisis, trade in goods and services grew at an average annual rate of about 6 percent—roughly twice the rate of GDP growth *(Figure 1.1)*. The expansion was supported by reductions in trade costs, including tariffs and technology, and led to the emergence of global supply chains that drove advances in manufacturing and productivity. Across the globe, the rising living standards that accompanied trade lent support to the view of trade as a key engine of growth. More recently, however, trade has slowed, reflecting to a large extent weak economic activity—in particular, investment—as documented in Chapter 2 of the October 2016 *World Economic Outlook*.

...But Doubts about the Benefits of Trade Have Grown...

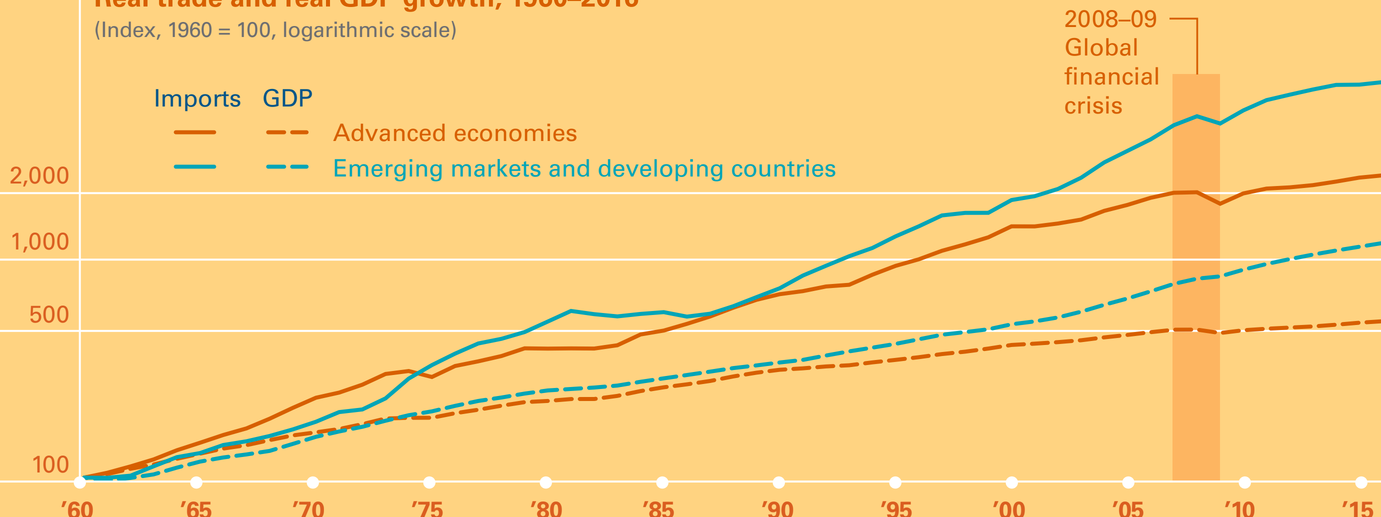
Concerns about the impact of trade are on the rise among some in many advanced economies. This shift has been reflected in public opinion surveys and some elections. Attitudes toward trade are generally more favorable in emerging market and developing economies.

Emerging markets are seeing more growth

Trade and economic growth have slowed globally since 2008, but emerging markets and developing economies have had greater increases in GDP and imports than advanced economies.

From 1960 to the 2008 global financial crisis, trade in goods and services grew at an average annual rate of roughly twice the rate of GDP growth.

Figure **1.1**
Real trade and real GDP growth, 1960–2016
(Index, 1960 = 100, logarithmic scale)



Source: IMF staff estimates.

Productivity Falters

Productivity growth slowed sharply across the world following the global financial crisis *(Figure 1.2)*. This trend has contributed to stagnating incomes in many advanced economies and has added to the political backlash against globalization.

This pattern has been visible in labor productivity (output per worker) as well as total factor productivity, which measures the overall efficiency of an economy's use of labor, capital, and elements such as technology. If the trend continues, it would threaten progress in raising global living standards, addressing private and public debt, and ensuring the viability of social protection systems. Declining productivity growth could also affect the ability of policymakers to respond to future economic shocks.

An IMF paper, "Gone with the Headwinds: Global Productivity," that addresses the issues surrounding productivity was published in April 2017. These issues were also the subject of an article in the March 2017 issue of *Finance & Development*.

There are structural and crisis-related reasons for the slowdown. Structural forces include the fading impact of the information and communication technology boom, weaker labor and product market reform efforts, skills shortages and mismatches, and demographic factors such as aging populations. In addition, the lingering effects of the global crisis continue to be felt—weak corporate balance sheets, tight credit conditions in some countries, soft investment, weak demand, and policy uncertainty.

The global trade slowdown is another long-term drag on productivity: trade since 2012 has barely kept pace with global GDP. This could point to lower productivity gains in the future—even without taking into account the possibility of trade restrictions.

STAFF PAPER SUMMARY

Gone with the Headwinds: Global Productivity

Productivity growth—a key driver of living standards—was already in decline in advanced economies before the global financial crisis drove it down sharply.

Structural headwinds include a waning boom in information and communications technology, partly reflecting an aging workforce, slowing global trade, and weaker human capital accumulation.

Reviving productivity growth requires addressing remaining crisis legacies in the short term while pressing ahead with structural reforms to tackle longer-term headwinds.

Prepared by Gustavo Adler, Romain Duval, Davide Furceri, Sinem Kiliç Çelik, Ksenia Koloskova, and Marcos Poplawski-Ribeiro

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How to Improve Productivity

To address the issues contributing to declining productivity growth, policymakers need to focus on strengthening innovation and education, advancing structural reforms, and continuing to reap the gains from open trade and migration, while implementing policies that address inclusiveness. But because much of the slowdown reflects the scars of the global financial crisis, action must be targeted at crisis legacies.

Among the policy measures to be taken are the following:

• Boost demand where it remains weak, particularly in the area of investment, through carefully selected public investment projects and by removing obstacles to private investment. This will support capital accumulation and the adoption of new technologies

• Restructure corporate debt and strengthen bank balance sheets to ease access to credit and stimulate investment in physical and intangible capital. Aggregate productivity will benefit as well—especially in Europe, where balance sheet repair has been slower than in the United States. Corporate restructuring and better banking supervision will also improve capital allocation

• Give clear signals about future economic policy, particularly fiscal, regulatory, and trade policies. This will support investment

Productivity growth has slowed significantly around the world since the 2008 global financial crisis.

It was already in decline in advanced economies before the crisis drove it down sharply. Structural forces and demographic factors also contributed to the trend.

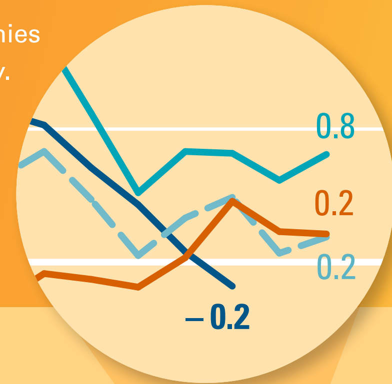
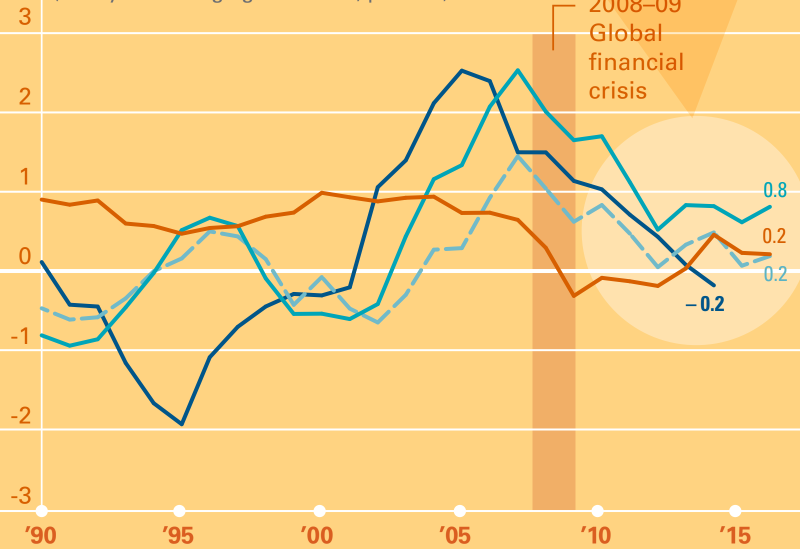


Figure **1.2**
Productivity growth by country group, 1990–2016
(Five-year average growth rate; percent)



Advanced economies
Emerging market economies
Emerging market economies (excluding China)
Low-income developing countries

Sources: Penn World Trade Table 9.0; IMF *World Economic Outlook*; and IMF staff calculations.

Note: Group averages are weighted using GDP at purchasing power parity.

Promoting Inclusive Growth

Concern over income inequality and inclusive growth has emerged as an issue of global importance *(Figure 1.3)*. Over the past 30 years, inequality has risen in many countries, in large part because of technological change. Governments worldwide are now devoting attention and resources to the challenges of making growth more inclusive.

IMF research in this area has shown that rising inequality poses risks to the durability of economic growth, that the design of government policies has an impact on income distribution, and that government also can help address the situation. An IMF paper released in January 2017 extended that research to the impact of macro-structural policies in low-income developing countries *(Figure 1.4)*. Other research has focused on the implications of budget deficits, labor market liberalization, and cross-border capital movements.

The Fund is now shifting its work toward the concrete ways in which this deeper understanding of the roots

STAFF PAPER SUMMARY

Macroeconomic Structural Policies and Income Inequality in Low-Income Developing Countries

Despite strong growth over the past two decades, income inequality remains high in many low-income developing countries (LIDCs), which can impair both the future pace and the sustainability of growth and macroeconomic stability.

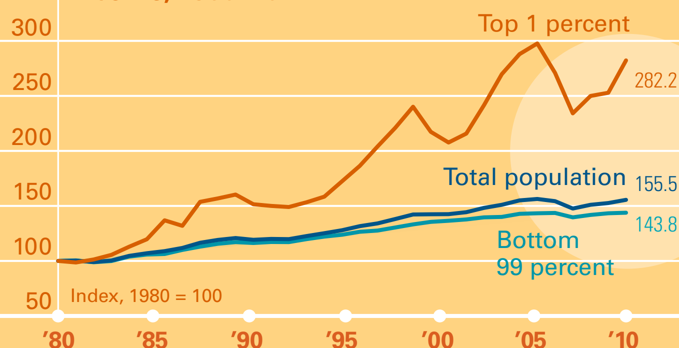
Features such as high levels of informality, limited geographic or intersectoral labor mobility, large intersectoral productivity differences, lack of access to finance, and low levels of infrastructure can make growth-inequality trade-offs particularly challenging for these economies.

Growth-oriented policies such as fiscal reforms (tax policy measures, higher public infrastructure investment), financial sector reforms, and reforms to the agricultural sector can have important distributional consequences in LIDCs. Targeted policy interventions, implemented in conjunction with progrowth reforms, can be deployed to contain any adverse distributional effects of the reform measures.

Prepared by Stefania Fabrizio, Davide Furceri, Rodrigo Garcia-Verdu, Bin Grace Li, Sandra V. Lizarazo, Marina Mendes Tavares, Futoshi Narita, and Adrian Peralta-Alva

Overview

Figure **1.3**
Advanced economies, per capita real market income, 1980–2012



282.2
Top 1%

DIFFERENCE IN GROWTH

Bottom 99%
143.8

The wealthy are getting wealthier

In advanced economies, the incomes of the top 1 percent have grown three times faster than those of the rest of the population.

Sources: World Wealth & Income Database; IMF, *World Economic Outlook*; and IMF staff calculations.

Note: The sample includes Australia, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Korea, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Market income refers to individuals' income before taxes and transfers.

Snapshots of Inequality Pilot Countries

Bolivia

In a country that once had one of the highest levels of inequality in Latin America, high commodity prices combined with government policies spurred a significant improvement. As commodity prices dropped, Bolivia sought to hold on to that progress. The IMF's 2015 and 2016 consultations with Bolivia focused on inequality, drawing on a household income study. The IMF staff developed a model that simulates the evolution of inequality and tests policies to preserve Bolivia's gains. The 2016 consultation determined that the most effective policy response would be to maintain infrastructure investment, better target cash transfers, and expand access to financial services.

Ethiopia

Ethiopia's financial sector is relatively underdeveloped, with about two-thirds of total bank credit channeled to government enterprises. Deposit rates are negative in real terms. The 2016 Article IV consultation outlined steps the authorities are taking to increase financial inclusion. A separate analysis discussed reforms to decrease lending to the public sector and increase deposit rates. It showed that the reforms likely would increase inequality by benefiting manufacturing and services. This pointed to the need to improve financial access and increase labor mobility.

Malawi

Malawi's fertilizer subsidy program for small farmers has been central to the country's poverty reduction effort. But the program had become increasingly costly and rife with abuses—without significantly lifting maize production or reducing poverty—partly because of a severe drought. The IMF, in collaboration with the World Bank, is working with the government to shift subsidy resources to cash transfers to the rural poor. Meanwhile, spending on agricultural research and development and irrigation is intended to raise small farm productivity and strengthen resilience to weather shocks. This effort, combined with cash transfers, is expected to be a more effective means of reducing inequality.

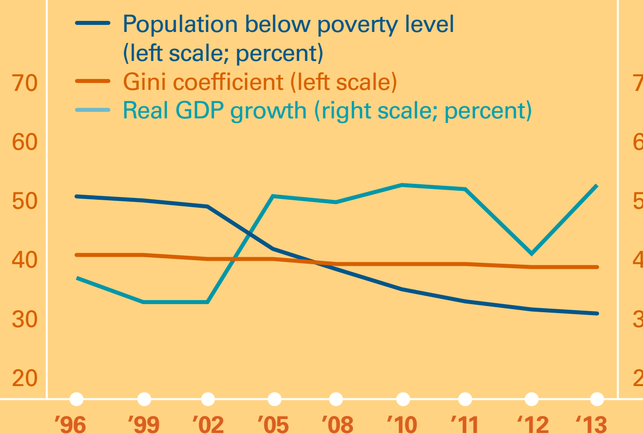
of inequality can translate into policies that advance inclusive growth—with a focus on equitable ways to tax and spend. Decisions in this area need to be made by country authorities.

For the past two years, the IMF staff has worked with a group of pilot countries spread across all regions and income groups to bring inequality issues and policy responses into discussions during the IMF annual health checkup with its member countries. The issues are now featured in the reports prepared as part of the Article IV consultation process.

Growth does not help all

The economy has been growing and poverty has been on the decline, but inequality remains stubbornly high in low-income countries.

Figure **1.4**
Low-income developing countries, growth and inequality, 1996–2013



Sources: IMF, *World Economic Outlook*; PovcalNet; World Bank Socio-Economic Database for LatinAmerica and the Caribbean; World Bank World Development Indicators; and IMF staff calculations.

Note: The Gini coefficient measures the income distribution of a country's residents. The higher the index, the greater the inequality. The Gini calculation is based on 40 low-income countries.

Gender Work

"Gender equality is more than a moral issue; it is a vital economic issue. For the global economy to reach its potential, we need to create conditions in which all women can reach their potential."

—IMF Economic Counsellor Maurice Obstfeld, March 23, 2017

The Fund has rapidly advanced its work on gender issues in recent years across policy analysis and advice, research, and knowledge sharing. This range of activities deepened during FY2017. Managing Director Christine Lagarde provided a framework for the commitments made at the United Nations High-Level Panel "Women's Economic Empowerment" in September 2016. The commitments encompassed the following:

- Policy advice and analysis to support female labor force participation
- Work on gender data gaps focused on financial inclusion
- Gender budgeting
- Research on the discriminatory effects of legal restrictions
- Research on the links between gender inequality and growth and the impact of policies on gender inequality

LEARN

What Is Gender Budgeting?

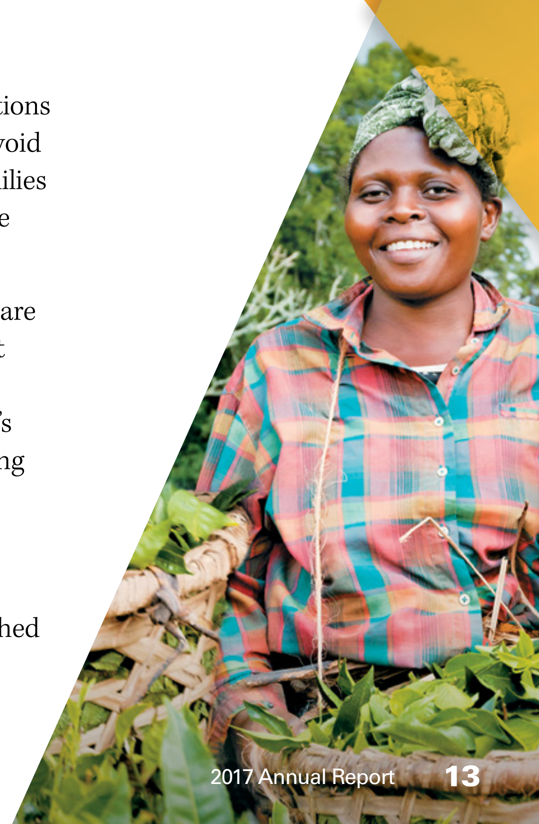
Gender budgeting is an approach that uses fiscal policy and public financial management instruments to promote gender equality and development. It is not just about funding explicit gender equality initiatives. It is also about analyzing fiscal policies and budgetary decisions to understand their impact—both intended and unintended—on gender equality, and using this information to design effective gender equality policies. Some countries focus on spending allocations or the structure of fiscal policies, others on administrative changes to budget planning and monitoring. The most successful efforts encompass both areas. The IMF now provides an online database on global gender-budgeting efforts and two gender equality indices.

Developments on Gender Work in FY2017

Gender equality goals in policy dialogues with countries: Twenty-three country and regional pilot studies were completed, and four others were underway. This work focuses mainly on increasing female labor force participation and quantifying the macroeconomic losses from gender inequality. In emerging market and developing economies, recommendations emphasize increasing access to finance, to education and training, and to basic infrastructure such as electricity and sanitation; in advanced economies, recommendations emphasize shifting tax systems to avoid penalizing secondary earners in families and access to high-quality, affordable child care.

IMF loans: Gender considerations are now included in programs. In Egypt and Niger, for example, programs include a goal of increasing women's economic participation by improving the availability of public nurseries and developing a gender strategy, respectively.

Gender budgeting: The IMF published the paper "Gender Budgeting in G7 Countries" in early FY2018



for the Italian Presidency of the Group of Seven (G7) to inform the G7 discussion on gender equality. The Fund now provides an online database on global gender budgeting efforts and two gender equality indices. The work on gender budgeting will continue, including as part of technical assistance in the public financial management area.

Financial inclusion: The IMF conducted pilot studies on women's access to banking and other financial services in 28 countries. The results were used to assess how to reduce data gaps, and a toolkit was developed.

Publications: In February 2017, the IMF published a book titled *Women, Work, and Economic Growth: Leveling the Playing Field.*

Conferences: The IMF held two conferences on gender issues: a one-day event on Fiscal Policies and Gender Equality, and a three-day conference on Gender and Macroeconomics. There were more than 200 participants at each event. The Gender and Macroeconomics conference was preceded by a peer learning event for sub-Saharan African researchers and practitioners.

Capacity building: The IMF's technical assistance on gender budgeting is growing in importance. Examples include Cambodia (financial reporting), Ukraine (medium-term budget framework), and Austria (fiscal transparency evaluation).

Gender and Growth

IMF studies have shown significant macroeconomic gains when women are able to participate more fully in the labor market and given the same opportunities (legal rights, education, health, access to finance *[Figure 1.5]*). Despite significant progress, female labor force participation remains lower than that of males across most advanced, emerging market, and developing economies. Wage gaps are high, and women are overrepresented in the informal sector and among the poor. In 90 percent of countries, legal restrictions constrain women from developing their full economic potential. While equality between men and women is in itself a significant development goal, women's economic participation is also important to growth, output and exports, diversification, and more equal income distributions.

STAFF PAPER SUMMARY

Women, Work, and the Economy: Macroeconomic Gains from Gender Equity

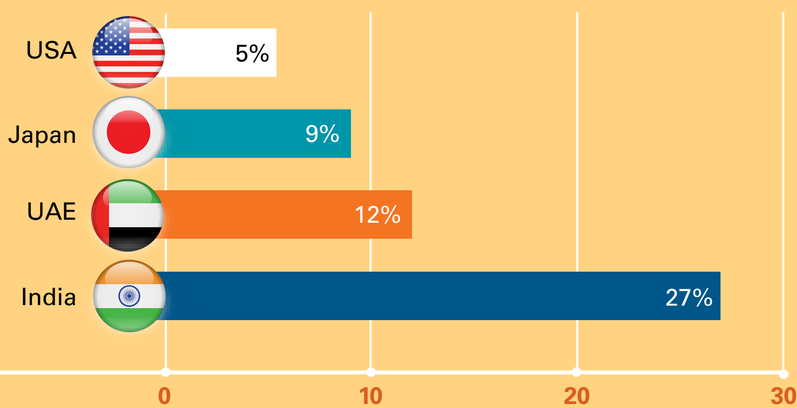
Women make up a little over half the world's population, but their contribution to measured economic activity, growth, and well-being is far below its potential, with serious macroeconomic consequences.

In rapidly aging economies, higher female labor force participation can boost growth by mitigating the impact of a shrinking workforce. In developing economies, better opportunities for women can also contribute to broader economic development, for instance, through higher levels of school enrollment for girls.

Implementing policies that remove labor market distortions and create a level playing field for all will give women the opportunity to develop their potential and to participate in economic life more visibly.

Prepared by Katrin Elborgh-Woytek, Monique Newiak, Kalpana Kochhar, Stefania Fabrizio, Kangni Kpodar, Philippe Wingender, Benedict Clements, and Gerd Schwartz

Figure **1.5**
Women's labor force participation and GDP
How much would a country's GDP increase if women's labor force participation were increased to match men's?



Gender equality would increase economic growth

Countries of all income levels would see significant increases in GDP if women's labor force participation were increased to match men's.

Source: IMF staff estimates.
Note: USA: United States of America; UAE: United Arab Emirates.

Capacity Development for Debt Management

Saudi Arabia Builds Debt Management Expertise

In the wake of the steep decline in global oil prices, the Saudi Arabian government set out plans for a bold transformation of the country's economy under its Vision 2030 and the National Transformation Program. Plans include diversifying the economy, creating private sector jobs, taking gradual steps to balance the budget, and further strengthening investment capabilities. To achieve these goals, the government needs to deepen liquidity in the capital markets and fortify the role of the debt market.

Until recently, oil producer Saudi Arabia had no need to borrow because it did not face any significant funding gaps. But the decline in revenue receipts due to the drop in oil prices has resulted in fiscal deficits *(Figure 1.6)*, though oil prices have recovered to some extent. In these circumstances, the government made a fundamental policy shift and adopted a two-pronged approach to safeguarding macroeconomic stability: drawing on its sizable fiscal reserves and borrowing money by issuing debt.

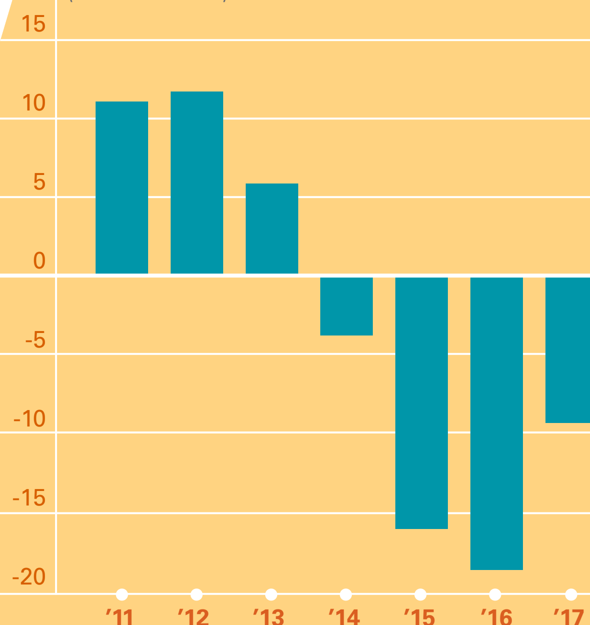
Establishing a debt management office was the first step toward developing debt capital markets. In 2016, the government asked the IMF to share its expertise in establishing the office. After analyzing the financing situation and determining how the establishment of a debt management office could improve macroeconomic management, the IMF and the government worked together to do the following:

Overview

The drop in oil prices in recent years has meant declining revenue.

The resulting fiscal deficits have prompted a shift in government policy.

Figure **1.6**
Saudi Arabia, fiscal balance, 2010–16
(Percent of GDP)



Sources: Country authorities; and IMF staff calculations.

Figure **1.8**
Uruguay, public sector debt composition, 2015
(Percent)

Sources: Banco Central del Uruguay; Haver Analytics; IMF staff calculations; and IMF, *World Economic Outlook*.

- Establish a debt management office under the Ministry of Finance, responsible for developing the legal, governance, and risk-management frameworks for debt management
- Develop a medium-term debt strategy to assess trade-offs of alternative debt strategies
- Promote policies that facilitate local debt market development

The Saudi Arabian Debt Management Office began operations in October 2016. Its main objective is to secure the country's financing needs with the best possible combination of costs and risks compatible with the government's policies. As part of the debt management strategy, government debt instruments will gradually be registered, listed, and traded on the Tadawul, the Saudi Arabian stock exchange.

The IMF's engagement with Saudi Arabia could be a useful model for a range of other oil- or commodity-exporting countries that need a comprehensive and strategic approach to debt management.

Uruguay's Innovative Asset and Liability Management Reduces Risks

Companies manage their consolidated assets and liabilities as a core element of managing risk across their balance sheets. But many governments, with diverse assets and liabilities—some explicit and some implicit or contingent—don't typically compile full balance sheets or even statements of their financial positions, as public assets and liabilities don't lend themselves to such conventional analysis. This makes assessment of public balance sheet risks difficult.

Uruguay has taken an innovative approach to this challenge. The Uruguayan debt management unit and the IMF worked

Uruguay's debt management unit identified key mismatches.

Gross debt increased in 2015 mostly because of the depreciation of the peso, given the large share of foreign-currency-denominated debt.

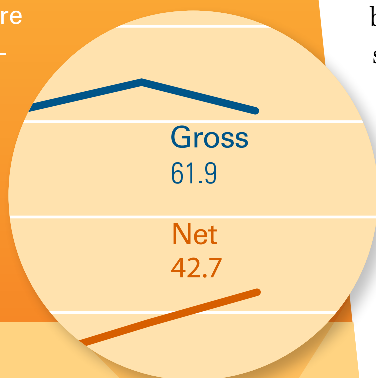
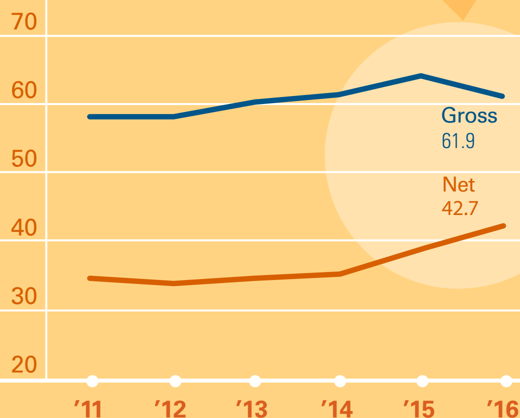
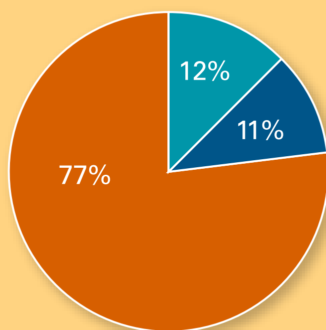


Figure **1.7**
Uruguay, public sector debt, 2011–16
(Percent of GDP)

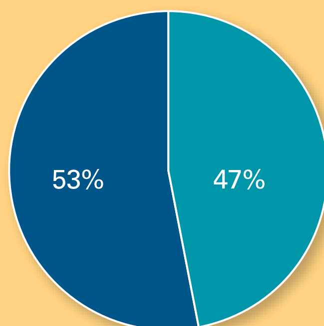


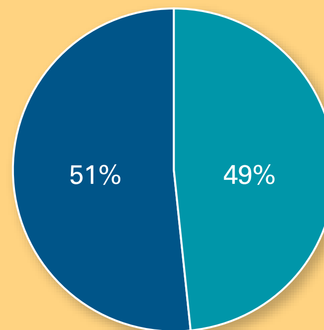
Sources: Banco Central del Uruguay; Haver Analytics; IMF, *World Economic Outlook*; and IMF staff calculations.



Maturity
- 1 year
- 1–5 years
- 5+ years

Currency
- Uruguayan pesos
- Foreign currency





Residence
- Residents
- Nonresidents

together to take a more comprehensive look at the government's debt management in the context of the wider public sector balance sheet, and to assess the role of the domestic bond market in managing potential public portfolio risks. This work, which involved reviewing balance sheets across the government, including the central government, the Central Bank of Uruguay, major state-owned enterprises, and the State Insurance Bank *(Figures 1.7 and 1.8)*, helped identify key mismatches and possible policy changes.

For instance, the US dollar liabilities exceeded US dollar assets, indicating that the country should establish a strategy to reduce US dollar debt by further developing the local currency bond market. This also indicates that Uruguay should hedge prevailing foreign exchange risks by using deeper forward markets. That would necessitate further coordination between debt management and the implementation of monetary policy, as well as consolidation in the types of debt instruments issued. Also, that would require addressing inflation-linked and wage-linked indexation in the context of a maturing pension system, and improving global custody and settlement arrangements.

The Uruguayan authorities are determined to reduce foreign currency mismatches and enhance the country's resilience to foreign currency risk, thus strengthening financial stability. "By thinking about the country's consolidated balance sheet," said IMF Technical Assistance Mission Chief Michael Papaioannou, "the authorities can have an integrated view of the sovereign's balance sheet risks and possibly be able to hedge associated exposures in a more cost-efficient manner."

"By thinking about the country's consolidated balance sheet, the authorities can have an integrated view of the sovereign's balance sheet risks and possibly be able to hedge associated exposures in a more cost-efficient manner."

— IMF Technical Assistance Mission Chief Michael Papaioannou

SUB-SAHARAN AFRICA

China's Economic Shifts Hit Sub-Saharan African Exporters

China and Africa have developed close economic ties over the past 20 years. China's rapid growth has boosted its demand for raw materials, many of which come from Africa. Trade between the two regions has risen more than 40-fold during that period. China's share of African exports jumped from 1.6 percent in 1995 to 16.5 percent in 2015, and its share of African imports increased from 2.5 percent to 23.2 percent *(Figure 1.9)*.

Roger Nord, coauthor of "A Rebalancing Act for China and Africa: The Effects of China's Rebalancing on Sub-Saharan Africa's Trade and Growth"

But now **China's growth is slowing, and the drivers of its growth are shifting from investment and exports to domestic consumption**, a process referred to as "rebalancing." A recent analysis prepared by the IMF shows that this shift had a particularly big impact on commodity exporters, many of which are in Africa: in 2015, the value of African exports to China fell to $48 billion from $105 billion in 2014, putting pressure on exchange rates and foreign exchange reserves. Sharply lower government revenue in commodity-intensive countries has forced them to cut public spending, including on badly needed infrastructure and social services. The short-term pain is acute.

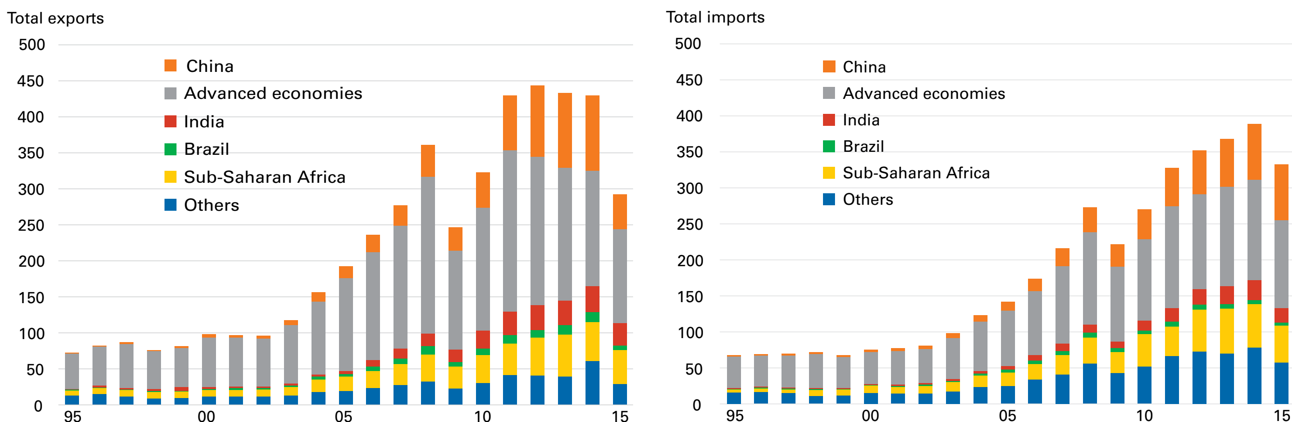
Not all the news is bad, though. Looking for more opportunities abroad, **Chinese enterprises and financial institutions have expanded their direct investment and lending in Africa**, notably in non-resource-intensive countries, which continue to enjoy high growth. Over the medium term, this investment offers opportunities to sub-Saharan Africa to become part of global value chains, boosting much-needed structural transformation on the continent.

"Every cloud has a silver lining," said Roger Nord, coauthor of the IMF analysis. "While falling commodity prices hurt Africa in the short term, China's shift to more consumption is an opportunity for Africa to accelerate its much-needed structural transformation."

Figure **1.9**

Sub-Saharan Africa, exports and imports by partner, 1995–2015

(Billions of US dollars)



Source: IMF, Direction of Trade Statistics.

SUB-SAHARAN AFRICA

Delayed Adjustment to Commodity Price Decline Constrains Growth in Sub-Saharan Africa

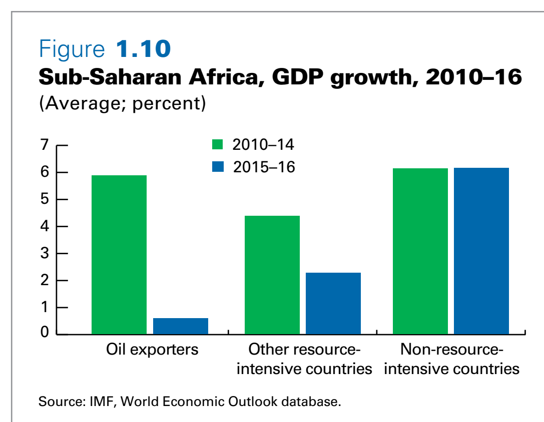
Starting in 2011 and more acutely since mid-2014, the decline in commodity prices has put severe strains on the 23 sub-Saharan African economies that rely significantly on commodities for their exports. In these countries, the ensuing decline in export proceeds and budgetary revenues has led to a rapid deterioration in the external and fiscal balances, particularly in oil exporters.

As a result, pressures on exchange rates emerged, international reserves declined, and both public debt and arrears increased. **Growth in resource-intensive countries has slowed markedly** since 2014, compared with the previous period of buoyant growth. This picture contrasts sharply with the rest of the countries in the region, which have continued to enjoy strong momentum, as they also enjoyed tailwinds from a lower energy import bill *(Figure 1.10)*. Growth for sub-Saharan Africa as a whole reached just 1.4 percent in 2016—its worst performance in more than two decades.

Figure **1.10**

Sub-Saharan Africa, GDP growth, 2010–16

(Average; percent)



Source: IMF, World Economic Outlook database.

"The authorities in the sub-Saharan African countries most affected have started to adjust policies, but the adjustments have been slow and insufficient, creating uncertainty, holding back investment, and running the risk of generating even deeper difficulties in the future," said African Department Division Chief Céline Allard, who oversaw preparation of the April 2017 *Regional Economic Outlook: Sub-Saharan Africa—Restarting the Growth Engine*.

Thus, as commodity prices are expected to remain low, the hardest-hit countries urgently need to adjust if they want to restore macroeconomic stability and revive growth. **They need to combine fiscal consolidation with exchange rate flexibility where feasible.** And this rebalancing will be durable only if these countries at the same time boost domestic revenue mobilization, foster diversification, and address long-standing weaknesses in the business climate to attract investment in new sectors.

Regional Economic Outlook: Sub-Saharan Africa team members (from left): Jackie Zhang, Nkunde Mwase, Haris Tsangarides, Jarek Wieczorek, Natasha Minges, Romain Bouis, Mustafa Yenice, Torsten Wezel, Maxwell Opoku-Afari, Monique Newiak, Céline Allard (not pictured: Francisco Arizala, Paolo Cavallino, Jesus Gonzales-Garcia, Cleary Haines, Charlotte Vazquez)

MIDDLE EAST AND NORTH AFRICA

The Economic Impact of Conflicts and the Refugee Crisis

Gaëlle Pierre, coauthor of "The Economic Impact of Conflicts and the Refugee Crisis in the Middle East and North Africa"

The conflicts in the Middle East and North Africa region have had a dramatic humanitarian impact. An IMF paper on their economic impact, published in September 2016, looked at the role that economic policies play in this context. The study found that in the short term, such policies can help mitigate some of the immediate impact of conflicts, and in the long term, they play a significant role in promoting a healthy, sustainable recovery and in reducing the likelihood of a relapse into conflict.

In the midst of a conflict, policymaking is beset by multiple challenges, conflicting demands, and urgent needs *(Figure 1.11)*. Under these extreme conditions, the longer-term goals of economic development may seem irrelevant. However, **failing to maintain good policy practices or to offset the negative impact of conflicts can have deeper, lasting adverse consequences** for the economies of conflict countries.

Thinking through economic policy, even if difficult given the urgency of dealing with conflict, can help maintain some economic stability. In addition to addressing immediate humanitarian needs, there are three priorities: protecting the effectiveness of economic institutions, prioritizing budget space to serve the basic needs of the public, and using monetary and exchange rate policies to ensure macroeconomic stability.

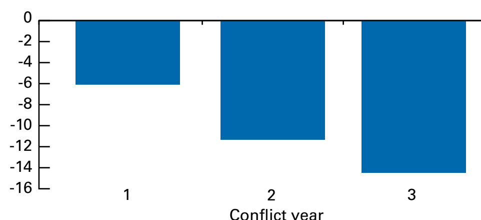
Recovering from the impact of a conflict takes time, depending on several factors, including the intensity, duration, and type of conflict and the extent of damages to institutions. For example, during the period 1970–2014, a broad range of postconflict countries that maintained peace for at least 10 years after the end of conflict averaged a relatively high annual growth rate of 4.5 percent. However, if the conflict in Syria had ended in 2015 and the country grew at that rate, it would still take at least 20 years just for it to rebound to its 2010 preconflict GDP level.

As countries transition out of wartime-economy policies, **successful rebuilding requires well-functioning institutions and robust yet flexible macroeconomic frameworks** to guide reconstruction and recovery, especially managing donor support, absorbing capital inflows, and maintaining debt sustainability. A major challenge in the Middle East and North Africa region will be to take care of the large refugee populations and design policies that can accommodate the return of refugees to their home countries or create opportunities in the host countries to accommodate refugees and bring them into productive activity. This means designing policies not only for the refugees but also for the host communities, which are often already struggling.

Figure **1.11**

Middle East and North Africa, change in GDP associated with conflicts,1970–2014

(Percent; cumulative)



Sources: Center for Systemic Peace; and IMF staff estimates.

The lessons from the Arab Spring and subsequent conflicts show that countries across the region **should accelerate inclusive growth reforms aimed at reducing inequality in opportunities**. Though some progress has been made, more remains to be done to ensure that the returns on economic growth are more equally shared—a challenge for many other regions in the world as well.

To help mitigate the economic implications of conflicts and their spillovers, the IMF provides tailored policy advice in the following areas:

- building reliable macroeconomic frameworks
- setting monetary and exchange rate policies
- prioritizing spending, including to protect critical social spending, and securing debt sustainability
- fostering inclusive growth

The IMF also shares its expertise, including through the Middle East Regional Technical Assistance Center and country-specific trust funds. This assistance focuses mainly on rebuilding and strengthening economic institutions, improving economic policymaking, strengthening public financial management and developing equitable tax systems, strengthening financial supervision and intermediation, and preparing statistics.

The IMF has provided financial support to Afghanistan, Iraq, and Jordan, taking into account the impact of refugees and the internally displaced. In addition, the IMF helps mobilize additional resources from donors and other international financial institutions (Iraq, Jordan, Lebanon). It plays a key role in supporting the dialogue of the international community by providing assessments of economic developments and participating in donor meetings (Libya, Somalia, West Bank and Gaza), as well as high-level conferences on Supporting Syria and the Region in London in 2016 and in Brussels in early April 2017.

The sign above says: "Current training offers."

MIDDLE EAST AND NORTH AFRICA

Energy-Pricing Reform in the Arab World

The fall in oil prices in late 2014 had a profound impact on countries in the Arab world: the region's oil exporters saw billions of dollars wiped from their revenues, while the oil importers saw substantial decreases in remittances and investment. Although oil prices had recovered slightly to about $45–$50 a barrel as of July 2017, they were expected by the futures markets to remain low, at about $55 a barrel, in the medium term.

Countries across the Arab world are acknowledging this new reality. Many have taken significant steps to **reform their generous energy-pricing policies to help them consolidate their fiscal positions**. However, an IMF paper released in early FY2018 suggests that there is room to go further. In 2015, Arab countries accounted for more than one-quarter of pretax global energy subsidies—$117 billion, or more than the 2015 revenues of Amazon, Microsoft, or Google *(Figure 1.12)*. This figure includes the implicit or opportunity cost of low energy prices—the revenue forgone by selling below world prices.

Low energy prices typically favor the rich, who consume larger amounts of energy, while generating relatively few economic benefits. **The money spent on subsidies would be better invested in sectors that produce higher returns, such as infrastructure, health, and education.** Subsidies also lead to industrial distortions and wasteful domestic consumption of energy, which has an environmental cost. And they exacerbate budget deficits, leading to higher debt levels and eating into savings.

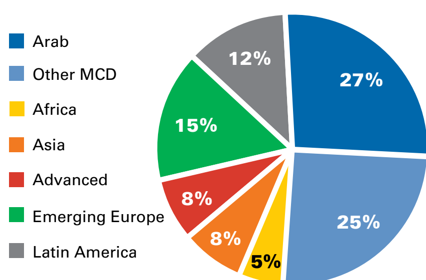
There are many political and social challenges to reforming energy prices. But reform experience in numerous countries shows that it can be done. To be successful, reforms should be broad, comprehensive, implemented gradually, and depoliticized. The public must be kept informed. And **compensation should be provided to the poor and vulnerable, for whom higher energy costs will be a burden.**

Olivier Basdevant, coauthor of "If Not Now, When? Energy Price Reform in Arab Countries"

With lower global oil prices implying smaller gaps between domestic energy prices in Arab countries and international benchmarks *(Figure 1.13)*, now is an ideal time for energy-pricing reform. On average, Arab countries spent 3 percent of their GDP on energy subsidies in 2016. Were they to redirect those subsidies into more productive investments in physical or human capital, they could add 6 percentage points of additional growth over six years and lower public debt by up to 20 percentage points of GDP over that period.

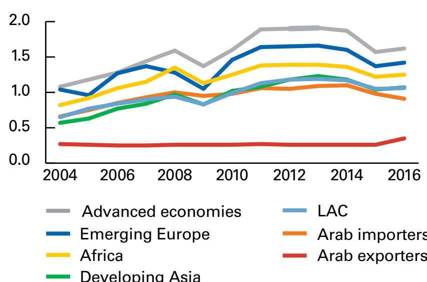
To soften the impact of reforms, countries could choose a mix of investment, debt reduction, and using savings for compensatory measures. **With the Arab world looking to boost inclusive growth and raise living standards, the potential benefits of energy-pricing reforms are substantial.** "Now is a really good time to go ahead with reforms," said Olivier Basdevant, coauthor of the IMF paper, "either because you have to or because it is easier now while the gap between domestic and world prices is lower."

Figure **1.12**
Energy subsidies by region, 2015



Sources: International Energy Agency; and IMF staff calculations.
Note: MCD: Middle East and Central Asia.

Figure **1.13**
Average gas prices by region, 2004–16
(US dollars per liter)



Sources: International Energy Agency; and IMF staff calculations.
Note: LAC: Latin America and the Caribbean.

ASIA AND THE PACIFIC

Brunei Darussalam: Technology for Customized IMF Support

The IMF consults with its 189 member countries primarily through its annual economic health checks. During these Article IV consultations, country authorities often request support from the Fund to help build institutions through expert advice called technical assistance, along with training. This is precisely what happened when past IMF missions traveled to Brunei Darussalam: the authorities in this small oil producer on the island of Borneo in southeastern Asia asked the IMF for such support to help them grow their economy.

But the IMF team faced a couple of hurdles: **information on technical assistance options was dispersed** across several IMF departments, and Brunei Darussalam is so far away from IMF headquarters that, along with limited course space and staffing, frequent travel is not feasible for IMF or Bruneian officials. "The solution," said Mission Chief Seng Guan Toh, "was for the team to put together a cohesive package of information on our technical assistance offerings and make use of the technological tools developed by the IMF, such as its free online training and Data Portal."

The team developed a tailored list of technical assistance options from across the IMF, based on offerings for other oil-producing countries: on the fiscal side, enhancing public financial management and on the financial side, developing the financial sector. **The team identified specific courses for each of the government agencies it would meet with** and compiled customized menus of technical assistance options for each one. For example, given that Brunei Darussalam is an oil-exporting economy, for its meeting with finance ministry officials, the team selected the IMF course "Macroeconomic Management in Resource-Rich Countries."

On its mission to Brunei Darussalam in February 2017, at the end of each key meeting with officials, **team members presented brief sample lectures on the courses related to the country's economic issues,** screened a video on how to use the online training portal, and walked the officials through the available online data. In addition to meeting with the finance ministry, the team met with officials from the prime minister's office, monetary authority, Ministry of Foreign Affairs and Trade, and Labor Department, plus a leading think tank, the Centre of Strategic and Policy Studies.

"The 'three T' approach —technology, technical assistance, and training—enables Bruneian government agencies to draw on the IMF's offerings to help them address economic issues," said Toh. He and the team expect the country to take greater advantage of those offerings and hope to expand the approach to other countries as a way to better deliver on the Fund's mandate to assist its membership.

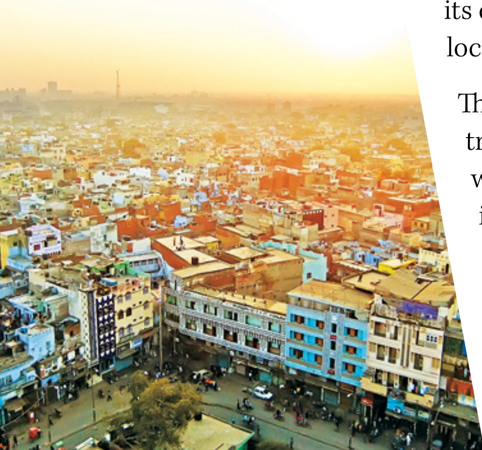
*"The '**three T' approach —technology, technical assistance,** and **training**—enables Bruneian government agencies to draw on the IMF's offerings to help address economic issues."*

— Seng Guan Toh, IMF Mission Chief

ASIA AND THE PACIFIC

IMF Partners with India to Open New Learning Center

Less than a year after a memorandum of understanding was signed between the government of India and the IMF in March 2016, the South Asia Regional Training and Technical Assistance Center (SARTTAC) was inaugurated February 13, 2017, in New Delhi. Choosing a suitable site for the center, creating a functional design, and tackling its construction involved close partnership between the Indian authorities, IMF staff, and local vendors. The result is a world-class facility for learning.



This is the newest of the IMF's global network of 14 regional technical assistance and training centers. It is designed as the model for the IMF's future capacity development, with both training and technical assistance under one roof. The member countries in the region provided most of the funding for the center themselves, and it was generously supplemented with resources from Australia, the European Union, Korea, and the United Kingdom.

SARTTAC responds to strong demand from its member countries (Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka) for the Fund's capacity development work. South Asia is a rapidly growing region that is home to one-fifth of the world's population. The region's economies are grappling with the challenges of improving the efficiency of public spending, strengthening tax administration, enhancing regulation and supervision of the financial system, modernizing monetary policy and operations, and improving macroeconomic statistics. Through training courses and resident technical assistance experts, SARTTAC will allow the IMF to meet more of these high demands. Its regional location will enable it to be flexible and responsive to country needs and to tailor its support to members' circumstances.

SARTTAC has been very active from the outset. Consistent with the demand-driven approach, considerable time has been spent learning about member country needs. This has resulted in an **initial program of some 30 courses that will be delivered in calendar year 2017, spanning fiscal, monetary, financial, and statistical topics.** The first course, on macroeconomic diagnostics, for officials from the Indian Economic Service, was followed by regional courses on fiscal analysis and on monetary policy. Some training will also be delivered in other member countries and at the subnational level in India, where there is strong demand at the state level.

Over the coming year, in addition to its tailored training and hands-on technical assistance projects, SARTTAC will bring together countries for peer learning, reassign officials between countries, and work in partnership with local institutions across south Asia.

Secretary Shaktikanta Das of India's Ministry of Finance and IMF Deputy Managing Director Carla Grasso open the South Asia Regional Training and Technical Assistance Center.

ASIA AND THE PACIFIC

Myanmar Parliamentarians Strengthen Management and Oversight

After historic elections in November 2015, a new democratic government in Myanmar (formerly known as Burma) took office in April 2016. Following decades of isolation, the administration prioritized much-needed financial sector reform, improving the infrastructure, and ending the country's internal armed conflicts to gradually reintegrate Myanmar with the global economy.

Developing capacity in Myanmar is an enormous task as the country continues its economic transition. The need was even more pressing for the newly elected parliament, since most of the parliamentarians had no previous experience in government. To address this need, IMF staff members from several departments crafted a high-level capacity development seminar for the Union Parliament of Myanmar, in consultation with parliamentary leaders.

The seminar, held in December 2016, focused on Myanmar's efforts to strengthen macroeconomic management and financial stability. **Over 60 parliamentarians from three key parliamentary economic committees participated in the interactive sessions,** which were coordinated with the IMF's annual health check mission. The IMF team had staff from the Asia and Pacific Department (including the Resident Representative Office, Technical Assistance Office for Lao P.D.R. and the Republic of the Union of Myanmar, and Regional Office in Japan); the departments of communications, fiscal affairs, monetary and capital markets, and statistics; and the Singapore Regional Training Institute, with financial support from the government of Japan.

The interactions between the parliamentarians and the IMF team provided a unique opportunity for the parliamentarians to discuss policy and technical issues together. The parliamentarians particularly liked the approach of integrating capacity development with economic surveillance. This **helped them better apply the technical issues discussed to policy matters they face on a regular basis** in the course of their oversight responsibilities. A follow-up seminar on public financial management for the Parliamentary Joint Public Accounts Committee was scheduled for mid-2017.

Yongzheng Yang, the IMF Mission Chief for Myanmar, summarized the Fund's strategy with the country: "Knowledge-sharing plays a key role in helping the authorities implement policies to achieve their objective of sustainable and inclusive growth. We will continue our capacity development activities in Myanmar, already the most extensive among the IMF's membership. And integrating those activities with our economic health checks is essential to our effective engagement with the country."

Yongzheng Yang, IMF Mission Chief for Myanmar

"We will continue our capacity development activities in Myanmar, already the most extensive among the IMF's membership."

"...clearly, the FCL, which Mexico has benefited from for now a few years, is a testimony to the good macroeconomic policies that have been in place, thanks to the leadership of the country, both at the central bank and at the finance ministry level."

Christine Lagarde, IMF Managing Director, International Monetary and Financial Committee press briefing, April 22, 2017

WESTERN HEMISPHERE

Mexico: Flexible Credit Line Serves as a Backstop in a Volatile World

Over the past decade, Mexico has deepened its integration into the global economy through both trade and financial channels. This has helped boost productivity, improve competitiveness, lower financing costs, and diversify the investor base. In 2016, total foreign portfolio investment flows in Mexico reached $26.7 billion (2.6 percent of GDP), and nonresidents held 35 percent of local-currency-denominated sovereign bonds *(Figure 1.14)*. The strong presence of foreign investors in Mexico reflects their confidence in the strength of the economic policy framework and the depth and liquidity of the country's foreign exchange and bond markets.

The Mexican peso is the second most actively traded emerging market currency in the world, with a daily global trading volume of $97 billion. Mexico's very strong macroeconomic policies and policy frameworks have helped it navigate a complex external environment characterized by financial market volatility. Monetary policy is guided by an inflation-targeting framework in the context of a flexible exchange rate. Fiscal policy is underpinned by the fiscal responsibility law, and the authorities are committed to bringing the public-debt-to-GDP ratio down over the medium term. The financial regulatory and supervisory framework is strong.

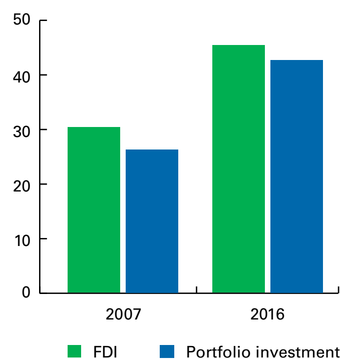
To support the Mexican authorities' overall macroeconomic strategy and provide insurance against risks, in May 2016 the IMF's Executive Board approved a two-year arrangement for Mexico under the Flexible Credit Line (FCL) in the amount of about $85 billion. The FCL proved effective during FY2017 when the peso came under temporary pressure. This is the sixth such arrangement with Mexico, and the authorities again intend to treat it as precautionary. Previous arrangements provided valuable insurance against tail risks in the immediate aftermath of the 2008 global financial crisis, during the euro area crisis, and during the turbulent period in the run-up to the start of US monetary policy normalization.

The FCL was designed to meet the demand for crisis prevention and crisis mitigation lending for countries with very strong policy frameworks and track records in economic performance that find themselves in a cash crunch. Two other countries, Colombia and Poland, have also used FCLs. While none of the three countries have so far drawn on them, the lines have provided a **valuable backstop for the countries and helped boost market confidence during a period of heightened risks.**

Figure **1.14**

Mexico, foreign direct investment and portfolio investment liabilities, 2007 and 2016

(Percent of GDP)



Sources: National authorities; and IMF staff estimates.
Note: FDI: foreign direct investment.

WESTERN HEMISPHERE

Argentina's Bold Steps to Avert a Crisis

When Argentina's new government took office in December 2015, it faced pervasive macroeconomic imbalances, microeconomic distortions, and a weakened institutional framework. Consumption levels were unsustainably high, investment had reached historically low levels, and large fiscal deficits were being financed by money creation and inflation. Distortions at the micro level included an extensive network of administrative controls—such as trade barriers, foreign exchange restrictions, and price controls—and a business environment that eroded competitiveness and undermined medium-term growth. **A serious financial crisis was imminent.**

The government "is now looking its problems in the eye and tackling them decisively," said IMF Mission Chief Roberto Cardarelli in November 2016, upon publication of the first IMF review of the country's economy (known as an Article IV consultation) since 2006. **The authorities took bold steps to address the imbalances and avert a crisis,** explained Cardarelli, dismantling exchange controls, allowing the exchange rate to float, removing restrictions on access to foreign currencies, eliminating export taxes (except those on soybeans, which were reduced), and settling litigation with creditors that stood in the way of Argentina's debt restructuring, restoring access to credit markets.

Roberto Cardarelli, IMF Mission Chief for Argentina

The authorities set fiscal and inflation targets, and began phasing out ineffective energy subsidies. The national statistics agency is being rebuilt and in mid-2016 started publishing new official statistics in line with international standards.

While necessary to lay the foundation for robust future growth, these measures to reverse the serious imbalances and distortions unavoidably had an adverse short-term impact on the Argentine economy. When the IMF mission met with senior officials, along with representatives from the private sector and civil society, the central focus of the discussions was thus on how to **sustain the economic recovery and protect the poor from the costs of restoring macroeconomic stability.** The consultation included the country's ambitious agenda of reforms designed to produce an environment more conducive to private investment and lay the groundwork for strong, sustained, and equitable growth.

With about one-third of the population living below the poverty line, reducing poverty is the administration's absolute priority. The authorities know that **a vibrant economy is the best way to create jobs and pull people out of poverty.** After contracting in 2016, economic activity in Argentina was set to expand by 2.2 percent in 2017, thanks to stronger consumption and public investment, and 2.3 percent in 2018, reflecting the gradual rebound in private investment and exports *(Table 1.1)*.

Table **1.1**

Argentina, growth in real GDP, consumer prices, current account balance, and unemployment, 2016 and projected 2017–18

	2016	2017 (projected)	2018 (projected)
Real GDP	-2.3	2.2	2.3
Consumer prices (year to year)	—	21.6	17.2
Current account balance	-2.6	-2.9	-3.4
Unemployment	8.5	7.4	7.3

Source: IMF, *World Economic Outlook*, April 2017.

EUROPE

Albania's Reforms Get Results

In 2013, Albania's economic growth almost ground to a halt as the 2008 economic crisis cut demand from Greece and Italy, its main trading partners. At the same time, public debt surged and arrears accumulated due to election-time splurges, an unsustainable pension system, and an unviable electricity sector. The banking system, on which the government relied heavily for borrowing, had weakened due to a high ratio of overdue loans, increasing financing pressures.

Anita Tuladhar, IMF Team Leader for Albania

To help address these fiscal and financial challenges and restore economic growth, the country requested an IMF loan, which the Executive Board approved in February 2014. The 36-month arrangement under the Extended Financing Facility aimed to restore economic growth and control the rapidly rising public debt that threatened economic stability, by strengthening public finances, maintaining financial stability, and implementing structural reforms focused on improving the energy sector and the business climate.

In February 2017, the program was successfully concluded and Albania entered into postprogram monitoring. Upon completion of the final mission, former Albanian Minister of Finance Arben Ahmetaj reported at a press conference that **economic growth had recovered and was expected to reach 3.7–3.8 percent in 2017 from 3.4 percent the preceding year** *(Table 1.2)*. He credited the strong economic outcomes to the macroeconomic and fiscal reforms undertaken, which, he said, "are also closely linked to all other reforms the government has conducted during the last three years, like the pension reform, the energy sector reform, the reform in the public finance management, the reform in the tax administration," and others.

The reforms have also led to increases in wages and pensions, employment, the number of enterprises, and foreign direct investment, said Ahmetaj. IMF Team Leader Anita Tuladhar agreed that the program has successfully put Albania on a recovery path with sound public finances: "Thanks to the commitment of the Albanian authorities, we could support reforms that are critical to growth. The program strengthened the institutional framework, reduced vulnerabilities of the economy, and helped maintain economic stability despite difficult external conditions," she said.

Albania is continuing reforms to support growth and strengthen the financial sector while maintaining fiscal consolidation with the goal of bringing the debt down to below 60 percent of GDP. It has launched a European Union–supported justice reform initiative to address governance concerns and an inefficient justice system. Conditional on making tangible progress on the judicial reforms, the European Commission has recommended opening negotiations for Albania's accession to the European Union.

Table **1.2**
Albania, main economic indicators, 2013 and 2016

	2013	2016
GDP growth (percent)	1.0	3.4
Primary balance (percent of GDP)	-2.0	0.2
Overall balance (percent of GDP)	-5.2	-2.2
Tax revenues (percent of GDP)	22.0	24.9
Nonperforming loans (percent)	23.5	18.3

Sources: National Albanian authorities; and IMF staff calculations.

EUROPE

Spain: Maintaining an Impressive Recovery

One of the countries in the euro area hardest hit by the global financial crisis, Spain has made a remarkable recovery. The economy grew by more than 3 percent in both 2015 and 2016 and is expected to reach its precrisis GDP growth level in 2017 *(Figure 1.15)*. Since the peak of the crisis, more than 1.5 million previously unemployed people have found jobs. **Decisive reforms in 2011–13, such as measures to ensure greater labor market flexibility, have helped the Spanish economy regain competitiveness** and have contributed to strong job creation, while banking reforms have made the sector more resilient. Low oil prices and interest rates, together with fiscal stimulus measures in 2015–16, have also spurred growth.

Thanks to a boom in exports, Spain has posted four years of current account surpluses. Many companies have made good progress in cleaning up their balance sheets, while household debt has come down to the euro area median, though it is still high in absolute terms. Spanish banks have raised capital ratios and lowered nonperforming loan ratios, despite shrinking credit.

Nevertheless, unemployment remains very high at about 18 percent, and youth unemployment is even higher, at 42 percent, almost double the euro area average. Many of these individuals have been without a job for years. A two-tiered labor market—with a large percentage of workers in lower-paying jobs with temporary contracts—is still widespread, and productivity growth is low.

Public debt has more than doubled since the start of the crisis, to 100 percent of GDP, limiting the government's room to maneuver. The debt, along with pockets of overindebtedness in the private sector and the still-large negative net international investment position, leaves the economy vulnerable to shocks.

The IMF country team, led by Andrea Schaechter, recommended that Spain build on its reform-based achievements by doing the following:

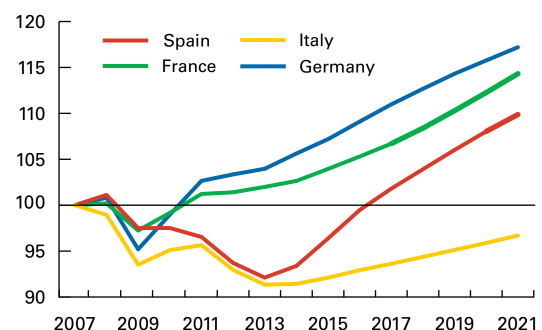
- Continuing its fiscal adjustment to bring down the deficit and public debt
- Enhancing its labor market policies by more effectively targeting the young and the long-term unemployed and by reducing the two-tiered system, in order to promote job creation and fairness
- Fostering research and development, and competition in the product and service markets, to boost productivity and incomes
- Strengthening bank balance sheets and enhancing oversight and management of systemic risks

The IMF's 2017 Financial Sector Assessment of Spain will provide policy options for preserving financial stability in Spain.

Figure **1.15**

Spain, Italy, France, and Germany, real GDP growth, 2007–21

(Index, 2007 = 100)



Sources: IMF, *World Economic Outlook*; and IMF staff estimates.

2016 Annual Report

Update

Update on topics from
last year's Annual Report

	SEE PAGE
The new **SDR basket** of currencies became effective.	92
The Board adopted a work plan for the **Fifteenth General Review of Quotas**.	92
Economic surveillance included development of a new methodology that helps governments assess fiscal space—their ability to raise spending or lower taxes.	36
To help provide **financial support** for the poorest member countries, a new fundraising round for the Poverty Reduction and Growth Trust got under way.	54
Knowledge sharing with governments focused on how to raise revenues and effectively manage expenditure, to help safeguard funding for public services.	61

2

Part Two: What We Do

The IMF Has Three Main Roles

Economic Surveillance

135 country health checks

The IMF oversees the international monetary system and monitors the economic and financial policies of its 189 member countries. As part of this surveillance process, which takes place both at the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments.

Lending

$134.7 billion to 15 countries, plus $1.5 billion in low- or zero-interest loans to 15 low-income developing member countries

The IMF provides loans to member countries experiencing actual or potential balance of payments problems to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while correcting underlying problems.

Capacity Development

$267 million for knowledge sharing, expert advice, and training

The IMF works with governments around the world to modernize their economic policies and institutions, and train their people. This helps countries strengthen their economy, improve growth, and create jobs.

Economic Surveillance

Surveillance is a catch-all term encompassing the process through which the IMF oversees the international monetary system and global economic developments and monitors the economic and financial policies of its 189 member countries. As part of this typically annual health check, the IMF highlights possible risks to stability and advises on the necessary policy adjustments. In this way, it helps the international monetary system serve its essential purpose of facilitating the exchange of goods, services, and capital among countries, thereby sustaining sound economic growth.

There are two main aspects to the IMF's surveillance: *bilateral surveillance*, or the appraisal of and advice on the policies of each member country, and *multilateral surveillance*, or oversight of the world economy. By integrating bilateral and multilateral surveillance, the IMF can ensure more comprehensive, consistent analysis of "spillovers"—how one country's policies may affect other countries.

The centerpiece of bilateral surveillance is the Article IV consultation, named after the article of the IMF's Articles of Agreement that requires a review of economic developments and policies in each of the IMF's 189 member countries. Article IV consultations cover a range of issues considered to be of macro-critical importance—fiscal, financial, foreign exchange, monetary, and structural—focusing on risks and vulnerabilities and policy responses. Hundreds of IMF economists and other IMF staff members are involved in the Article IV consultation process.

The consultations take the form of a two-way policy dialogue with the country authorities, rather than one-sided IMF assessments. The IMF team typically meets with government and central bank officials, as well as other stakeholders—such as parliamentarians, business representatives, civil society, and labor unions—to help evaluate the country's economic policies and direction. The staff presents a report to the IMF's Executive Board, normally for discussion, after which the consultation is concluded and a summary of the meeting is transmitted to the country's authorities. In most cases and subject to the member country's agreement, the Board's assessment is published as a press release, along with the associated staff reports. In FY2017, the IMF conducted 135 Article IV consultations (see Web Table 2.1).

Following the global financial crisis, the IMF continued to carry out financial stability assessments under the Financial Sector Assessment Program. The financial sector assessments formed part of surveillance for countries with systemically important financial sectors.

Multilateral surveillance involves monitoring global and regional economic trends and analyzing spillovers from members' policies onto the global economy. As part of its World Economic and Financial Surveys, the IMF publishes flagship reports on multilateral surveillance twice a year: *World Economic Outlook* (WEO), *Global Financial Stability Report* (GFSR), and *Fiscal Monitor* (FM). The WEO provides detailed analysis of the state of the world economy, addressing issues of pressing interest such as the protracted global financial turmoil and ongoing economic recovery from the global financial crisis. The GFSR provides an up-to-date assessment of global financial markets and prospects and highlights imbalances and vulnerabilities that could pose risks to financial stability. The FM updates medium-term fiscal projections and assesses developments in public finances. The IMF also publishes *Regional Economic Outlook* (REO) reports as part of its World Economic and Financial Surveys.

BILATERAL SURVEILLANCE

The Article IV Consultation Process: The Annual Economic Policy Assessment

The Article IV consultation process for a particular member country unfolds over a period of several months, beginning with an internal review of key policy issues and surveillance priorities across IMF departments and with management, set out in a briefing document known as the Policy Note.

The Policy Note elaborates on key economic policy directions and recommendations to be discussed with the member country's government. Review of the Policy Note with all IMF departments to build consensus about a country ahead of the consultation culminates in a Policy Consultation Meeting, and then the Policy Note goes to IMF management for approval. After Policy Note approval, the Article IV team travels to the country for its meetings with government officials and stakeholders. When the team returns to IMF headquarters, a staff report is prepared that again proceeds through departmental and management review before consideration by the IMF Executive Board.

Macro-Financial Issues in Article IV Surveillance

According to a staff paper, "Approaches to Macro-Financial Surveillance in Article IV Reports," the 2008 global financial crisis underscored the importance of financial sector surveillance and the need for better understanding of macro-financial linkages. Even though the global financial system is stronger and more resilient, macro-financial linkages remain critical for all IMF members.

To improve the traction and usefulness of IMF surveillance, the 2014 Triennial Surveillance Review recommended that macro-financial analysis be an integral part of Article IV consultations, with strengthened IMF focus on macroprudential policies. The Managing Director's Action Plan for strengthening surveillance outlined steps to achieve these goals. Efforts undertaken to strengthen macro-financial surveillance include new analytical tools and staff training. More than 60 Article IV consultations have sought to strengthen such coverage.

In March 2017, the Executive Board discussed progress in incorporating macro-financial analysis and policy advice into Article IV surveillance, drawing on the findings of the paper. The Board commended the progress achieved and agreed it is appropriate to broaden the effort across the membership. Executive Directors said that surveillance should include two-way assessment of macro-financial risks and macroeconomic stability. They also underscored that financial sector recommendations should be appropriately integrated with the IMF's advice on fiscal, monetary, and structural policies.

Executive Directors saw the work as strengthening the traction of IMF surveillance by fostering a more effective dialogue with country authorities. They also noted gaps that should be addressed, while taking due account of legal constraints in the provision of confidential supervisory data.

MULTILATERAL SURVEILLANCE

The Early Warning Exercise

The Early Warning Exercise (EWE) is an important element of the IMF's efforts to assess economic, financial, fiscal, and external risks. The exercise is part of the institution's surveillance work and is conducted twice a year in coordination with the flagship publications—the *World Economic Outlook, Global Financial Stability Report*, and *Fiscal Monitor*.

Findings are presented to the Executive Board and to senior officials during the IMF Spring and Annual Meetings. Follow-up to the EWE takes place in the context of country and global surveillance activities. The IMF and Financial Stability Board (FSB) cooperate closely on the EWE in order to provide an integrated perspective on risks and vulnerabilities. The IMF tends to take a leading role on economic, macro-financial, and sovereign risk concerns, while the FSB focuses on financial system regulatory and supervisory issues.

2016 External Sector Report

A core function of IMF surveillance is providing multilaterally consistent assessments of member countries' external sector, including their exchange rates, current accounts, reserves, capital flows, and external balance sheets. This is done comprehensively in Article IV consultations and in the External Sector Report. This report, which has been produced annually since 2012, covers 28 of the world's largest economies, plus the euro area, representing over 85 percent of global GDP. The report is part of an ongoing effort to provide a rigorous and candid assessment of global excess imbalances and their causes, and ensure that the IMF is in a good position to address the possible effects of members' policies on global external stability.

The Executive Board discussed the 2016 report, issued along with individual economy assessments, in an informal session in July 2016. No decisions were made at the meeting. The forthcoming 2017 report will be discussed in a formal session.

Macroeconomic Developments and Prospects in Low-Income Developing Countries

The third annual staff paper, "Macroeconomic Developments and Prospects in Low-Income Developing Countries—2016," highlighted continued economic adjustment to low global commodity prices, particularly for commodity-exporting low-income developing countries (LIDCs). The paper—discussed by the Executive Board in December 2016—considered the policy challenges of high fiscal deficits, reduced foreign reserves, and elevated economic and financial stress. The paper also examined infrastructure development issues.

In their assessment, Executive Directors welcomed the "comprehensive assessment of macroeconomic developments" in LIDCs, "appreciated the attention given in the paper to the diversity of situations and experiences across countries, and saw the more in-depth discussion of financial sector issues and public infrastructure provision as being timely and appropriate." The Board supported an annual, formal Board discussion of LIDC developments to better understand the "unique policy issues" they face.

Directors underscored the need for vigilance and decisive policy responses by country authorities and noted the importance of close IMF monitoring and tailored policy advice. They agreed on the need for commodity exporters to undertake further policy adjustments, including fiscal consolidation and exchange rate adjustment, where feasible. The Executive Board also expressed concern that financial sector stresses are increasing in a significant number of LIDCs and called for proactive oversight.

On infrastructure development, Executive Directors stressed that financing the necessary levels of public investment while safeguarding debt sustainability would require several actions:

- Boosting public saving through enhanced domestic revenue mobilization and containing nonpriority spending
- Strengthening public investment management
- Developing local capital markets
- Tapping available sources of concessional financing

Directors also agreed that enhancing the role of the private sector in infrastructure delivery, where feasible, is a priority for many LIDCs.

Enhancing the Financial Safety Net for Low-Income Developing Countries

Access to IMF resources by developing countries was the subject of a November 2016 Executive Board discussion of a paper titled "Financing for Development: Enhancing the Financial Safety Net for Developing Countries—Further Considerations." The paper identified areas where IMF policies need clarification for concessional lending under the Poverty Reduction and Growth Trust (PRGT).

The paper provided clarification on issues pertaining to access to Fund resources for PRGT-eligible members, including the following:

- Such members' access to Fund instruments that draw on the General Resources Account (GRA)
- The role of access norms in providing indicative guidance on what could constitute the appropriate level of access
- The adequacy of PRGT-eligible members' access to precautionary financial support
- The adequacy of safeguards to prevent repeated use of the Rapid Credit Facility as a substitute for arrangements with ex post conditionality

The Board, in its assessment, reaffirmed that PRGT-eligible members have a right to nonconcessional financing, but noted that, given the financial benefits from borrowing on concessional terms, the staff should continue to advise these members to seek concessional support up to the applicable limits.

Executive Directors emphasized the importance of continued attention to maintaining the adequacy and flexibility of the PRGT toolkit, including by reviewing access norms and limits, blending policy, interest rate structure, and mechanisms for maintaining PRGT sustainability. The Board will address a comprehensive review of PRGT resources and facilities in 2018.

Assessing Fiscal Space

The IMF's ongoing work on fiscal sustainability and fiscal space took a step forward with the publication of an analytical framework for assessing fiscal space. The Executive Board was briefed on the paper "Assessing Fiscal Space: An Initial Consistent Set of Considerations" at an informal session in June 2016.

The proposed framework is designed to support future IMF surveillance and policy advice. It should apply to a broad range of future circumstances, such as a country's scope to use fiscal policy to offset current global economic policy challenges, fill gaps in public infrastructure, calibrate the pace of fiscal adjustment, or build buffers.

Fiscal space can be defined as the ability of a government to raise spending or lower taxes without endangering market access and debt sustainability. The paper puts forward a comprehensive approach that is broadly comparable across countries. It provides IMF staff and policymakers with a consistent methodology.

Making a determination about fiscal space requires a comprehensive approach that includes economic and structural conditions, market access, the level and trajectory of public debt, present and future financing needs, and analysis of the liquidity and solvency of the fiscal position under alternative policies.

The framework brings together various tools for fiscal sustainability developed by the IMF staff over the years, including debt sustainability analysis. In addition, the IMF staff employs indicators developed by the IMF's Fiscal Affairs Department, along with methods based on fiscal stress tests, scenario analysis, and general equilibrium modeling.

The new framework advances the analysis by allowing the IMF staff to assess fiscal space consistently across all member countries, especially for advanced and emerging market economies. It will be applied initially in the Article IV consultations of about 40 major economies, and updated over time based on experience, research, and feedback.

IMF, FSB, Bank for International Settlements Report to G20 on Macroprudential Policy

In the wake of the global financial crisis, countries introduced policy frameworks and tools to limit risks to the entire financial system or entire market that could cause economic damage.

Responding to a request by the Group of 20 industrialized economies to take stock of international experience with macroprudential policies since the 2008 financial crisis, the IMF, the FSB, and the Bank for International Settlements prepared a report titled "Elements of Effective Macroprudential Policies."

The report, issued for the September 2016 G20 summit in Hangzhou, China, followed a 2011 progress report by the three institutions on macroprudential policy tools and frameworks. While the report determined that there is no one-size-fits-all policy approach, it highlighted several useful elements. Structural reforms were the subject of a chapter in the Spring 2016 *World Economic Outlook*.

These included the need for a mandate for decision-making responsibility, adequate institutional foundations for policy frameworks, well-defined objectives and powers, transparency and accountability mechanisms, cooperation and information sharing among domestic authorities, a comprehensive framework to analyze and monitor systemic risk, policy tools to address systemic risk over time, and the ability to calibrate policy responses to risks.

The Impact of Migration and Refugee Flows

Migration has emerged as a macroeconomic issue affecting advanced, emerging market, and developing economies. The rapid increase of migrant and refugee flows also has taken on political dimensions, particularly in the wake of conflicts in the Middle East.

IMF work on migration- and refugee-related issues takes place across a range of activities, including bilateral surveillance. For example, the 2016 Article IV report on Lebanon, released in January 2017, included an analysis of Lebanon and the Syrian refugee crisis.

In the area of analytical work, a July 2016 paper, "Emigration and Its Economic Impact on Eastern Europe," addressed the implications of the outflow of migrants. A September 2016 paper examined the impact of conflicts and the refugee crisis in the Middle East and North Africa (see the Regional Highlights section in Part 1).

Two spillover notes released during the year addressed aspects of the migration issue. One note, titled "The Impact of Migration on Income Levels in Advanced Economies," determined that immigration increases the GDP per capita of host economies, mostly by raising labor productivity. The other note, "Sub-Saharan African Migration: Patterns and Spillovers," addressed migration within the region and to the rest of the world. This work built on a January 2016 paper, "The Refugee Surge in Europe: Economic Challenges."

In a January 2017 speech in Brussels, First Deputy Managing Director David Lipton discussed the debate over migration, tying it to the concurrent debate over globalization. "The economic benefits of migration are well established," he said, "but as we are doing in the broader debate around globalization, we also must recognize that more work must be done on the topic, particularly to obtain a clearer picture of who may be hurt by migration—and how we can mitigate the impact."

Trade Integration in Latin America and the Caribbean

Since the 2011 Triennial Surveillance Review, the IMF staff has prepared a group of "cluster reports" that address issues relevant to member countries in specific regions. These assessments are designed to fill gaps between the individual country assessments (Article IV consultations) and multilateral surveillance of global trends.

In March 2017, the IMF staff released a cluster report, "Trade Integration in Latin America and the Caribbean." The Executive Board discussed it in an informal session. The report explored opportunities for expanded trade integration in the region, drawing on 12 analytical studies issued as accompanying papers. It found that Latin America and the Caribbean can reap benefits through trade as an engine of growth.

The paper suggested that trade integration could be promoted through a regional trade agreement, convergence of trade rules and regulatory standards, and measures to encourage trade. It also emphasized regional efforts to strengthen infrastructure and human capital and the need to increase participation in global value chains that may offer opportunities for technology transfer.

The IMF and 10 international development banks agreed to scale up financing for development.

POLICY ADVICE

IMF and Development Banks' Commitments on the 2030 Agenda

Following the 2015 adoption of the United Nations Sustainable Development Goals (SDGs), in October 2016 IMF Managing Director Christine Lagarde and the heads of 10 multilateral development banks adopted a statement on delivering on the SDGs.

The institutions committed to enhancing coordination and collaboration to address key issues in the 2030 Agenda, including forced displacement, infrastructure, urbanization, climate finance, and private investment. They agreed to strengthen efforts to scale up financing for development by "leveraging, mobilizing, and catalyzing resources at all levels." They also will expand policy guidance and technical assistance in support of countries' efforts to increase domestic resource mobilization.

Reducing Oil Dependence in Gulf Countries

The IMF Middle East Center for Economics and Finance, jointly with the Arab Fund for Economic and Social Development, held a symposium called "The Path to Economic Diversification in Kuwait and Other Gulf Cooperation Council Countries" in May 2016. The event was hosted at the Arab Fund headquarters.

The symposium was the fourth in a series organized jointly by the two institutions aimed at stimulating discussion on economic policies for the Gulf Cooperation Council countries to ensure durable development based on a long-term strategy to reduce oil dependence.

Small States' Resilience to Natural Disasters and Climate Change

The Executive Board examined the challenges that small states face from natural disasters and climate change through discussion of a paper exploring how IMF policy advice, capacity building, and lending can meet the evolving needs of these countries. The 2016 paper, "Small States' Resilience to Natural Disasters and Climate Change—Role for the IMF," builds on a 2015 paper quantifying the impact of natural disasters in a cross-country study.

The paper, discussed by the Board in December 2016, outlined the key elements—and the role of macroeconomic policies—in a risk management framework to reduce the economic and human cost of disasters. The paper highlighted the importance of planning contingent financing ahead of a disaster and the need for climate change financing for risk mitigation and adaptation.

Executive Directors concurred that strengthened domestic policies are crucial to reducing the costs associated with natural disasters and climate change. They underscored the need to identify risks and vulnerabilities in advance, invest in programs and projects that can reduce risk, and develop contingency plans.

Directors agreed that small states should seek to develop more financing arrangements for use after natural disasters, and encouraged broader use of contingent financing arrangements, regional insurance pools, and catastrophe bonds. Directors welcomed the ongoing use of the IMF's Rapid Credit Facility and Rapid Financing Instrument by countries hit by natural disasters, and supported the staff's proposal to raise the annual access ceiling to 60 percent of quota for countries experiencing severe disaster-related damages.

The Executive Board also emphasized the role of IMF capacity development in helping small states build resilience to climate events.

IMF Offers Support for the Central African Republic

Managing Director Christine Lagarde reaffirmed the IMF's commitment to fragile states during a January 2017 visit to the Central African Republic. During the visit, the Managing Director stated determination to support efforts to achieve robust and inclusive growth and achieve national reconciliation in the country, which has been devastated by internal conflict.

The Managing Director also used the opportunity of a speech to the National Assembly to highlight the IMF's commitment to strengthening cooperation with fragile states, which is also embedded in the 2015 UN SDGs.

"One clear understanding is that responding to fragility is not just a matter of more money," the Managing Director said. "There must be a concrete focus on building peace, restoring social cohesion, and assembling a working government. Close coordination among donors is also key. This type of comprehensive approach is needed to lay the foundation for economic stability and growth. The IMF has a great deal to offer to Central African Republic and other countries as part of a coordinated effort."

Ensuring Financial Stability in Countries with Islamic Banking

Islamic Finance refers to the provision of financial services in accordance with Sharia Islamic law, principles, and rules. Sharia does not permit receipt and payment of *riba* (interest), *gharar* (excessive uncertainty), *maysir* (gambling), short sales, or financing activities that it considers harmful to society. Instead, the parties must share the risks and rewards of a business transaction, and the transaction should have a real economic purpose without undue speculation and not involve any exploitation of either party.

The IMF has worked with member countries on Islamic banking issues for two decades and has cooperated with international bodies on matters related to banking standards. In recent years, issues arising from Islamic banking during regular interactions with member countries have required more formal IMF involvement.

In February 2017, the Executive Board held its first formal discussion on Islamic banking and adopted proposals on the IMF's role in this area. The proposals were included in a staff paper titled "Ensuring Financial Stability in Countries with Islamic Banking."

Executive Directors agreed that Islamic banking presents an opportunity for many member countries to enhance financial intermediation and inclusion and mobilize funding for economic development. They noted that the growth of Islamic banking poses challenges and risks for regulatory and supervisory authorities. Directors called for stronger efforts to establish a policy framework that promotes financial stability and sound development of Islamic banking, particularly for countries where it has become systemically important.

Directors supported the staff's proposed approach to develop and provide policy advice in IMF economic surveillance, program design, and capacity development. They also called for the staff to continue supporting the work of international standard setters and other international bodies in addressing gaps in the regulatory framework for Islamic banking.

Directors saw merit in considering a proposal to formally recognize the Core Principles for Islamic Finance Regulation for Banking, prepared by the Islamic Financial Services Board, as a standard under the IMF–World Bank Standards and Codes Initiative. A formal proposal for Board endorsement will be part of a paper to be presented for consideration during FY2018.

A Global Approach to Capital Flows

Capital flows are an important aspect of the international monetary system. They provide significant benefits, both direct and indirect. At the same time, they also carry risks, and a key challenge for countries is how to harness the benefits while managing the risks. In 2012 the IMF adopted an institutional view on the liberalization and management of capital flows to help ensure clear, consistent policy advice for the membership.

In December 2016, the Executive Board discussed a paper titled "Capital Flows—Review of Experience with the Institutional View." The paper focused on how countries dealt with macroeconomic and financial stability challenges related to capital flows and the progress made in liberalizing capital flows, and interpreted these policy responses through the lens of the institutional view.

Executive Directors welcomed the review of experience with the institutional view since the institutional view was adopted; they considered that it remains relevant and that there is no need for substantive adjustment at this point.

Directors noted that the policy challenge for recipient countries has generally shifted from handling capital inflow surges to dealing with capital flow reversals while continuing to manage volatility. They observed that policy responses have generally been in line with the institutional view. Directors took positive note of the continued gradual trend toward greater capital account liberalization.

Directors supported follow-up work on the interaction between macroprudential and capital flow policies, especially the role of macroprudential policy frameworks in addressing systemic financial risks arising from capital flows. Directors saw value in the IMF's promoting a more consistent global approach to handling capital flows, including in bilateral and multilateral agreements. They stressed the need to take into account country-specific macroeconomic and financial stability considerations in determining the appropriate policy response, as emphasized in the institutional view.

Managing Government Compensation and Employment

Government compensation and employment policies are crucial for the efficient delivery of public services and the functioning of economies. They also have important implications for fiscal policy and fiscal sustainability. Issues related to government wage bills were examined in a policy paper, "Managing Government Compensation and Employment—Institutions, Policies, and Reform Challenges," presented to the Executive Board at an informal session in May 2016.

The paper, accompanied by a supplement on case studies, outlined how pressures on wage spending will increase over the coming decades across advanced, emerging market, and low-income developing countries. Effective management of wage bill spending is needed to ensure that public services are delivered in a cost-effective and fiscally sustainable manner. The paper said that this requires stronger institutions, adequate fiscal planning, competitive compensation, and the flexibility to respond to demographic and technological developments.

Priorities for Structural Reforms in G20 Countries

In advance of the September 2016 G20 summit in China, the IMF staff prepared a background paper titled "Priorities for Structural Reforms in G20 Countries." The paper included recommendations for each G20 member on changes in government policies, regulations, and institutions that could improve the way the economy works, to allow markets to operate more efficiently and boost growth at a time when nearly all the economies were operating at below-potential output.

The paper said that structural reforms can lift growth if they are well aligned with individual country conditions, including an economy's level of development, position in the economic cycle, and ability to support reforms. The larger a country's output gap, the more it should prioritize structural reforms such as product market deregulation and infrastructure investment.

Enhanced Clauses in Sovereign Bonds

The Executive Board in 2014 endorsed the inclusion of features of enhanced pari passu provisions and collective action clauses in new international sovereign bonds. The enhanced clauses complement reforms to the IMF's lending framework designed help achieve the overall objectives of timely and orderly sovereign debt restructurings, where restructurings are deemed necessary, and reducing the overall costs to the system.

In December 2016, the IMF staff sent to the Board the second progress report on the inclusion of those enhanced contractual provisions in sovereign bond contracts. The report outlined continued substantial progress on incorporation of both the enhanced collective action clauses and the modified pari passu clause. The outstanding stock of debt without the enhanced clauses remained significant at about $846 billion as of October 31, 2016, and is slowly declining.

Withdrawal of Correspondent Banking Relationships

A correspondent bank is a financial institution that provides services on behalf of another financial institution. It can facilitate wire transfers, conduct business transactions, accept deposits, and gather documents on behalf of another financial institution. Correspondent banks are most likely to be used by domestic banks to service transactions that either originate or are completed in foreign countries, acting as a domestic bank's agent abroad.

Correspondent banking relationships, which facilitate global trade and economic activity, have been under pressure in several countries, disproportionately affecting developing countries. Financial fragility has risen in these economies because their cross-border flows are concentrated through fewer correspondent banks or maintained through alternative arrangements, which may drive up costs. Such fragility could undermine those countries' long-term prospects for growth and financial inclusion by making financial services more expensive and negatively affecting the ratings of their banks.

The trend of shrinking correspondent banking relationships became a focus of the IMF's work during FY2017. The Executive Board in April 2017 discussed a staff report titled "Recent Trends in Correspondent Banking Relationships—Further Considerations." The report followed a paper, issued in June 2016, "The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action." A joint IMF–World Bank paper on the withdrawal of correspondent banking relationships in the Middle East was released in September 2016, and a paper titled "Challenges in Correspondent Banking in the Small States of the Pacific" was released in April 2017. Deputy Managing Director Tao Zhang addressed the issue in a speech to the 2016 High-Level Caribbean Forum held in November 2016 in Port of Spain, Trinidad and Tobago. Co-organized by the IMF and the government of Trinidad and Tobago, the forum was attended by over 100 participants, including four prime ministers, four ministers of finance, and nine central bank governors from the region.

The staff report reviewed the drivers of correspondent banking relationship withdrawal, focusing on profitability and risk management. It also assessed the feasibility and impact of policy responses and industry initiatives. It proposed an approach for the IMF to monitor risks and advise its membership using economic surveillance, the Financial Sector Assessment Program, and capacity development activities. To achieve these objectives, the IMF will continue its collaboration with the FSB, the World Bank, the G20, the Financial Action Task Force, the Committee on Payments and Market Infrastructures, and other stakeholders.

In their discussion of the staff report, Directors emphasized the importance of correspondent banking relationships in facilitating global trade and remittances and supporting economic growth and development. They welcomed the various initiatives to tackle pressures on correspondent banking relationships, and cautioned that given the multitude of drivers, responses to withdrawal of correspondent banking relationships need to be tailored, prioritized, and sequenced, depending on country-specific or regional circumstances. They underlined the importance of strengthened, coordinated, and collective efforts on the part of public and private stakeholders, and highlighted the crucial role of the IMF in addressing this issue.

Comprehensive, Consistent, and Coordinated Approach to Economic Policies

Concerns about the effectiveness of efforts to boost slow global growth were at the center of international discussions of economic policy during FY2017. In September 2016, the IMF released a paper, "Macroeconomic Management When Policy Space Is Constrained: A Comprehensive, Consistent, and Coordinated Approach to Economic Policy," arguing that "room exists for effective policies and that it should be used if appropriate."

The paper maintained that the most promising approach involves a "comprehensive, consistent, and coordinated" use of policies.

Comprehensive policy actions by an individual country exploit policy synergies, making the whole greater than the sum of its parts. This entails the mutually supportive use of monetary, fiscal, and structural policies.

Consistent policy frameworks anchor long-term policy expectations while allowing for short- to medium-term accommodation whenever necessary.

Coordinated policies across major economies amplify the helpful effects of individual countries' policy actions. Under conditions of very low interest rates and wide output gaps, international coordination of fiscal and monetary stimulus can boost global GDP.

DATA

SDDS Plus

The highest tier of the IMF's Data Dissemination Initiative, the Special Data Dissemination Standard (SDDS) Plus, is intended primarily for economies that play a leading role in international capital markets and whose financial institutions are globally interconnected. During FY2017, four economies adhered to the SDDS Plus—Austria, Bulgaria, Canada, and Denmark.

Enhanced General Data Dissemination System

Under the enhanced General Data Dissemination System (e-GDDS), endorsed by the IMF Executive Board in May 2015, country authorities commit to publishing the data that support their ongoing policy dialogue with the IMF staff. Publication must be according to a release schedule agreed upon in advance, with data easily accessible, including for machine-to-machine transmission.

The effort is fostering international cooperation, with the African Development Bank and the Inter-American Development Bank providing material support for the installation of information technology infrastructure (Open Data Platform) that sustains National Summary Data Pages in selected countries in Africa and the Western Hemisphere.

Implementation of the e-GDDS proceeded in 17 countries during the year. Thirteen of these countries—Benin, Honduras, Jamaica, Malawi, Namibia, Paraguay, Samoa, Senegal, Sierra Leone, Swaziland, Tanzania, Uganda, and Zambia—published a National Summary Data Page.

Data Gaps Initiative

In September 2016, the G20 leaders welcomed the First Progress Report on the Second Phase of the Data Gap Initiative (DGI-2) and supported the proposed action plans for the implementation of 20 recommendations. To take forward the initiative, the 2017 DGI-2 work program included four thematic workshops—data sharing, data gaps on systemic risks in the insurance sector, institutional sector accounts, and financial soundness indicators.

New Data Release on Currency Composition

In March 2017, the IMF released quarterly data on the currency composition of official foreign exchange reserves (COFER), identifying separately the holdings in the Chinese currency, the renminbi, for the first time. On February 26, 2016, the

IMF Executive Board had agreed to modify the COFER survey to allow separate identification of the renminbi effective October 1, 2016, in line with its decision to include the renminbi in the Special Drawing Rights basket of currencies.

Argentina Adopts International Standards

In support of the Board's monitoring of efforts to improve Argentina's macroeconomic statistics, the IMF conducted three technical assistance visits to the statistics agency, INDEC, during 2016. Two missions reviewed and assisted the development of a new national consumer price index that broadly reflects international standards and best practice, including indices for each of the country's six regions. The third mission helped to align Argentina's external sector accounts with the latest statistical standards.

Monetary and Financial Statistics for Global Financial Stability

Through its capacity development efforts, the IMF's Statistics Department continues to promote expanding coverage of monetary statistics to include nonbank financial institutions. This will facilitate application of the balance sheet approach to macro-financial surveillance. As of April 2017, data on nonbank financial institutions are available for 47 countries.

Financial Soundness Indicators Workshop

The IMF's Financial Soundness Indicators (FSIs) help assess the strengths and vulnerabilities of financial systems, providing valuable insight for financial stability analysis and the formulation of macroprudential policies. IMF staff members are required to report on FSIs as part of their regular reviews of countries' economic health.

In April 2017, the IMF conducted a workshop on FSIs that brought together over 80 participants from 36 countries and seven international organizations. The workshop was designed to inform the selection of a priority list of FSIs and the revision of the FSI *Compilation Guide*. Participants expressed strong support for the IMF effort to provide a harmonized framework for the compilation of the FSIs, which participants found useful for macroprudential policies and financial stability analyses. They supported expanding the coverage of the FSIs to include subsectors of the other financial corporations.

During the year, the IMF's Statistics Department conducted knowledge-sharing sessions to assist countries in compiling and disseminating FSIs, with funding from the Japan Administered Account for Selected IMF Activities and the United Kingdom's Department for International Development. Thanks to these efforts, the cumulative number of FSI-reporting countries rose from 46 at the end of 2009 to 124 as of April 2017 *(Figure 2.1)*. In Africa, the number of FSI reporters reached 26 in April 2017, compared with five at the end of 2013.

Financial Access Survey

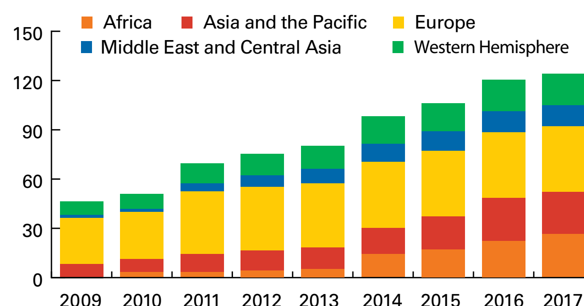
The World Bank estimates that 2 billion working-age adults—more than half of the world's total adult population—do not have an account at a formal financial institution. Financial inclusion efforts seek to ensure that all households and businesses, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their lives.

The IMF produces an annual Financial Access Survey, a source of data on financial inclusion. The seventh survey, based on data from traditional financial service providers and digital financial services, was released in October 2016. The database contains more than 150 series for up to 189 economies spanning the period 2004–15.

The role of digital financial services in promoting the spread of financial inclusion was recognized by the G20 during 2016, leading to a revision of the G20 Financial Inclusion Indicators. The Financial Access Survey has been an official source for the indicators since 2012.

Figure **2.1**

Number of FSI-reporting countries, by region, 2009–17 (as of April 30, 2017)



Source: IMF staff calculations.

What We Do

Growing interest in gender-related statistics on financial inclusion led to a pilot survey of some governments to assess their capacity to compile and disseminate such statistics. The results of the pilot, along with the most recent survey, are available on the Financial Access Survey website.

Standards and Codes Initiative

"Standards and codes" refers to aspects of the institutional environment—the rules of the game for economic and financial policy. Countries with well-regulated and transparent institutions tend to enjoy better economic health and greater financial stability, so it is in countries' own interest to adopt and implement internationally recognized standards and codes.

The global financial crisis made it clear that compliance with international standards is only one element of crisis prevention: gaps and weaknesses remain, and rigorous follow-up is essential. Standards and codes in several areas have been updated in accordance with evolving best practice; other areas are still under consideration.

The IMF and the World Bank recognize international standards under three broad groups:

- **Policy transparency:** Standards in these areas have been developed by the IMF. In the area of fiscal policy transparency, three of the four pillars of the IMF's Fiscal Transparency Code have been issued. The fourth pillar, on resource revenue management, is currently being developed and has undergone two rounds of public consultation and several pilots in the field.

- **Financial sector regulation and supervision:** Standards in these areas, and corresponding assessment methodologies, have been developed by specialized standard-setting bodies. In addition, the new standard for crisis resolution is up for IMF Board endorsement during the initiative's 2017 review.

- **Institutional and market infrastructure:** Standards in this area, and corresponding assessment methodologies, have been developed by specialized standard-setting bodies, with substantive input from the IMF and World Bank.

In addition, one standard in the crisis resolution and deposit insurance area is up for IMF Board endorsement during the initiative's 2017 review.

Observance of standards and codes may be assessed, at a member's request, by the IMF and/or the World Bank. Data dissemination observance is also monitored monthly for subscribers to the IMF's Special Data Dissemination Standard. Fiscal transparency evaluations assess countries against the Fiscal Transparency Code.

Since the last review of the Standards and Codes Initiative in 2011, several refinements have been made in data and statistics. These include enhancing the SDDS in 2012, establishing the SDDS Plus in 2012, and enhancing the GDDS in 2015. The Data Quality Assessment Framework, used for comprehensive assessment of countries' data quality, was updated in 2012 to reflect additional assessment experience, updates in statistical methodologies (2008 System of National Accounts and 2009 sixth edition of the *Balance of Payments and International Investment Position Manual*), and the extension of the coverage of the monetary statistics to other financial corporations—following the global financial crisis in 2008.

Fiscal Transparency for Public Finances

Fiscal transparency—the comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances—is critical for effective fiscal management and accountability. It helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to the fiscal outlook. It also provides legislatures, markets, and citizens with the information they need to hold governments accountable. Furthermore, fiscal transparency facilitates international surveillance of fiscal developments and helps mitigate the risk of transmission of fiscal spillovers between countries.

The IMF's Fiscal Transparency Code and evaluation are the key elements of the institution's ongoing efforts to strengthen fiscal monitoring, policymaking, and accountability among its member countries. The Code is the international standard for disclosure of information about public finances. It consists of a set of principles built around four pillars: (1) fiscal reporting, (2) fiscal forecasting and budgeting, (3) fiscal risk analysis and management, and (4) resource revenue management. For each transparency principle, the Code differentiates between basic, good, and advanced practices to provide countries with clear milestones toward full compliance with the Code and ensure its applicability to the broad range of IMF member countries.

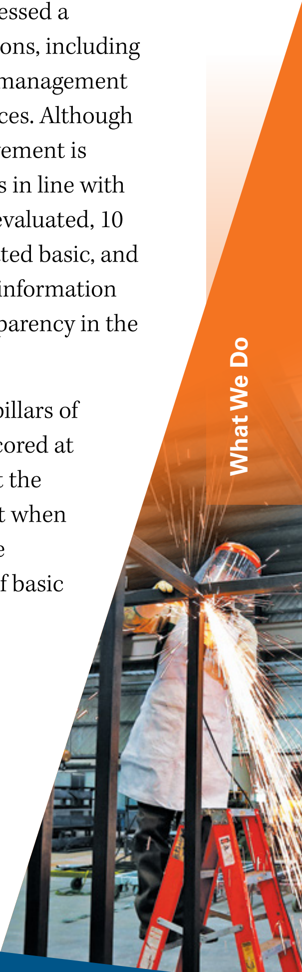
During FY2017, the IMF published fiscal transparency evaluations of Guatemala, Kenya, Tunisia, and the United Kingdom.

Guatemala is engaged in substantive reforms to improve transparency and fight corruption. The wealth of information available and the systems in place related to the public sector's execution of its budget allow for easy access by the population to an impressive volume of fiscal data. The main areas for improvement are the consolidation of public sector accounts and management of fiscal risks.

Significant decentralization reforms in Kenya amid increasing pressure for public services and infrastructure make fiscal transparency critical, more so as Kenya is expected to form a monetary union with its East African partners in 2024. Kenya scored well against several of the Code's standards. Across three pillars, 13 principles were at the good or advanced level, and 16 were rated basic. Fiscal forecasting and budgeting are mostly in line with good or advanced practice, but credibility of future spending estimates, management and oversight of investment projects, publication of revised budgets, and alignment of spending programs with medium-term sectoral priorities could improve. Weaknesses in fiscal reporting and fiscal risk management were also identified, and the evaluation has provided a good basis for the government to make progress in these areas.

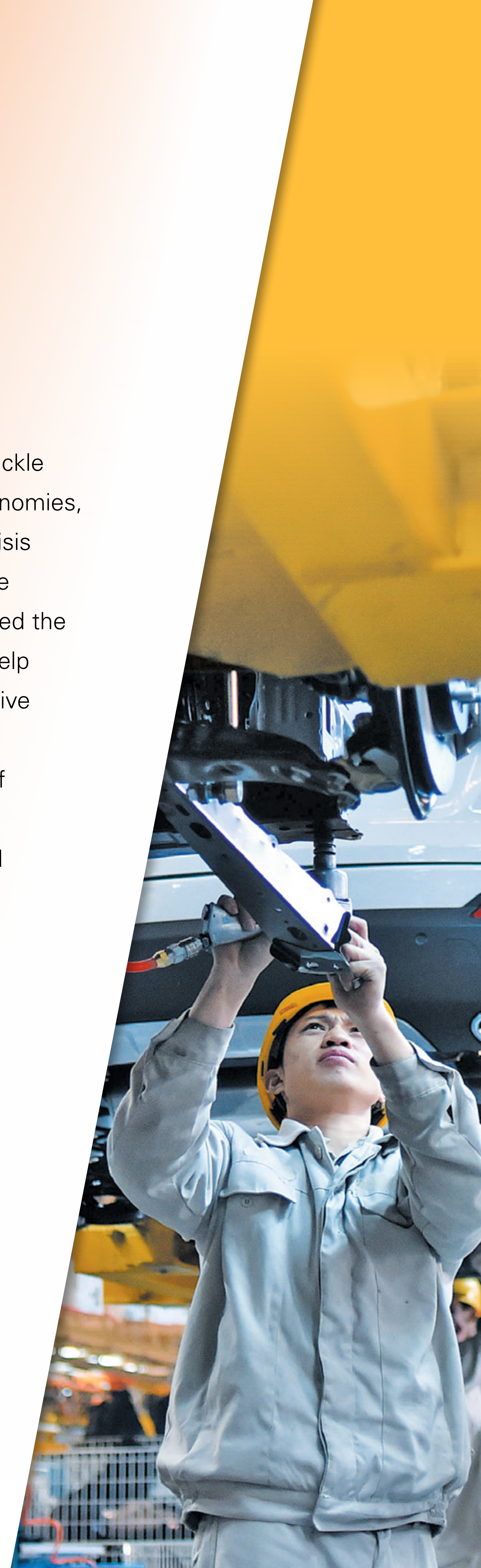
Following the 2011 revolution, Tunisia has witnessed a profound transformation of its political institutions, including reforms aimed at modernizing public financial management and enhancing the transparency of public finances. Although it scored well in some areas of the Code, improvement is needed in many areas to bring country practices in line with international standards. Among the principles evaluated, 10 scored at the good or advanced level, 11 were rated basic, and 14 were not met. Consolidating and publishing information that is now fragmented could boost fiscal transparency in the short term.

The United Kingdom got high scores across all pillars of the Code. Among the principles evaluated, 23 scored at the advanced level, 10 at the good level, and 9 at the basic level. Transparency practices are strongest when it comes to fiscal reporting and natural resource revenue management. Transparency fell short of basic practice in 4 evaluated principles.



Lending

IMF loans are meant to help member countries tackle balance of payments problems, stabilize their economies, and restore sustainable economic growth. This crisis resolution role is at the core of IMF lending. At the same time, the global financial crisis has highlighted the need for effective global financial safety nets to help countries cope with adverse shocks. A key objective of recent lending reforms has therefore been to complement the traditional crisis resolution role of the IMF with additional tools for crisis prevention. Unlike development banks, the IMF does not lend for specific projects, but to countries that may experience a shortage of foreign exchange, to give them time to rectify economic policies and restore growth without having to resort to actions damaging to their own or other members' economies. In broad terms, the IMF has two types of lending—loans provided at nonconcessional interest rates and loans provided to poorer countries on concessional terms, with interest rates that are low or in some cases zero.



NONCONCESSIONAL FINANCING ACTIVITY

In FY2017, the Executive Board approved 15 arrangements under the IMF's nonconcessional financing facilities, totaling SDR 98.2 billion ($134.7 billion at the SDR/dollar exchange rate on April 28, 2017, of 0.729382). Precautionary arrangements under the Flexible Credit Line with three members—Mexico (SDR 62.4 billion), Colombia (SDR 8.2 billion), and Poland (SDR 6.5 billion)—accounted for 78 percent of these commitments. All three arrangements under the Flexible Credit Line were successors to previous arrangements that expired or were canceled.

Of the remainder, 14 percent were accounted for by arrangements under the Extended Fund Facility with Egypt (SDR 8.6 billion), Tunisia (SDR 2.1 billion), Sri Lanka (SDR 1.1 billion), Jordan (SDR 0.5 billion), Bosnia and Herzegovina (SDR 0.4 billion), Côte d'Ivoire (SDR 0.3 billion), Georgia (SDR 0.2 billion), and Moldova (SDR 0.1 billion). Stand-By Arrangements—with Iraq (SDR 3.8 billion), Jamaica (SDR 1.2 billion), and Suriname (SDR 0.3 billion)—accounted for 5 percent of the new arrangements.

A successor Precautionary and Liquidity Line arrangement with Morocco for SDR 2.5 billion accounted for the remaining 3 percent. *Table 2.1* details the arrangements approved during the financial year, and *Figure 2.2* shows the arrangements approved over the past 10 financial years.

Table **2.1**
Arrangements approved in the General Resources Account in FY2017
(Millions of SDRs)

Member	Type of arrangement	Effective date	Amount approved
NEW ARRANGEMENTS			
Bosnia and Herzegovina	36-month Extended Fund Facility	September 7, 2016	443.0
Colombia	24-month Flexible Credit Line	June 13, 2016	8,180.0
Côte d'Ivoire	36-month Extended Fund Facility	December 12, 2016	325.2
Egypt	36-month Extended Fund Facility	November 11, 2016	8,596.6
Georgia	36-month Extended Fund Facility	April 12, 2017	210.4
Iraq	36-month Stand-By Arrangement	July 7, 2016	3,831.0
Jamaica	36-month Stand-By Arrangement	November 11, 2016	1,195.3
Jordan	36-month Extended Fund Facility	August 24, 2016	514.7
Mexico	24-month Flexible Credit Line	May 27, 2016	62,388.9
Moldova, Republic of	36-month Extended Fund Facility	November 7, 2016	86.3
Morocco	24-month Precautionary and Liquidity Line	July 22, 2016	2,504.0
Poland, Republic of	24-month Flexible Credit Line	January 13, 2017	6,500.0
Sri Lanka	36-month Extended Fund Facility	June 3, 2016	1,070.8
Suriname	24-month Stand-By Arrangement	May 27, 2016	342.0
Tunisia	48-month Extended Fund Facility	May 20, 2016	2,045.6
Total			**98,233.8**

Source: IMF Finance Department.

During FY2017, disbursements under financing arrangements from the GRA, referred to as "purchases," totaled SDR 5.8 billion ($8 billion). Of these purchases, 90 percent were made by Egypt, Iraq, Pakistan, Sri Lanka, Tunisia, and Ukraine. In addition, in July 2016, the Executive Board approved an SDR 261.6 million (about $358.7 million) purchase for Ecuador under the Rapid Financing Instrument.

Total repayments, termed "repurchases," for the financial year amounted to SDR 5.55 billion ($7.6 billion), including advance repurchases from Portugal of SDR 3.31 billion ($4.6 billion). Reflecting the slightly larger purchases relative to repurchases, the stock of GRA credit outstanding increased to SDR 48.3 billion ($66.2 billion) from SDR 47.8 billion ($65.4 billion) a year earlier. *Figure 2.3* shows the stock of nonconcessional loans outstanding over the past 10 financial years.

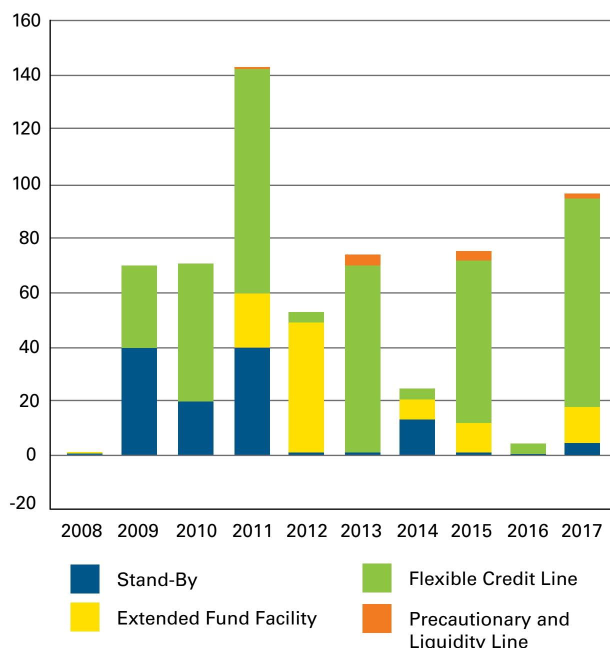
GRA borrowing

The IMF is a quota-based institution, and its quota resources were doubled through the implementation of the quota increases under the Fourteenth General Review. However, borrowed resources continue to play a key role in supplementing quota resources. The New Arrangements to Borrow (NAB), a set of credit arrangements with 38 participants totaling about SDR 180 billion, serves as a second line of defense after quotas, and bilateral borrowing provides a third line of defense after quotas and the NAB.

Figure **2.2**

Arrangements approved in the General Resources Account during financial years ended April 30, 2008–17

(Billions of SDRs)



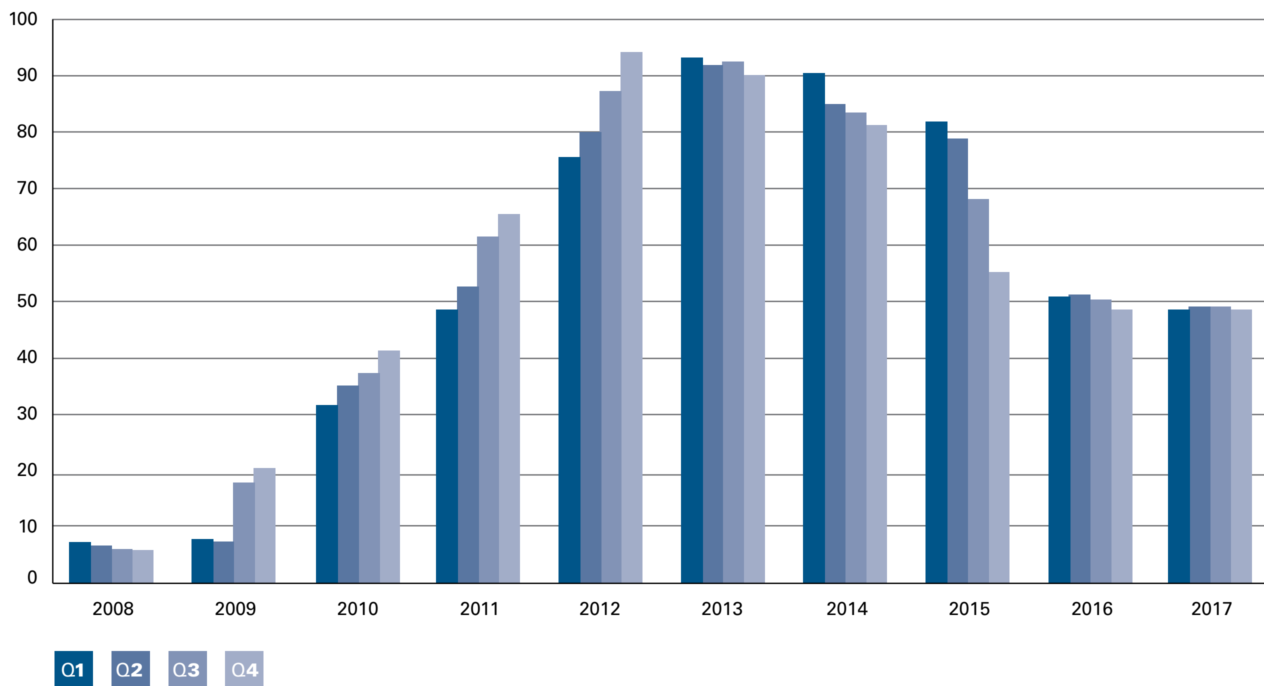
Source: IMF Finance Department.

Mexico plans to treat its $88 billion IMF Flexible Credit Line as precautionary, but can draw on it at any time for crisis prevention purposes.

Figure **2.3**

Nonconcessional loans outstanding, FY2008–17

(Billions of SDRs)



Source: IMF Finance Department.

In August 2016, in light of the ongoing uncertainty and structural shifts in the global economy, the IMF's Executive Board approved a new framework for bilateral borrowing that allows the IMF to maintain access on a temporary basis to bilateral borrowing from the membership and thereby avoid a sharp fall in lending capacity. Borrowing agreements under the new framework have a common maximum term of December 31, 2020, with an initial term to December 31, 2019, extendable for an additional year with the consent of the creditors. As of April 30, 2017, 35 member countries had committed a total of about SDR 300 billion, or $400 billion, in bilateral borrowing.

In November 2016, the IMF's Executive Board approved renewal of the NAB for another five years, from November 2017 through 2022.

Table **2.2**

Financial terms under IMF General Resources Account credit

This table shows major nonconcessional lending facilities. Stand-By Arrangements have long been the core lending instrument of the institution. In the wake of the 2007–09 global financial crisis, the IMF strengthened its lending toolkit. A major aim was to enhance crisis prevention instruments through the creation of the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL). In addition, the Rapid Financing Instrument (RFI), which can be used in a wide range of circumstances, was created to replace the IMF's emergency assistance policy.

Credit facility (year adopted)[1]	Purpose	Conditions	Phasing and monitoring
Stand-By Arrangements (SBA) (1952)	Short- to medium-term assistance for countries with short-term balance-of-payments difficulties	Adopt policies that provide confidence that the member's balance-of-payments difficulties will be resolved within a reasonable period	Generally quarterly purchases (disbursements) contingent on observance of performance criteria and other conditions
Extended Fund Facility (EFF) (1974) (Extended Arrangements)	Longer-term assistance to support members' structural reforms to address long-term balance-of-payments difficulties	Adopt up to 4-year program, with structural agenda and annual detailed statement of policies for the next 12 months	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions
Flexible Credit Line (FCL) (2009)	Flexible instrument in the credit tranches to address all balance-of-payments needs, potential or actual	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record	Approved access available up front throughout the arrangement period; 2-year FCL arrangements are subject to a midterm review after 1 year
Precautionary and Liquidity Line (PLL) (2011)	Instrument for countries with sound economic fundamentals and policies	Sound policy frameworks, external position, and market access, including financial sector soundness	Large front-loaded access, subject to semiannual reviews (for 1- to 2-year PLL)
Rapid Financing Instrument (RFI) (2011)	Rapid financial assistance to all member countries facing an urgent balance-of-payments need	Efforts to solve balance-of-payments difficulties (may include prior actions)	Outright purchases without the need for full-fledged program or reviews

Source: IMF Finance Department.

[1] The IMF's lending through the General Resources Account (GRA) is primarily financed from the capital subscribed by member countries; each country is assigned a quota that represents its financial commitment. A member provides a portion of its quota in Special Drawing Rights (SDRs) or the currency of another member acceptable to the IMF and the remainder in its own currency. An IMF loan is disbursed or drawn by the borrower's purchase of foreign currency assets from the IMF with its own currency. Repayment of the loan is achieved by the borrower's repurchase of its currency from the IMF with foreign currency.

[2] The rate of charge on funds disbursed from the GRA is set at a margin over the weekly SDR interest rate (currently 100 basis points). The rate of charge is applied to the daily balance of all outstanding GRA drawings during each IMF financial quarter. In addition, a one-time service charge of 0.5 percent is levied on each

Access limits[1]	Charges[2]	Repayment schedule (years)	Installments
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months)[3]	3¼–5	Quarterly
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 51 months)[3]	4½–10	Semiannual
No preset limit	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months)[3]	3¼–5	Quarterly
125% of quota for 6 months; 250% of quota available upon approval of 1- to 2-year arrangements; total of 500% of quota after 12 months of satisfactory progress	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months)[3]	3¼–5	Quarterly
Annual: 37.5% of quota; cumulative: 75% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months)[3]	3¼–5	Quarterly

drawing of IMF resources in the GRA, other than reserve tranche drawings. An up-front commitment fee (15 basis points on committed amounts of up to 115 percent of quota; 30 basis points for amounts in excess of 115 percent and up to 575 percent of quota; and 60 basis points for amounts in excess of 575 percent of quota) applies to the amount that may be drawn during each (annual) period under a Stand-By Arrangement, Flexible Credit Line, Precautionary and Liquidity Line, or Extended Arrangement; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement.

[3] Surcharges were introduced in November 2000. A new system of surcharges took effect August 1, 2009, and was updated on February 17, 2016, with some limited grandfathering for existing arrangements.

Table **2.3**
Concessional lending facilities
Three concessional lending facilities for low-income developing countries are available.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Objective	Help low-income developing countries achieve and maintain a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth		
Purpose	Address protracted balance-of-payments problems	Resolve short-term balance-of-payments needs	Low-access financing to meet urgent balance-of-payments needs
Eligibility	Countries eligible under the Poverty Reduction and Growth Trust (PRGT)		
Qualification	Protracted balance-of-payments problem; actual financing need over the course of the arrangement, though not necessarily when lending is approved or disbursed	Potential (precautionary use) or actual short-term balance-of-payments need at the time of approval; actual need required for each disbursement	Urgent balance-of-payments need when upper-credit-tranche (UCT) program is either not feasible or not needed[1]
Poverty Reduction and Growth Strategy	IMF-supported program should be aligned with country-owned poverty reduction and growth objectives and should aim to support policies that safeguard social and other priority spending		
	Submission of Poverty Reduction Strategy (PRS) document	Submission of PRS document not required; if financing need persists, SCF user would request an ECF arrangement with associated PRS documentation requirements	Submission of PRS document not required
Conditionality	UCT; flexibility on adjustment path and timing	UCT; aim to resolve balance-of-payments need in the short term	No UCT and no conditionality based on ex post review; track record used to qualify for repeat use (except under shocks window)
Access Policies	Annual limit of 75% of quota; cumulative limit (net of scheduled repayments) of 225% of quota. Limits are based on all outstanding PRGT credit. Exceptional access: annual limit of 100% of quota; cumulative limit (net of scheduled repayments) of 300% of quota Norms and sublimits[2]		
	The access norm is 90% of quota per 3-year ECF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per 3-year arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	The access norm is 90% of quota per 18-month SCF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per 18-month arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	There is no norm for RCF access. Sublimits (given lack of UCT conditionality): total stock of RCF credit outstanding at any point in time cannot exceed 75% of quota (net of scheduled repayments). The access limit under the RCF over any 12-month period is set at 18.75% of quota and, under the shocks window, at 37.5% of quota. Purchases under the RFI made after July 1, 2015, count toward the applicable annual and cumulative limits.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Financing Terms[3]	Interest rate: zero Repayment terms: 5½–10 years	Interest rate: zero Repayment terms: 4–8 years Availability fee: 0.15% on available but undrawn amounts under precautionary arrangement	Interest rate: zero Repayment terms: 5½–10 years
Blending	Based on income per capita and market access; linked to debt vulnerability		
Precautionary Use	No	Yes, annual access at approval is limited to 56.25% of quota while average annual access at approval cannot exceed 37.5% of quota.	No
Length and Repeated Use	3–4 years (extendable to 5); can be used repeatedly	12–24 months; use limited to 2½ of any 5 years[4]	Outright disbursements; repeated use possible subject to access limits and other requirements
Concurrent Use	General Resources Account (Extended Fund Facility/Stand-By Arrangement)	General Resources Account (Extended Fund Facility/Stand-By Arrangement) and Policy Support Instrument	General Resources Account (Rapid Financing Instrument and Policy Support Instrument); credit under the RFI counts toward the RCF limits

Source: IMF Finance Department.

[1] UCT standard conditionality is the set of program-related conditions intended to ensure that IMF resources support the program's objectives, with adequate safeguards to the IMF resources.

[2] Access norms do not apply when outstanding concessional credit is above 150% of quota. In those cases, access is guided by consideration of the access limit of 225% of quota (or exceptional access limit of 300% of quota), expectation of future need for IMF support, and the repayment schedule.

[3] The IMF reviews interest rates for all concessional facilities under the PRGT every two years; the last review was in October 2016, at which the Executive Board approved a modified interest-rate-setting mechanism that effectively extends zero interest rate on the ECF and SCF through the end of December 2018 for as long as SDR interest rates are below 0.75 percent. In July 2015, the Executive Board permanently set the interest rate on the RCF to zero.

[4] SCFs treated as precautionary do not count toward the time limits.

CONCESSIONAL FINANCING ACTIVITY

In FY2017, the IMF committed loans amounting to SDR 1.1 billion ($1.5 billion) to its low-income developing member countries under programs supported by the Poverty Reduction and Growth Trust. Total concessional loans outstanding to 52 members amounted to SDR 6.3 billion at the end of April 2017. *Table 2.4* provides detailed information on new arrangements and augmentations of access under the IMF's concessional financing facilities. *Figure 2.4* illustrates amounts outstanding on concessional loans over the past decade.

The IMF's framework for concessional financing is regularly reviewed to take account of changing needs. In 2015, the financial safety net for low-income developing countries was enhanced as part of the international community's wider effort to support countries in pursuing the post-2015 UN SDGs. Key changes included the following: (1) a 50 percent increase in PRGT access norms and limits; (2) rebalancing the funding mix of concessional and nonconcessional resources provided to countries that receive IMF support in the form of a blend of PRGT and GRA resources from a 1:1 ratio to 1:2 ratio; and (3) setting the interest rate permanently at zero on fast-disbursing support under the Rapid Credit Facility to assist countries in fragile situations, hit by conflict, or affected by natural disaster.

A subsequent Board discussion in November 2016 clarified various aspects of the application of this financial safety net, including PRGT-eligible members' access to the GRA, policies on blending, and the role of norms in determining access. In addition:

Table **2.4**

Arrangements approved and augmented under the Poverty Reduction and Growth Trust in FY2017

(Millions of SDRs)

Member	Effective date	Amount approved
NEW THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENT		
Afghanistan	July 20, 2016	32.4
Benin	April 7, 2017	111.4
Central African Republic	July 20, 2016	83.6
Côte d'Ivoire	December 12, 2016	162.6
Madagascar	July 27, 2016	220.0
Moldova	November 7, 2016	43.1
Niger	January 23, 2017	98.7
Subtotal		**751.8**
AUGMENTATIONS OF EXTENDED CREDIT FACILITY ARRANGEMENTS[1]		
Burkina Faso	December 16, 2016	4.5
Chad	November 11, 2016	33.6
Liberia	December 16, 2016	27.7
Malawi	June 20, 2016	34.7
Mali	June 8, 2016	68.0
Subtotal		**168.5**
NEW STAND-BY CREDIT FACILITY ARRANGEMENTS		
Rwanda	June 8, 2016	144.2
Subtotal		**144.2**
DISBURSEMENTS UNDER RAPID CREDIT FACILITY		
Haiti	November 18, 2016	30.7
Subtotal		**30.7**
Total		**1,095.1**

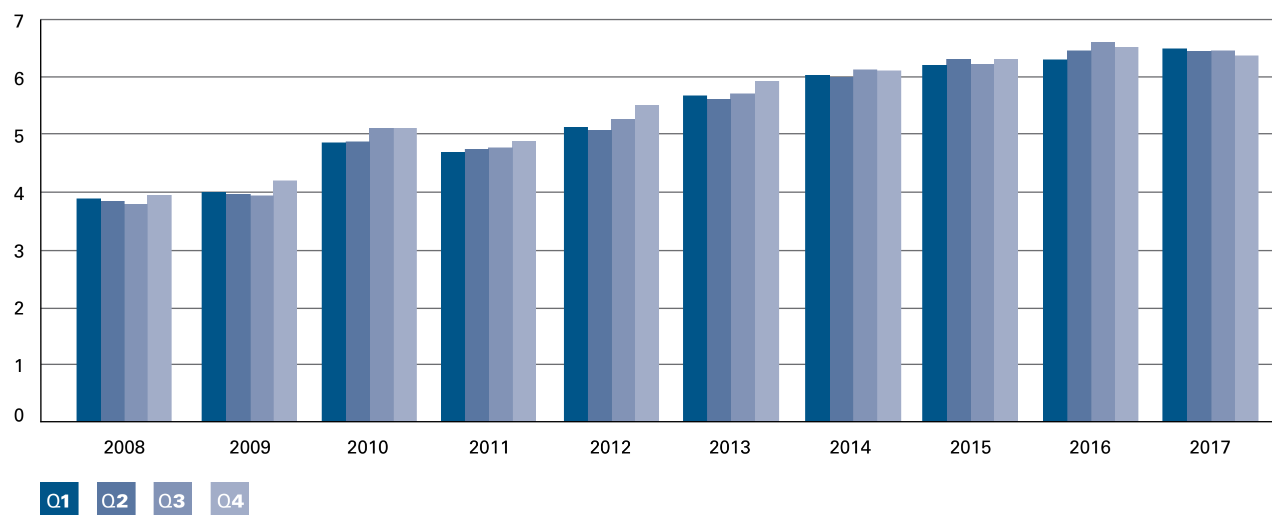
Source: IMF Finance Department.

[1] For augmentation, only the amount of the increase is shown.

Figure **2.4**

Concessional loans outstanding, FY2008–17

(Billions of SDRs)



Source: IMF Finance Department.

- In October 2016, it was decided to set interest rates on all concessional loans to zero until December 31, 2018. The interest-rate-setting mechanism was also modified such that interest rates will remain at zero as long as and whenever global interest rates are low.

- In May 2017, the IMF also explored options to better assist countries, including PRGT-eligible members, faced with sudden balance of payments pressures due to major natural disasters.

A new fundraising round is underway to raise up to SDR 11 billion in new PRGT loan resources, which are needed to support continued concessional lending by the IMF for its poorest and most vulnerable members. Of the 28 potential lenders approached—including 14 new lenders from both emerging market and advanced economies—16 had confirmed their intention to participate as of April 30, 2017. Within this group, 10 new loan contributions have been finalized, amounting to SDR 7.7 billion. This includes a new lender, Sweden.

Regarding debt relief, the Heavily Indebted Poor Countries (HIPC) Initiative has been largely completed. A total of 36 out of 39 eligible or potentially eligible countries benefited from HIPC Initiative relief, including Chad—the latest beneficiary—which received debt relief in the amount of SDR 17 million in April 2015. The IMF can also provide grants for debt relief to eligible countries through the Catastrophe Containment and Relief Trust (CCRT), established in February 2015. The CCRT provides exceptional support to countries confronting major natural disasters, including life-threatening, fast-spreading epidemics with the potential to affect other countries, and other types of catastrophes such as massive earthquakes. To date, three countries (Guinea, Liberia, Sierra Leone) have benefited from debt relief under the CCRT. In addition, in 2010, Haiti received SDR 178 million in debt stock relief under the former Post-Catastrophe Debt Relief Trust.

PROGRAM DESIGN

Strengthening the Framework for Post-Program Monitoring

IMF lending has expanded sharply since the global financial crisis. For member countries no longer in a program relationship, but with substantial outstanding IMF credit, post-program monitoring (PPM) provides a framework for close IMF engagement. It is an important part of the IMF safeguards architecture, focusing on members' capacity to repay the Fund and providing an early warning of policies that could jeopardize IMF resources.

In July 2016, the Executive Board discussed a staff report titled "Strengthening the Framework for Post-Program Monitoring." The report addressed the need to strengthen the design and implementation of the current policy, highlighting alternatives to adapt the content of PPM reports to improve risk assessment. It also discussed the realignment of PPM thresholds with risks to the balance sheet of the Fund and the PRGT in light of the sizable expansion of Fund credit in recent years.

The IMF staff proposed moving toward a more risk-based and focused PPM framework that would provide a detailed analysis of risks to repayment capacity. The paper presented a composite PPM threshold based on two indicators—one that captures the absolute size of credit outstanding and a second, quota-based indicator that assesses the scale of country risk.

Executive Directors supported moving toward the more risk-based and focused PPM framework, welcoming the innovative techniques and indicators in the analysis and monitoring of risks. Directors saw merit in establishing thresholds to help ensure adequate monitoring of large exposures to the IMF's resources and found it reasonable to calibrate such thresholds to the Fund's loss-absorption capacity.

Directors agreed that a quota-based threshold should be retained as a backstop. There was support for raising the threshold to 200 percent of quota, close to the point at which level-based surcharges apply for exposures under the Fund's General Resources Account.

POLICY SUPPORT INSTRUMENT

The Policy Support Instrument (PSI) offers low-income developing countries that do not want or need an IMF loan a flexible tool that enables them to secure IMF advice and support without a borrowing arrangement. This nonfinancial instrument is a valuable complement to the IMF's lending facilities under the PRGT. The PSI helps countries design effective economic programs that deliver clear signals to donors, multilateral development banks, and markets of the IMF's endorsement of the strength of a member's policies.

The PSI is designed to promote a close policy dialogue between the IMF and a member country, usually through semiannual Fund assessments of the member's economic and financial policies. It is available to PRGT-eligible countries with a poverty reduction strategy in place that have a policy framework focused on consolidating macroeconomic stability and debt substantiality, while deepening structural reforms in key areas

In October 2016, the IMF set interest rates on loans to low-income developing countries to zero until December 18, 2018.

in which growth and poverty reduction are constrained. Such reforms would support strong and durable poverty reduction and growth for countries whose institutions are capable of supporting continued good performance.

In general, policies under the PSI aim to consolidate macroeconomic stability and push ahead with structural measures to boost growth and jobs. These include measures to improve public sector management, strengthen the financial sector, or build up social safety nets. Program reviews by the IMF's Executive Board play a critical role in assessing performance under the program and allowing it to adapt to economic developments.

In June 2016, the Board approved a one-year extension of the PSI for Uganda. To date, the Executive Board has approved 18 PSIs for seven members: Cabo Verde, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, and Uganda.

Staff-Monitored Program for Somalia

Somalia is recovering slowly from nearly 25 years of civil war. Weak institutional capacity, complex clan politics, and a challenging security situation have complicated the country's economic reconstruction. As a result, social and economic conditions remain dire. With continued support from the international community and key donors, the federal government of Somalia has initiated important reforms to lay the foundation for the country's economic reconstruction.

Somalia's external debt is high and virtually all in arrears, thus limiting access to external borrowing and precluding access to IMF resources because of the country's continued arrears to the Fund. To address the high debt overhang, the country needs to establish a strong track record of macroeconomic performance, implementation of reforms, and a comprehensive strategy of arrears clearance and debt relief supported by Somalia's development partners.

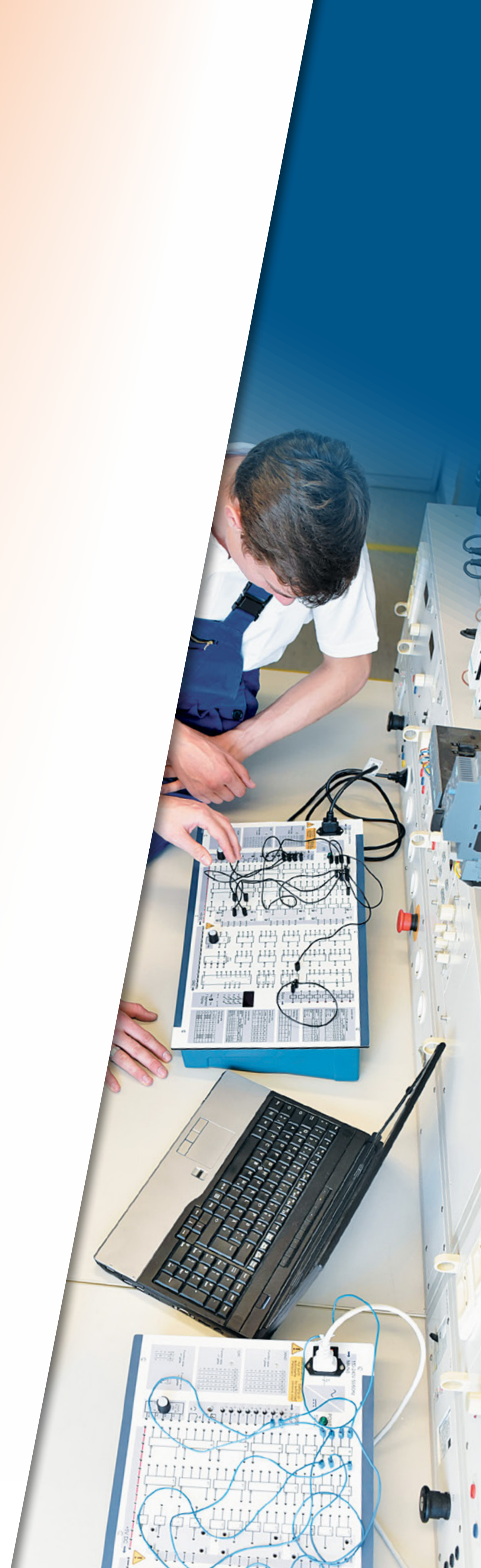
The IMF has been working closely with Somalia since resuming its relationship with the country in 2013. The Executive Board concluded the first economic health check (Article IV consultation) for Somalia in more than 26 years in July 2015, followed by another one in February 2017. In addition, the IMF has delivered 76 technical assistance and training missions since 2013.

To help Somalia's economic reconstruction efforts and establish a track record on policy and reform implementation, the authorities requested an IMF staff-monitored program (SMP). An SMP is an informal agreement between country authorities and the IMF staff to monitor the implementation of the authorities' economic program. SMPs do not entail financial assistance or endorsement by the IMF Executive Board. In May 2016, the Managing Director approved the SMP for Somalia, which covered the period May 2016–April 2017. Performance under the SMP has been broadly satisfactory. As the SMP was expiring in April 2017, the authorities requested a follow-up 12-month SMP, on which IMF staff and the authorities reached agreement in May 2017.

The program is geared toward reestablishing macroeconomic stability, building capacity to strengthen macroeconomic management, rebuilding institutions, and improving governance and economic statistics. It includes fiscal, monetary, and financial policy setting and reforms. Given Somalia's weak administrative capacity, technical assistance is an integral part of the SMP, and training will be intensified. Successful completion of this program and subsequent SMPs could help pave the way toward future financial assistance from the IMF.

Capacity Development

When government works well, people thrive. The IMF's capacity development efforts enable governments to provide better services such as schools, roads, and hospitals. They foster a stable economic environment. And they help improve growth and create jobs.



The IMF serves as a global hub for knowledge on economic and financial issues. Over the past 50 years, it has established world-class expertise and built a repository of collective experience on which policies work, why they unleash growth, and how best to implement them. The IMF shares this knowledge with government institutions, such as finance ministries and central banks, through hands-on expert advice, peer-learning workshops, and policy-oriented training. This support is delivered to countries through expert advice delivered in-country and from headquarters, regional capacity development centers, and in-person and online training.

The IMF's capacity development mission is an important complement to its surveillance and lending mandates. For instance, working with governments to improve their policies and processes helps increase the usefulness of IMF policy advice, keeps the institutions up to date on innovations, and helps address crisis-related challenges. At the same time, the IMF's surveillance and lending work may help identify areas in which capacity development activities can have the biggest impact in a country.

The IMF's capacity development efforts focus on the following areas:

- **Fiscal policy:** Advising governments on how to raise revenues and effectively manage expenditure, including tax and customs policies, budget formulation, public financial management, domestic and foreign debt, and social safety nets. This enables governments to *provide better public services such as schools, roads, and hospitals*.

- **Monetary and financial sector policies:** Working with central banks to modernize their monetary and exchange rate frameworks and with supervisory and regulatory authorities to enhance financial institutions' oversight. This *improves the countries' financial stability, fueling domestic growth and international trade*.

- **Legal frameworks:** Helping countries align their legal and governance frameworks to international standards so they can *develop sound fiscal and financial reforms, fight corruption*, and combat money laundering and terrorism financing.

- **Statistics:** Helping countries with the compilation, management, and reporting of their macroeconomic and financial statistics. This provides more *accurate understanding of their economy* and helps formulate more informed policies.

The Fund is preparing for the 2018 Quinquennial Review of the Fund's Capacity Development Strategy. In February 2017, the Board provided feedback on the concept note for the review *(see Box 2.1)*.

Box 2.1. 2018 Quinquennial Review of the IMF's Capacity Development Strategy

The IMF's capacity development strategy was last discussed by the IMF Executive Board in June 2013. The discussion yielded the first integrated strategy for capacity development and concluded with several recommendations to update the capacity development governance structure, enhance prioritization, clarify the funding model, and strengthen monitoring and evaluation. Subsequently, the Board endorsed the 2014 statement on IMF Policies and Practices on Capacity Development.

Since 2013, significant progress has been achieved, particularly with respect to strengthening the capacity development governance and prioritization frameworks. Thus, the 2018 Quinquennial Review of IMF capacity development provides an opportune time to systematically review progress since then, identify remaining challenges, and lay out reform priorities in the period ahead. To this end—and as elaborated in the concept note, discussed by the Board in an informal session on February 24, 2017—the review will include backward- and forward-looking components:

- The backward-looking component will consider the prioritization, funding, monitoring and evaluation, and delivery of capacity development as set out in the 2014 statement.

- The forward-looking component will provide the opportunity to outline reforms to increase the impact of capacity development. Emphasis will be on making capacity development more effective and efficient while building on its existing strengths, including through (1) further strengthening the framework to ensure that it is targeted at the most important needs of countries as defined by both the country authorities and the IMF, (2) seeking innovative delivery methods, (3) sharing IMF knowledge in this area with the membership, (4) further integrating capacity development with IMF surveillance and policy advice, and (5) entrenching the results-oriented approach.

- The capacity development strategy review is planned to be discussed by the Board in May 2018. Conclusions from the 2018 review will be reflected in a revised statement on IMF policies and practices on capacity development.

The IMF has established world-class expertise and built a repository of collective experience on which policies work, why they unleash growth, and how best to implement them.

HIGHLIGHTS: FISCAL CAPACITY DEVELOPMENT

Revenue mobilization

Strengthening domestic revenue performance is a key objective of the 2030 Agenda for Sustainable Development and is included as one of the UN SDGs. Sound tax systems are an essential basis for strengthening revenues and achieving the SDGs. The IMF has long supported its member countries in building and modernizing their tax institutions and policies. In the past decade, it has provided ample technical assistance in tax policy and revenue administration. Many low-income developing countries have made significant progress in domestic revenue mobilization: tax-to-GDP ratio in low-income developing countries has on average risen by some 5 percentage points. This achievement, however, is not observed in all countries, and significant challenges remain.

Reflecting its commitment to the Addis Ababa Action Agenda of 2015, the IMF has significantly scaled up its work in this area and further developed external funding agreements with partners. The IMF launched the Revenue Mobilization Trust Fund (RMTF) in August 2016 as a successor to the successful Tax Policy and Administration Topical Trust Fund, doubling the resources available to assist lower-income countries in developing their tax capacity. The RMTF will help integrate new fiscal assessment tools *(see Box 2.2)*; enable advice in the areas of global priority, such as international taxation and carbon taxes; and support the development of training activities needed to ensure sustainable progress. During the year, a new five-year phase of the Managing Natural Resource Wealth Trust Fund was also launched. This fund supports capacity building in countries with mining and petroleum activities to help them better manage these resources, including through tax design, collection, and macroeconomic management.

The IMF is working with member countries to achieve higher levels of revenue by integrating this priority more firmly into its surveillance function. In about two dozen countries where revenue mobilization is viewed as macro-critical, the IMF has provided additional policy advice in this area in the context of Article IV consultations. The IMF has also expanded its work on international tax policy in the context of surveillance, undertaking analysis and advice to assist a diverse set of its members in coping with tax avoidance strategies (that is, base erosion and profit shifting).

The IMF is also working on a new initiative on medium-term revenue strategies in partnership with the Organisation for Economic Co-operation and Development, World Bank, and United Nations that involves helping countries develop and implement comprehensive reform strategies that encompass tax policy, tax legislation, and tax administration.

Examples of the IMF's revenue mobilization efforts include the following:

- After decades of civil war, **Liberia** in 2011 took on the challenge of reforming its tax code and establishing a modern revenue administration to help finance much-needed public services. In consultation with the IMF, the Liberian authorities developed an extensive reform program focused on improving the tax policy framework, establishing a robust organizational structure, strengthening core functions such as audit and taxpayer services, and building capacity through training and coaching.

These efforts helped lay the groundwork for the successful establishment of the Liberia Revenue Authority and set up systems to manage taxpayers in a more effective and risk-focused manner. Liberia's tax-to-GDP ratio reached 19¼ percent in 2015, comparing well with its peers, and the revenue authority now plays a major role in supporting the government's goal of becoming a middle-income country by 2030.

- In **Mongolia**, the IMF has worked with the authorities since 2010 to help strengthen its Large Taxpayer Office, which caters to some 400 companies that account for about 50 to 60 percent of total domestic revenue. The IMF organized a diagnostic mission to assess improvement areas in its structure, staffing, legal framework, core tax administration processes, and computer systems.

In the past decade, the IMF has significantly scaled up its work assisting countries with domestic revenue mobilization.

The Mongolian government and the IMF worked together to reorganize the taxpayer office into units based on tax administration functions (tripling the staff and creating a special mining audit unit), issue administrative guidance on practical application of tax laws, design industry-specific audit methods, and acquire a new computer system. The success of the reforms was evident in the high rate of on-time tax returns filed electronically and the sharp reduction in tax arrears.

Public Financial Management

The IMF works with its member countries to provide public financial and public investment management support to ensure that countries use their fiscal resources effectively and in support of sustainable development. For instance, in **Senegal**, the IMF assisted with the ongoing modernization of the Ministry of Economy, Finance, and Planning and the implementation of the country's public financial management reform agenda to ensure a smooth transition and sound changes among the General Directorate of Budget.

In **Nigeria**, the IMF helped the government implement a treasury single account, which now includes most ministries, departments, and agencies—representing about 98 percent of budgetary expenditure. Substantial idle funds (to the tune of 2 percent of GDP during August 2015–January 2016) were pooled into the Treasury Single Account from the bank accounts of ministries, departments, and agencies. Nigeria now has one of the most comprehensive treasury single accounts in the world.

The rollout of the new Public Investment Management Assessment program has been instrumental to the IMF's ability to help countries identify strengths and weaknesses in their public investment management. These assessments are now being used to identify reform priorities, help shape follow-up capacity development by the IMF and other providers, and galvanize donor funding. For example, in **Togo**, based on the assessment results and recommendations, the World Bank has finalized, with financial support from the European Union (EU), a $15 million project mainly to strengthen project appraisal, selection, and procurement.

The IMF also increasingly recognizes the importance of peer learning in facilitating and encouraging public financial management reforms. For example, the IMF has supported the Latin American Treasuries (FOTEGAL) as a useful forum for sharing experiences within the region and a platform for the delivery of training and workshops. These efforts have helped countries in the region substantially improve the design and operation of the treasury single accounts, implement more active cash management, develop business continuity plans, and expand use of electronic payment instruments.

Support for Fragile States

A critical focus of the IMF's fiscal capacity development continues to be support for members whose institutional and policymaking capacity has been affected by conflict or other shocks. For instance, in **Haiti**, the IMF helped achieve meaningful improvements in institutional capacity, including the establishment of a macro-fiscal unit in the Ministry of Finance and accounting functions across the government. In 2017, the treasury single account, covering budgetary central government, was further operationalized.

In **Mali**, since the 2015 peace agreement, the IMF has focused its capacity development efforts on key expenditure processes, cash management, and fiscal decentralization—the latter being a crucial provision in the peace agreement. During 2016–17, with the IMF's assistance, the Malian authorities made noticeable progress to upgrade and roll out the Treasury's computerized accounting system to pool general government cash under the treasury single account and improve key institutions for public investment management.

Box 2.2. Fiscal assessment tools

The IMF has been effectively leveraging fiscal assessment tools to strengthen the analytical basis for designing effective and results-oriented capacity development programs in member countries.

- During FY2017, the **Tax Administration Diagnostic Assessment Tool (TADAT)** was applied in 19 countries, helping identify reform priorities for tax administrations.

- **The Revenue Administration Fiscal Information Tool (RA-FIT)** initiative gathered momentum with the launch of the International Survey on Revenue Administration (ISORA) in May 2016. This provides a convenient platform for gathering performance indicators for customs and tax administrations; more than 140 tax administrations have completed the survey.

- **The Revenue Administration Gap Analysis Program (RA-GAP)** provides an analytical basis for estimating the gap between current and potential revenues, and in the past year the tool has extended its scope to enable estimates of the corporate income tax gap.

- The **Fiscal Analysis of Resource Industries (FARI)** tool is a model-based framework that was initially designed to support the reform of mining and petroleum fiscal regimes. More recently, some tax administrations have started using an application of the tool for tax compliance and risk assessment.

- The **Fiscal Transparency Evaluations (FTEs)** assess country compliance with the IMF's Fiscal Transparency Code. The IMF delivered five FTEs in FY2017, establishing for the participating members an important baseline for reforms. For example, recommendations in the **Brazil FTE** informed the discussion in the establishment of a Senate-based independent fiscal institution in December 2016, with a broad mandate to include assessments of the government's fiscal targets and the evaluation of their fiscal impact. Similarly, the **United Kingdom FTE**, published in November 2016, was credited by the chancellor of the exchequer, during his autumn 2016 statement, for the decision to move to a single fall fiscal event, replacing the existing dual spring and autumn budgets. The chancellor argued that the move to the single event, well in advance of the start of the fiscal year, would allow for greater parliamentary scrutiny of budget measures.

- The **Fiscal Stress Test** was designed and released as part of the "Analyzing and Managing Fiscal Risks—Best Practices" Board paper, which applied fiscal stress tests to Iceland and Peru. Some advanced economies have already begun using the stress test internally to assess their exposures.

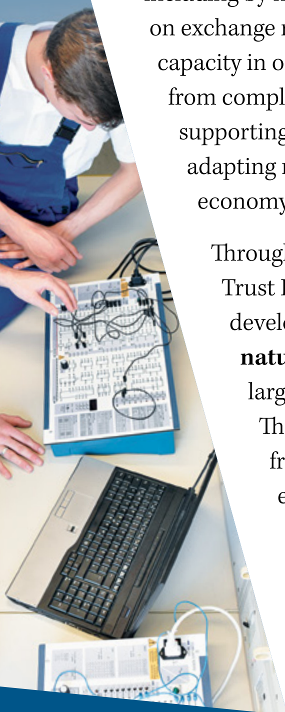
- The **Public Investment Management Assessment (PIMA)** is a comprehensive diagnostic tool that helps countries evaluate the strength of their public investment management practices from a macro-fiscal perspective. Introduced in the second half of 2015, the PIMA has been applied in 21 countries with different income and development levels. During FY2017, the PIMA was applied in six emerging market economies and six low-income countries.

- The **Public-Private Partnerships Fiscal Risk Assessment Model (PFRAM)**, developed by the IMF and the World Bank, is an analytical tool to assess the potential fiscal costs and risks arising from public-private partnership projects. The PFRAM was launched in April 2016, and has been applied in FY2017 in the IMF's and World Bank's technical assistance missions to emerging market economies and low-income developing countries.

HIGHLIGHTS: MONETARY AND FINANCIAL SECTOR CAPACITY DEVELOPMENT

At a time of significant global economic risks and vulnerabilities, the IMF's capacity development efforts in the monetary and financial sectors aim to address the critical needs of member countries: promotion of monetary and financial stability and prevention and management of crises. This includes supporting members in the core areas of financial regulation and supervision, monetary policy and central bank operations, debt management, and other aspects of financial stability.

The IMF is responding to the evolving needs of members, including by managing the impact of weak commodity prices on exchange rate policies, helping develop debt management capacity in oil-exporting countries, helping members shift from compliance- to risk-based financial supervision, supporting members' Basel II/III implementation, and adapting macroprudential policies to emerging market economy needs.



Through its Managing Natural Resource Wealth Trust Fund, the IMF has expanded its capacity development to **countries dependent on exporting natural resources.** These countries have seen large fluctuations in their terms of trade recently. This puts pressure on their monetary policy frameworks—which often involve managed exchange rate regimes (if not outright pegs)—and on the stability of their financial systems. The IMF is adding resources to resource-rich countries in the areas of both monetary and macroprudential policies.

In November 2016, the IMF and the **China Securities Regulatory Commission** (CSRC) signed an agreement to enhance technical cooperation to support the commission's financial sector reforms. The cooperation will focus on securities markets regulation and supervision, systemic risk monitoring and prevention, and stakeholder communication.

The following are examples of the IMF's monetary and financial sector capacity development:

- **Modernizing monetary policy in central Africa:** The IMF is stepping up its capacity development activities in the Central African Economic and Monetary Community to assist the authorities with managing the currently difficult external context. An IMF resident advisor in the IMF's Central African Regional Technical Assistance Center is in regular contact with the regional supervisors to provide training sessions and workshops. From headquarters, IMF staff delivered intense, hands-on sessions on monetary policy implementation and emergency liquidity assistance to officials from the Banque des Etats d'Afrique Centrale (Bank of Central African States [BEAC]). The BEAC has demonstrated strong ownership of modernizing its monetary policy framework, reflecting several years of capacity development now coming to fruition. The IMF plans to assign a long-term advisor to assist the BEAC during implementation of the reforms.

- **Building financial stability frameworks in Asia:** Over the past 20 years, as Asian financial sectors have become bigger and closely intertwined, consolidating the monitoring and supervision of these financial conglomerates has become critical for detecting risks to financial stability. In recent years, countries such as **Indonesia, the Philippines,** and **Thailand** have worked with the IMF to institute a systematic approach to monitoring financial stability and strengthening the systemic oversight framework and risk analysis. The Bank

of Thailand inaugurated its own Financial Stability Unit in 2016. The Philippines' central bank has also set up a dedicated financial stability function. The Bank of Indonesia is developing the capacity for systemic risk assessment, macroprudential oversight, and stress testing.

- **Bank restructuring in the Eastern Caribbean Currency Union:** Following the 2008 global financial crisis, the Eastern Caribbean Currency Union (ECCU) faced high public debt and stretched finances, leading the Eastern Caribbean Central Bank (ECCB) to place three domestic banks into conservatorship. To strengthen its financial system through improved regulation and supervision, the ECCB worked with the IMF to revise banking legislative frameworks and increase the central bank's ability to monitor progress made by the banks in conservatorship. Since the start of this effort, the ECCU has witnessed a regionwide implementation of modern banking legislation, leading to greater supervision and revisions to the region's medium-term fiscal framework. By April 2016, all three conservatorships had been resolved. The effort also led to a new Banking Act and the Eastern Caribbean Asset Management Company Act, both approved in all ECCU jurisdictions.

- **Upgrading banking supervision in the Kyrgyz Republic:** The IMF's 2013 financial sector assessment found weaknesses in the Kyrgyz Republic's banking supervision pertaining to its legal framework. The IMF began working with the National Bank of the Kyrgyz Republic to establish a risk-based supervisory process and train the bank's supervisory staff. The revised regulatory framework will align with international standards that support risk-based and consolidated supervision; prudential guidelines and the operational framework are also being strengthened. This project is currently underway and is expected to lead to full implementation, including an upgrade of the bank's resolutions, guidelines, and regulations.

- **Banking and insurance supervision in Montenegro:** Launched in March 2017, the project focuses on understanding and assessing groupwide risks, enhancing the prudential framework and the assessment of asset quality, and increasing the effectiveness of credit risk management including the central bank's ability to supervise this risk. The supervision will help the Insurance Supervisory Agency adopt a risk-based supervisory framework in preparation for implementation of the Solvency II regime. The project will also support the Insurance Supervisory Agency's introduction of guidelines on corporate governance and requirement for risk management and internal controls.

HIGHLIGHTS: STATISTICS CAPACITY DEVELOPMENT

High-quality, timely macroeconomic data are the foundation for all economic decision making. The IMF helps countries with compilation, management, and reporting of their macroeconomic and financial statistics data. This provides more accurate understanding of their economy—including of economic vulnerabilities and risks—and helps government officials design informed policies. Sound economic data also send a message of transparency and foster trust in government policies, thereby attracting investors who use such data to gauge macroeconomic stability.

In the past five years, IMF capacity development in statistics has grown by more than 20 percent. With funding from bilateral and multilateral partners, much of this is directed at low- and middle-income countries and at fragile economies. The IMF routes a significant portion of this effort through its 14 regional capacity development centers, six of which are based in Africa. IMF capacity development in statistics is provided by long-term resident advisors, supplemented by short-term experts and missions from IMF headquarters.

The IMF support focuses mainly on real sector and government finance statistics, with some work on external sector statistics. For example, through its Africa Regional Technical Assistance Center (AFRITAC) South—covering Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe—the IMF has assisted several countries in rebasing their national accounts statistics to update information on the structure of the economy and to further develop price indices, especially the consumer price index. This is helping countries provide more accurate information on inflation and price trends.

In Albania, the IMF has worked with the government on finance statistics to help it meet European reporting standards.

The IMF is in the second phase of a major initiative, the Enhanced Data Dissemination Initiative, to improve macroeconomic statistics in **45 countries across Africa, the Middle East, and the central Asia region**. Financed by the United Kingdom's Department for International Development, the project has helped identify and develop new data sources, such as administrative tax records, especially for national accounts statistics. With the intensified implementation of the enhanced General Data Dissemination System (e-GDDS) framework, several countries are now disseminating data using an Open Data Platform.

As members of the **East African Community (EAC)**—Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda—prepare for a monetary union, the countries needed to ensure harmonization of data; that is, a common set of consistent, comparable government finance statistics. Since 2013, with support from IMF statistics capacity development and financing from the government of Japan, the countries have expanded their monetary and financial statistics coverage, taken steps to harmonize the underlying source data, improved EAC-wide classifications, and made substantial progress in collecting data on intra-EAC positions—an essential component for compiling union-wide monetary statistics.

In addition, all EAC partner states will compile and disseminate their financial soundness indicators (FSIs) once South Sudan begins to disseminate the compiled data (planned in 2017). Together, the United Kingdom and Japan have financed work across the globe that has led to 30 new reporters to the FSI database since 2013.

The IMF, with financial support from Switzerland, also worked with five countries in southeastern Europe—**Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, and Serbia**—on government finance statistics to enhance their fiscal policy formulation and analysis to help meet European reporting requirements. In the second phase of this work, which began in June 2016, countries have begun to analyze economic developments and underlying fiscal positions to formulate and implement macroeconomic policies, capture and assess fiscal risks, promote fiscal transparency, and work toward greater compliance with EU procedures for correcting excessive deficit or debt levels.

Additional work in the areas of real, external, government finance, and monetary and financial statistics, as well as on data dissemination, is being undertaken in eastern Europe, central Asia, southeastern Asia, and South America, with funding from Japan, Switzerland, and the Netherlands. This work will be complemented by two new topical trust funds for capacity development worldwide: the Financial Sector Stability Fund for financial sector statistics, and the Data for Decisions Fund for policy-relevant statistics. Both trust funds aim to provide more and better data to policymakers and help develop national statistical systems in support of the Sustainable Development Goals.

HIGHLIGHTS: LEGAL CAPACITY BUILDING

Demand for technical assistance on legal issues in both program and nonprogram countries continued in FY2017 in anti-money-laundering and combating the financing of terrorism (AML/CFT) efforts, financial and fiscal law, insolvency, and claims enforcement.

The IMF continued its work in AML/CFT with the Financial Action Task Force (FATF), the World Bank, the Egmont Group of Financial Intelligence Units, and FATF-style regional bodies. The IMF led the assessment of Mexico under the revised international standard. It continued the successful global program of technical assistance under the multipartner AML/CFT Topical Trust Fund; delivered technical assistance on AML/CFT in Myanmar (funded by Japan) and Panama and on anticorruption efforts in Ukraine (funded by Canada) and in Qatar, Kuwait, and Saudi Arabia (all self-funded); undertook a regional legal drafting project on CFT in the Middle East and North Africa; and continued to coordinate its work both internally and with many international assistance providers.

In the area of financial and fiscal law, technical assistance on central banking, bank regulatory and supervisory frameworks, and bank resolution and crisis management were maintained at previous levels. In contrast, technical assistance on market infrastructures (payment systems) was minimal but continued to grow on legal frameworks for public financial management, as in previous years.

Technical assistance on tax law continued to see strong demand in the main areas of income tax, value-added tax, and tax procedures, with particular emphasis on international aspects, reflecting the increased global attention to international tax issues. Similarly, international tax law design issues were at the core of both a headquarters-based seminar and a training session in Kuwait, the latter focusing specifically on regional issues.

The IMF continued to provide technical assistance to its members on corporate and household insolvency and claims enforcement to help ensure early and rapid rehabilitation of viable businesses and liquidation of nonviable businesses, provide a fresh start for overindebted households, and improve the process of claims enforcement. The IMF also organized a workshop for high-level officials at the Joint Vienna Institute on corporate and household insolvency.

HIGHLIGHTS: TRAINING

The IMF's training program is an integral part of its capacity development mandate. The IMF helps train government officials so they improve their ability to analyze economic developments; develop diagnostic, forecasting, and modeling tools; and formulate and implement sound macroeconomic and financial policies. The IMF delivered 355 face-to-face training courses in FY2017, through theoretical lectures, analytical tools, and hands-on workshops, plus 19 online courses.

Curriculum review: After a two-year review and assessment, in 2017 the IMF completed a comprehensive revamp of its external curriculum that builds on its roots in policy-oriented macroeconomics and includes topics that meet the changing needs of its members and of the IMF's evolving mandate. A total of 19 new courses were designed, developed, and rolled out during the year, spanning five areas: general macroeconomics, fiscal issues, monetary issues, the external sector, and finance, along with special topics such as inclusive growth. They all have in common an emphasis on hands-on training, country case studies, cross-country experience, and policy implications.

Online training: An increasing number of IMF courses are being delivered online. Offered as massive open online courses, or MOOCs, on the edX platform, these courses are made available to government officials and to the general public. These courses complement the IMF's traditional face-to-face delivery: online training emphasizes introductory courses with a view both to extending the reach of the IMF's training and preparing participants for face-to-face courses.

Customized training: Increased demand from member countries for training material tailored to country needs has led the IMF to respond more flexibly to these changing needs with new modular courses, which can be customized. In some cases, the IMF is working with specific institutions within member countries on such customization. For example, the IMF has worked with central banks in Ghana, Mozambique, the East African Community region, and Sri Lanka on a forecasting and policy analysis system to strengthen their monetary policy frameworks. Other customized training initiatives include a course on cross-border position statistics for Chinese officials at IMF headquarters, projects on dynamic stochastic general equilibrium modeling for policy analysis in China and Bolivia, and training in financial programming and policy in the Central African Economic and Monetary Community.

IMF CAPACITY DEVELOPMENT IN NUMBERS

Initiated by member countries, IMF capacity development support, which includes both institutional and policy development (technical assistance) and staff development (training), has reached all 189 members. Capacity development represented over a quarter of the IMF's administrative spending in FY2017. Most of this spending was on technical assistance, which represents 23 percent of total administrative spending, while training accounts for 5 percent *(see Figure 2.5)*.

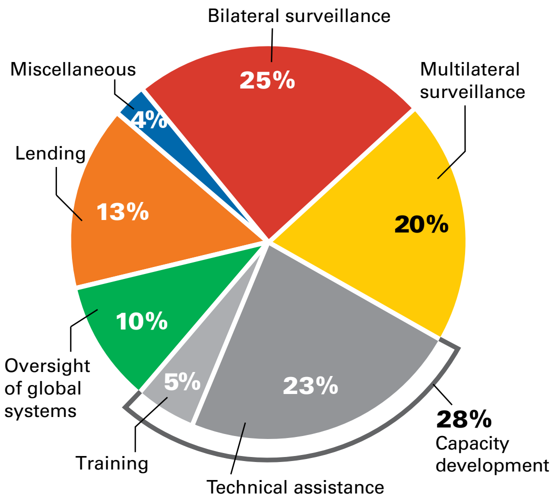
IMF capacity development activities continued to grow in FY2017, reflecting mainly greater delivery to sub-Saharan Africa, the Middle East and Central Asia, and Europe. Delivery of technical assistance on fiscal and legal topics increased. Total direct spending on capacity development activities (externally and IMF financed) was $267 million in FY2017, compared with $256 million in FY2016, a growth of 4 percent *(Figure 2.6)*. The externally funded component amounted to $134 million, or 50 percent of the total, and grew by almost 6 percent in FY2017.

Technical Assistance

Technical assistance delivery declined slightly in FY2017. Increased delivery in sub-Saharan Africa, the Middle East and central Asia, and Europe was broadly offset by declines in the Western Hemisphere and Asia and the Pacific *(Figure 2.7)*. About half of all IMF technical assistance continues to go to low-income developing countries *(Figure 2.8)*.

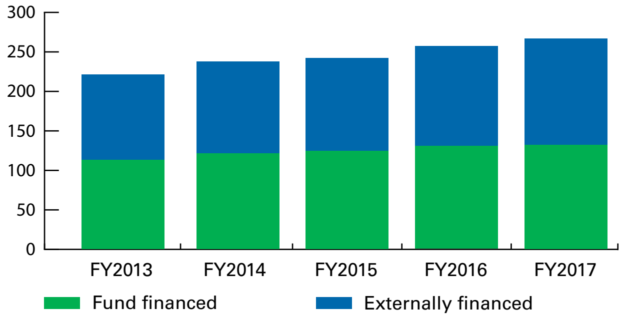
In FY2017, sub-Saharan Africa received the largest share of technical assistance, reflecting the high number of low-income developing countries in this region. Delivery of technical assistance on fiscal topics increased, in response to demand from the membership *(Figure 2.9)*. Fiscal topics continued to constitute slightly more than half of the technical assistance provided by the IMF.

Figure **2.5**
Share of costs of major IMF activities, FY2017



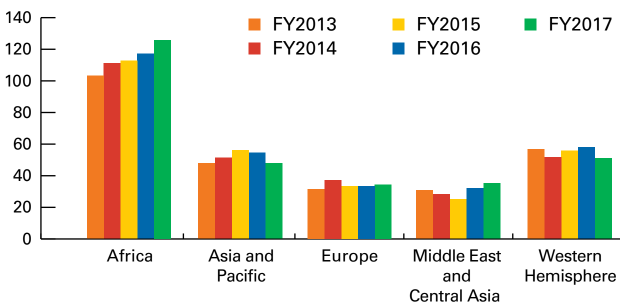
Source: IMF Office of Budget and Planning, Analytic Costing and Estimation System.

Figure **2.6**
Spending on capacity development, FY2017
(Millions of US dollars)



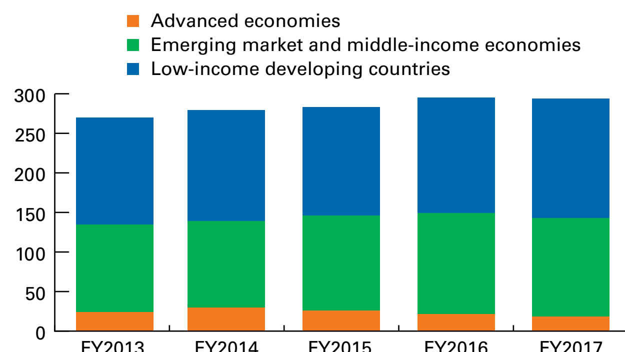
Source: IMF Office of Budget and Planning, Analytic Costing and Estimation System.

Figure **2.7**
Technical assistance delivery by region, FY2013–17
(Person-years of field delivery)



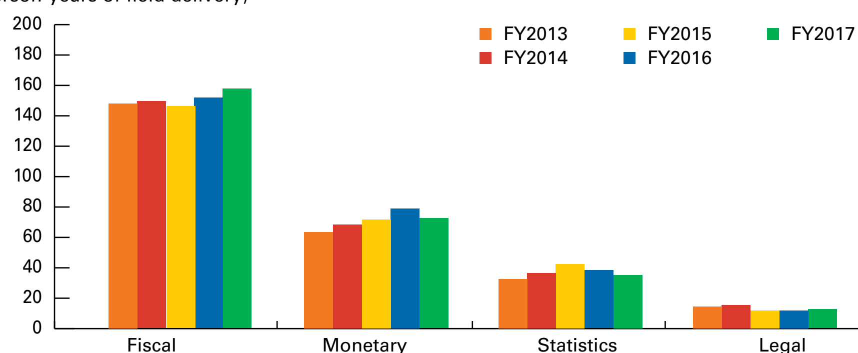
Source: IMF, Travel Information Management System.

Figure **2.8**
Technical assistance delivery by income group, FY2013–17
(Person-years of field delivery)



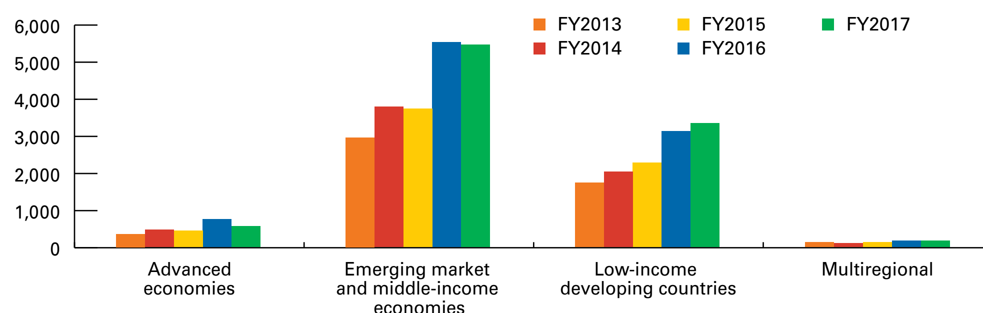
Source: IMF, Travel Information Management System.

Figure **2.9**
Technical assistance delivery by topic, FY2013–17
(Person-years of field delivery)



Source: IMF, Travel Information Management System.

Figure **2.10**
ICD training participation by income group, FY2013–17
(Number of participants)

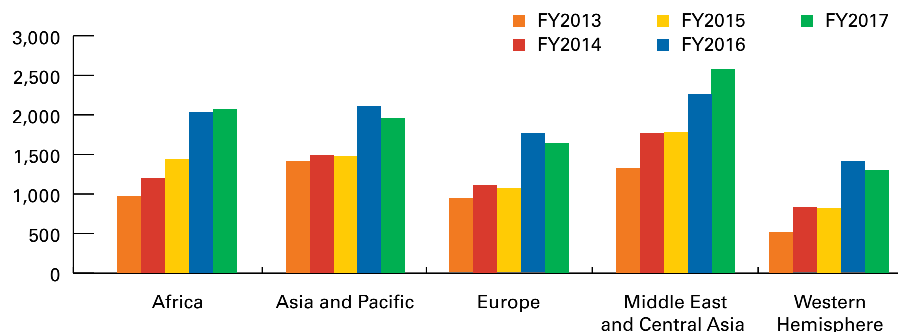


Source: IMF, Participant and Applicant Tracking System.
Note: ICD: IMF Institute for Capacity Development.

Training

During FY2017, the IMF delivered 225 training events through its Institute for Capacity Development (ICD) training program, in which 9,517 officials from 183 member countries participated. Most of these events were delivered through the IMF's network of regional training centers and programs and online courses, with the remainder delivered at IMF headquarters or other overseas locations. A wide range of topics meet different needs, spanning macroeconomic policies, forecasting and macroeconomic modeling, financial programming and policies, financial sector issues, specialized fiscal courses, macroeconomic statistics, safeguards assessments, and legal issues. Emerging market and middle-income economies received the largest share of the ICD training program, 57 percent of the total for the year *(Figure 2.10)*. Regionally, the share of the Middle East and central Asia was the largest at 27 percent, followed by sub-Saharan Africa and Asia and the Pacific *(Figure 2.11)*.

Figure **2.11**
ICD training program by participant region of origin, FY2013–17
(Number of participants)



Source: IMF Participant and Applicant Tracking System.
Note: ICD: IMF Institute for Capacity Development.

The IMF's massive open online courses, which are free, continued to grow with the addition of a "Macroeconomic Diagnostics" course and an Arabic version of "Financial Programming and Policies, Part 1." With 19 online courses delivered across five languages, participation in online training remained strong in FY2017. The largest share of users came from sub-Saharan Africa, which represents 28 percent of online training. Since the program was launched in late 2013, more than 34,000 active participants have enrolled in the IMF's online courses. Of those, about 9,400 government officials and 9,800 members of the general public from 186 countries have successfully completed an online course.

PARTNERSHIPS FOR CAPACITY DEVELOPMENT

Strong global partnerships underpin the IMF's capacity development activities. The financial contributions from partners, paired with the IMF's own resources, enable delivery of high-quality capacity development services, aligned with member country needs and with IMF and global priorities *(see Table 2.5)*.

In FY2017, new contributions to IMF capacity development of $126 million were received, and activities financed by partners totaled about $150 million, roughly half of total capacity development activities. Over the past five years, the top five contributors to IMF capacity development were Japan, the EU, the United Kingdom, Switzerland, and Canada. In FY2017, the IMF deepened existing partnerships with the EU, Japan, the United Kingdom, Germany, Switzerland, the Netherlands, Australia, Belgium, and Luxembourg.

Table **2.5**
IMF partners in capacity development

Capacity development fund	Partners
Revenue Mobilization (RM)	Australia, Belgium, Germany, Japan, Korea, Kuwait, Luxembourg, Netherlands, Norway, Switzerland, European Union
Anti-Money-Laundering/Combating the Financing of Terrorism (AML/CFT)	France, Japan, Luxembourg, Netherlands, Norway, Qatar, Saudi Arabia, Switzerland, United Kingdom
Managing Natural Resource Wealth (MNRW) Fund	Australia, Kuwait, Netherlands, Norway, Oman, Switzerland, European Union
Debt Management Facility II (DMF II)	Austria, Germany, Netherlands, Norway, Russia, Switzerland (joint with World Bank)
Financial Sector Reform Strengthening Initiative (FIRST)	Germany, Luxembourg, Netherlands, Switzerland, United Kingdom (joint with World Bank)
Tax Administration Diagnostic Assessment Tool (TADAT)	Germany, Japan, Netherlands, Norway, Switzerland, United Kingdom, European Union, World Bank
Data for Decisions (D4D)	To be launched shortly
Financial Sector Stability Fund (FSSF)	Launched in April 2017

Source: IMF staff compilation.

Key partnership highlights include the following:

- **Japan**, the largest contributor to the IMF's capacity development efforts, disbursed $29 million in FY2017, and signed an agreement in April 2017 to expand the IMF's online learning program.

- The **European Commission**, through its Directorate-General for International Cooperation and Development, signed a new Strategic Partnership Framework with the IMF in December 2016 for developing countries focused on achieving the UN SDGs.

- Another Strategic Partnership Framework with the **United Kingdom's Department for International Development** will improve communication and coherence and ease funding decisions.

- In the context of the G20 Compact with Africa, in April 2017 **Germany** strengthened its support for IMF capacity development with a contribution of €15 million for all regional capacity development centers on the continent *(see Box 2.3)*.

- The IMF took significant steps toward expanding its network of partners, including an agreement signed by **India** for approximately $33 million to cover activities related to the new South Asia Regional Training and Technical Assistance Center (see Regional Highlights on Asia).

- Close engagement continued with several private foundations, including the Bill and Melinda Gates and Hewlett Foundations.

IMF partnerships on **global thematic funds**, which directly respond to the Financing for Development Agenda, ensure that less-developed economies have the tools they need to reach their post-2015 SDGs.

Box 2.3. G20 Compact with Africa

Growth in Africa has weakened since 2014 in the wake of the recent commodity price decline, but its medium-term prospects remain strong. Its potential will be achieved only with sustained effort to harness Africa's demographic dividend, boost private capital inflows and mobilize domestic finance, and seize the opportunities presented by globalization to deliver economic transformation and create productive jobs.

To accelerate growth, investment rates and efficiency need to increase. Priority should be given to investment in infrastructure, which is critical to attract private investment, connect Africa's regional markets, and better integrate those markets into global value chains. It is estimated that the regional deficit in physical infrastructure reduces growth by 2 percentage points a year. Of the approximately $100 billion a year Africa needs to close the infrastructure gap, slightly less than half has financing.

The G20 Compact with Africa presents a broad set of potential mutual commitments between interested African and G20 and partner countries—with support from international organizations—to raise private investment and increase efficient public investment in infrastructure. The commitments are detailed in a report commissioned by the G20 finance deputies for the G20 Finance Ministers and Central Bank Governors Meeting in Baden-Baden, Germany, in March 2017 and prepared jointly by the IMF, World Bank, and African Development Bank.

Participation in the Compact with Africa will send a strong signal to private investors about African countries' interest in attracting investment and their commitment to implementing key reforms. The G20 will ensure high political visibility and raise investor awareness and confidence. The countries will benefit from a comprehensive but modular approach and coordinated engagement by the IMF, World Bank, and African Development Bank to support national efforts to devise and implement reform programs to boost private sector investment.

G20 members and other partner countries will encourage their domestic investors to respond to the investment opportunities in participating African countries, and knowledge sharing among partners will enhance their engagement with these participants. African countries will seek to create a more enabling environment for private investment, better mobilize domestic revenue and finance, and create space to scale up critically needed public investment in infrastructure while ensuring debt sustainability.

The IMF will share its expertise in the areas of debt management, fiscal transparency, tax administration and reform, resource management, public investment management, and data standards through its network of Regional Technical Assistance Centers in Africa.

Recent highlights include the following:

- New phases of the **Revenue Mobilization Fund** (RM)—supported by Australia, Belgium, the European Union, Germany, Japan, Luxembourg, the Netherlands, and Switzerland—and the **Managing Natural Resource Wealth Fund** (MNRW)—supported by Australia, the European Union, the Netherlands, Norway, and Switzerland—were launched in July 2016 to ensure sustained support for countries in strengthening tax capacity and effectively mobilizing natural resource wealth.

- The **Data for Decisions Fund** (D4D) was endorsed by IMF management in March 2017 and will improve the quality, coverage, timeliness, and dissemination of macroeconomic statistics of beneficiary authorities. The D4D Fund will also sustain the Financial Access Survey, portions of which are used to measure UN SDG indicators.

- In support of the objective that financial inclusion and development go hand in hand with financial stability, the **Financial Sector Stability Fund** (FSSF) was officially launched in April 2017; first pledges were made by Italy and Luxembourg.

Regional capacity development centers remain the backbone of the IMF's capacity development infrastructure, delivering about half of the IMF's capacity development efforts. The centers facilitate an enhanced ability for the IMF to respond quickly to a country's emerging needs, as well as closer coordination with other development partners on the ground.

These locally based regional centers anchor IMF support for knowledge sharing and are financed jointly by the IMF, external development partners, and member countries. *Table 2.6* lists the main centers.

Highlights in FY2017 include the following:

- The **European Union** continued to be the IMF's largest partner for the regional centers; in FY 2017 alone, it signed agreements to support the South Asia Regional Training and Technical Assistance Center, the Caribbean Regional Technical Assistance Center, and the Central African Regional Technical Assistance Center.

- The Middle East Regional Technical Assistance Center welcomed four new members—**Algeria, Djibouti, Morocco,** and **Tunisia**—with the start of its new program phase in May 2016, and will scale up operations in the coming year.

- The IMF's oldest center, the Pacific Financial Technical Assistance Center, began its newest program phase in November 2016, with all 16 member countries and territories contributing approximately 10 percent of the center's budget; additional funds from **New Zealand, Australia, the European Union, the Asian Development Bank,** and **Korea** helped get the new phase off to a strong start.

- The new program phase of the Caribbean Regional Technical Assistance Center began in January 2017 with an $11 million (Can$15 million) contribution from **Canada** and with a new member, **Curaçao**. Two more countries—**Aruba** and **Sint Maarten**—are considering joining the center.

- Thanks to additional contributions by **Luxembourg** to the Central America, Panama, and Dominican Republic Regional Technical Assistance Center, the center is fully funded for the remainder of its current program phase, through April 2019.

- The global network of IMF regional capacity development centers was further bolstered with the South Asia Regional Training and Technical Assistance Center's official inauguration in February 2017. Member countries—notably **India**—financed two-thirds of the center's budget.

Table **2.6**

IMF regional centers for knowledge sharing

Center	Partners	Member countries
Africa Training Institute (ATI)	Australia, China, Korea, Mauritius	45 countries in sub-Saharan Africa
AFRITAC Central (AFC)	Australia, Canada, China, France, Germany, African Development Bank, European Investment Bank, European Union	Central African Economic and Monetary Community plus Burundi and Democratic Republic of the Congo
AFRITAC East (AFE)	Netherlands, Switzerland, United Kingdom, European Union	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda
AFRITAC South (AFS)	Australia, Brazil, Canada, Germany, Switzerland, United Kingdom, African Development Bank, European Investment Bank, European Union	Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, Zimbabwe
AFRITAC West (AFW)	Australia, Canada, France, Germany, Italy, Kuwait, Luxembourg, Netherlands, Switzerland, African Development Bank, European Investment Bank, European Union	West African Economic and Monetary Union plus Guinea and Mauritania
AFRITAC West 2 (AFW2)	Australia, Canada, China, Switzerland, United Kingdom, African Development Bank, European Investment Bank, European Union	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
Caribbean RTAC (CARTAC)	Australia, Canada, United Kingdom, Caribbean Development Bank, European Union	Members and associate members of Caribbean Community
Central America, Panama, & Dominican Republic RTAC (CAPTAC-DR)	Canada, Luxembourg, Mexico, European Union	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
Joint Vienna Institute (JVI)	Austria (primary member) and international partners/donors	30 countries in central and southeastern Europe, the Caucasus, and central Asia
Middle East Center for Economics and Finance (CEF)	Kuwait	Arab League member countries
Middle East RTAC (METAC)	France, Germany, Netherlands, Switzerland, European Union	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen
Pacific Financial RTAC (PFTAC)	Australia, Korea, New Zealand, Asian Development Bank, European Union	Pacific Islands Forum (minus Australia and New Zealand) plus Timor-Leste and Tokelau
Singapore Training Institute (STI)	Australia, Japan, Singapore	37 countries in the Asia-Pacific region
South Asia Regional Training & Technical Assistance Center (SARTTAC)	Australia, Korea, United Kingdom, European Union	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka

Source: IMF staff compilation.

THE SOUTH ASIA REGIONAL TRAINING AND TECHNICAL ASSISTANCE CENTER

The South Asia Regional Training and Technical Assistance Center is the newest addition to the IMF's global network of 14 regional centers and began operations in January 2017. This is the first center to fully integrate training and technical advice and is a model for the IMF's future capacity development work—see Regional Highlights on Asia in Part 1.

COMMON EVALUATION FRAMEWORK

A new common evaluation framework was launched in FY2017. Key elements of the framework are grouped around the following objectives:

- Producing shorter, more focused, and more comparable evaluations
- Improving the information supporting evaluations
- Spending the same level of resources on evaluation while allocating these scarce resources more efficiently
- Using the information from evaluations to alter practices or shift the targeting of capacity development resources

The common evaluation framework is intended to provide cross-activity and cross-IMF comparability, permit aggregation, and enable an overall assessment of performance. Around this common approach, the framework allows flexibility to adapt evaluations to reflect the wide range of IMF capacity development.

Part Three: Finances, Organization, and Accountability

IMF Organization Chart

as of April 30, 2017

- International Monetary and Financial Committee
- Board of Governors
- Joint IMF–World Bank Development Committee[1]
- Executive Board
- Independent Evaluation Office
- Managing Director / Deputy Managing Directors
  - Knowledge Management Unit
  - Investment Office–Staff Retirement Plan
  - Office of Budget and Planning
  - Office of Internal Audit and Inspection
  - Risk Management Unit

Area Departments

- African Department
- Asia and Pacific Department
  - Regional Office for Asia and the Pacific
- European Department
  - Offices in Europe
- Middle East and Central Asia Department
- Western Hemisphere Department

Functional and Special Services Departments

- Communications Department
- Finance Department
- Fiscal Affairs Department
- Institute for Capacity Department
  - The African Training Institute (ATI)
  - Joint Vienna Institute
  - Middle East Center for Economics and Finance (in Kuwait)
  - Singapore Training Institute
- Legal Department
- Monetary and Capital Markets Department
- Strategy, Policy and Review Department
  - Fund Office United Nations
- Research Department
- Statistics Department

Support Services

- Corporate Services and Facilities (CSF)
- Human Resources Department
- Information Technology Department (ITD)
- Secretary's Department

[1] Known formally as the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

Finances and Organization

BUDGET AND INCOME

In April 2016, the Executive Board authorized a net administrative budget for FY2017 of $1,072 million, along with indicative budgets for FY2018 and FY2019 *(Table 3.1)*. This was the fifth year in a row that the IMF's administrative budget remained flat in real terms, notwithstanding a robust medium-term income position. The Board also approved a limit on gross expenditures of $1,315 million, including up to $43 million in unspent FY2016 resources carried forward for possible spending in FY2017. The approved capital budget was $61 million for building facilities and information technology capital projects.

The IMF FY2017 work program continued to support intensified work in several critical areas. Additional resources were provided to enhance engagement with new program and near-program countries; further strengthen surveillance, with a better integration of financial analysis and additional assessments under the Financial Sector Assessment Program; and deepen work on a range of topics, such as international taxation and long-term challenges, with increased focus on capacity development. Savings from a variety of sources, including the closure of some field offices in countries with concluding programs, cross-cutting streamlining measures, and other efficiencies, allowed the budget to remain largely flat, save for a $6 million incremental allocation to meet rising physical and information technology security costs.

Table **3.1**
Budget by major expenditure category, FY2016–19
(Millions of US dollars)

	FY2016		FY2017		FY2018	FY2019
	Budget	**Outturn**	**Budget**	**Outturn**	**Budget**	**Budget**
ADMINISTRATIVE EXPENDITURES						
Personnel	908	896	934	922	969	...
Travel[1]	130	120	123	115	126	...
Buildings and other	199	199	205	218	209	...
Contingency reserves	10	...	11	...	11	...
Total gross expenditures	**1,247**	**1,215**	**1,273**	**1,255**	**1,315**	**1,376**
Receipts[2]	–196	–176	–200	-189	–211	–235
Total net budget	**1,052**	**1,038**	**1,072**	**1,066**	**1,104**	**1,141**
Carry-forward[3]	42	...	43	...	...	...
Total net budget including carry-forward	**1,094**	**1,038**	**1,116**	**1,066**	**1,104**	**1,141**
Capital						
Facilities and information technology	**42**	**131**	**61**	**122**	**66**	**74**
	Memorandum item					
Total net budget: in real terms	1,071		1,072		1,072	1,077

Source: IMF Office of Budget and Planning.

Note: Figures may not add to totals due to rounding.

[1] FY2016 and FY2019 include travel to the Annual Meetings held abroad.

[2] Includes donor-financed activities, cost-sharing arrangements with the World Bank, sales of publications, parking, and other miscellaneous revenue.

[3] Resources are carried forward from the previous year under established rules.

Actual administrative expenditures in FY2017 totaled $1,066 million, $6 million below the approved net budget. The shortfall in spending was lower than in the previous year. Average vacancy rates declined slightly and are now considered to be at a frictional level, with most departments fully staffed. Globally the sophistication and volume of cyberattacks have increased, as have the threats faced by the IMF. The cost of cybersecurity personnel and third-party services has risen as demand is greater than supply and the trend is expected to continue.

Capital spending in FY2017 took place largely according to plan and at a pace comparable to the previous year. The largest expenditure, $76.3 million, was related to the renovation of the HQ1 building *(see Box 3.1)*. Investments in information technology, totaling $27.9 million, continued to deliver results, mainly in the areas of protecting against cybersecurity threats, improving data management, and replacing infrastructure that had reached the end of its useful life.

For financial reporting purposes, the IMF's administrative expenditures and capital are accounted for in accordance with International Financial Reporting Standards (IFRS). These standards require the accrual basis of accounting, the capitalization and depreciation of capital expenditures, and the accounting of employee benefit costs based on actuarial assumptions. *Table 3.2* provides a detailed reconciliation between the FY2017 net administrative budget outturn of $1,066 million and the IFRS-based administrative expenses of $1,385 million (SDR 1,001 million) reported in the IMF's audited financial statements for the year.

Table **3.2**

Administrative expenses reported in the financial statements, FY2017

(Millions of US dollars, unless otherwise indicated)

FY2017 NET ADMINISTRATIVE BUDGET OUTTURN	1,066
TIMING DIFFERENCES	
Pension and postemployment benefits costs	355
Capital expenditure—amortization of current and prior years' expenditure	39
AMOUNTS NOT INCLUDED IN THE ADMINISTRATIVE BUDGET	
Capital expenditure—items expensed immediately in accordance with International Financial Reporting Standards	30
Reimbursement to the General Department (from the Poverty Reduction and Growth Trust, Catastrophe Containment and Relief Trust, and Special Drawing Rights Department)	(105)
TOTAL ADMINISTRATIVE EXPENSES REPORTED IN THE AUDITED FINANCIAL STATEMENTS	1,385
MEMORANDUM ITEM	
Total administrative expenses reported in the audited financial statements (millions of SDRs)	1,001

Sources: IMF Finance Department and Office of Budget and Planning.

Note: Components may not sum exactly to totals because of rounding. Conversions are based on the effective weighted average FY2015 US dollar/SDR exchange rate for expenditures of about **1.38**.

INCOME MODEL, CHARGES, REMUNERATION, BURDEN SHARING, AND NET INCOME

Income Model

Since its establishment, the IMF has relied primarily on its lending activities to fund its expenditures. To generate additional income, the IMF established the Investment Account in 2006 in order to invest its reserves. In 2008, the Executive Board endorsed a new income model that involved the establishment of an endowment funded from the profits from the limited sale of the IMF's gold holdings. Along with the new income model, the Fifth Amendment to the Articles of Agreement, which became effective in February 2011, authorized the broadening of the IMF's investment mandate to enhance the expected returns on its investments and further strengthen its finances over time. In January 2013, the Executive Board adopted Rules and Regulations for the Investment Account, implementing the IMF's broadened investment mandate as authorized by the Fifth Amendment. The Board reviewed the investment strategy of the Fund's reserves in July 2016 and adopted new Rules.

Charges

Reflecting the high levels of lending activities and the current low returns on its investments, the IMF's main source of income continues to come from charges levied on the outstanding

Box 3.1. HQ1 building renovation progress

Renovation of the older of the two IMF headquarters buildings (HQ1) in Washington, DC, continued in FY2017. The 2016 Annual Meetings returned to both buildings, and the 2017 Spring Meetings were held in a single campus for the first time since 2014.

Renovation continues with three office floors under construction at a time, with staff temporarily relocated to the IMF's other building (HQ2) or leased space nearby.

The primary purpose for the extensive renovation is necessary replacement of aging and failing building systems. The project aspires to LEED (Leadership in Energy and Environmental Design) certification and incorporates green building design and construction practices intended to have a lower impact on the environment. When work is completed in 2020, the renovated building is expected to substantially cut energy bills and will help the IMF achieve the highest sustainability standards.

Public areas of HQ1 reopened during the year.

use of credit. The basic rate of charge (the interest rate) on IMF financing comprises the SDR interest rate plus a fixed margin expressed in basis points. Under the rule adopted by the Executive Board in December 2011, the margin is established for a two-year period, subject to a review before the end of the first year, to cover the IMF's financing-related intermediation costs and allow for a buildup of the IMF's reserves. The rule also includes a cross-check to ensure that the rate of charge maintains a reasonable alignment against long-term credit market conditions. In April 2017, the Executive Board agreed to maintain the margin for the rate of charge at 100 basis points for the period through April 2018. The margin will be reviewed in 2018.

The IMF also levies surcharges on the use of large amounts of credit in the credit tranches and under Extended Arrangements. Following the effectiveness of the Fourteenth General Review of Quotas, the Executive Board revised the quota-based thresholds at which surcharges are applied to mitigate the effect of the doubling of quotas. Surcharges, referred to as level-based surcharges, of 200 basis points are levied on the use of credit above 187.5 percent of a member's quota. In addition, time-based surcharges of 100 basis points are levied on outstanding credit above the same threshold for more than 36 months in the credit tranches or 51 months under the Extended Fund Facility.

In addition to periodic charges and surcharges, the IMF also levies service charges, commitment fees, and special charges. A service charge of 0.5 percent is levied on each drawing from the General Resources Account (GRA). A refundable commitment fee is charged on amounts available under GRA arrangements, such as Stand-By Arrangements, as well as Extended, Flexible Credit Line, and Precautionary and Liquidity Line Arrangements, during each 12-month period. Commitment fees are levied at 15 basis points, 30 basis points, and 60 basis points on amounts available for drawing up to 115 percent, between 115 and 575 percent, and over 575 percent of quota, respectively. Commitment fees are refunded when credit is used, in proportion to the drawings made. The IMF also levies special charges on overdue principal payments and on charges that are past due by less than six months.

Remuneration and Interest

On the expenditure side, the IMF pays interest (remuneration) to members on their creditor positions in the GRA (known as remunerated reserve tranche positions). The Articles of Agreement provide that the rate of remuneration shall be not more than the SDR interest rate, nor less than 80 percent of that rate. The basic rate of remuneration is currently set at the SDR interest rate, which is based on a weighted average

Table **3.3**
Arrears to the IMF of countries with obligations overdue by six months or more and by type, as of April 30, 2017 (Millions of SDRs)

		By Type	
	Total	General Department (including Structural Adjustment Facility)	Trust Fund
Somalia	237.9	229.6	8.4
Sudan	966.8	884.1	82.7
Total	**1,204.7**	**1,113.6**	**91.1**

Source: IMF Finance Department.

of representative interest rates on short-term financial debt instruments in the money markets of the SDR basket currencies, subject to a floor of 5 basis points. The IMF also pays interest at the SDR interest rate on outstanding borrowing under the bilateral loans and note purchase agreements and the enlarged and expanded New Arrangements to Borrow.

Burden Sharing

The rates of charge and remuneration are adjusted under a burden-sharing mechanism that distributes the cost of overdue financial obligations to the IMF's GRA equally between debtor and creditor members. Income loss due to unpaid interest charges that are overdue for six months or more is recovered via burden sharing by increasing the rate of charge and reducing the rate of remuneration. The amounts thus collected are refunded when the unpaid charges are settled.

In FY2017, the adjusted rates of charge and remuneration averaged 1.187 percent and 0.182 percent, respectively.

Net Income

The IMF's net income in FY2017 was SDR 1.9 billion ($2.7 billion), reflecting primarily income from the high levels of lending activity, income from its investments held in the Investment Account, and gains stemming from remeasurement of the Fund's defined-benefit liability. As required by International Financial Reporting Standards (amended International Accounting Standard 19, Employee Benefits), the net income for the financial year includes a gain of SDR 1 billion arising from the immediate recognition of the effects of higher-than-assumed returns on benefit plan investments and changes in actuarial assumptions used in determining the IMF's defined-benefit obligation of postemployment employee benefit plans.

Arrears to the IMF

Overdue financial obligations to the IMF fell from SDR 1,285.7 million at the end of April 2016 to SDR 1,204.7 million at the end of April 2017 *(Table 3.3)*. At the end of April 2017, two members—Somalia and Sudan—remained in protracted arrears to the IMF (outstanding for more than six months). The two countries have accumulated arrears dating back to the mid-1980s, accounting for about 20 and 80 percent of the total arrears, respectively.

Zimbabwe, which had been in arrears to the Poverty Reduction and Growth Trust since February 2001, settled all outstanding obligations as of October 2016. One-third of total arrears consisted of overdue principal, and the remaining two-thirds of overdue charges and interest. Currently, almost all arrears are to the GRA, with less than 8 percent to the Trust Fund. Due to the SDR allocations in August/September 2009, all protracted cases have remained current in the SDR Department.

Under the IMF's strengthened cooperative strategy on arrears, remedial measures have been taken to address the protracted arrears. At the end of the financial year, Somalia and Sudan remained ineligible to use GRA resources.

HUMAN RESOURCES POLICIES AND ORGANIZATION

To be effective in the global economy, the IMF must recruit and retain a highly qualified and diverse international staff. In FY2017, the IMF started to develop its medium-term Human Resources Strategy and continued to focus on training and leadership development for staff.

Workforce Characteristics

As of April 30, 2017, the IMF employed 2,280 professional and managerial staff, and 488 support staff. A list of the institution's senior officials is on page 100, and its organizational chart can be found on page 75.

Recruitment of 218 new staff in 2016 was slightly higher than the 2015 level of 182. In 2016, 14 managerial staff, 157 professional staff, and 47 support staff were hired. The IMF requires economists to have advanced analytical and policymaking experience, and in 2016 it recruited 20 top university graduates through the Economist Program and 80 experienced midcareer economists. Slightly fewer than half of midcareer hires were macroeconomists; the remainder were financial sector and fiscal policy experts.

During 2016, 517 contractual employees were hired. A total of 13 economists from five countries participated in the Externally Financed Appointee program. This program is designed to provide up to 15 positions for staff from member-country governments with two years of IMF work experience. Costs are financed by member countries through a multipartner trust fund. (For information on the distribution of IMF staff by nationality, gender, and country category, see Web Tables 3.1–3.3; view the IMF staff salary structure in Web Table 3.4.)

Diversity and Inclusion

The IMF strives to ensure that the staff is diverse in terms of geographic region, gender, and educational background. Of the IMF's 189 member countries, 143 were represented on the staff as of April 30, 2017. Nationals from underrepresented regions—sub-Saharan Africa, east Asia, and the Middle East and North Africa—accounted for 29 percent of all external hiring at the professional level in 2016. More information and data on ongoing efforts to improve diversity and inclusion at the IMF are available in the "2016 IMF Diversity and Inclusion Annual Report."

Management Appointments and Changes

In early FY2017, Deputy Managing Director Min Zhu announced his intention to leave the IMF when his term expired in late July. Managing Director Christine Lagarde praised his outstanding contributions to the Fund for the preceding five years and before that as a Special Advisor to the Managing Director. "His down-to-earth style, wonderful sense of humor, and warm personality served to reinforce his formidable intellect and passion for economics and enabled him to provide strong leadership across a large range of issues," she said. The Managing Director's announcement also noted that a process was underway to identify a candidate to succeed him.

In July 2016, the Managing Director announced she had nominated **Tao Zhang**, Deputy Governor of China's central bank,

Box 3.2. Profiles of outgoing and incoming senior staff

ANTOINETTE SAYEH served as Director of the IMF's African Department from July 2008 through August 2016. As Minister of Finance in postconflict Liberia, she led the country through the clearance of its long-standing multilateral debt arrears, the Heavily Indebted Poor Countries Decision Point, and the Paris Club, significantly strengthening its public finances. Sayeh holds a Ph.D. in international economic relations from the Fletcher School at Tufts University.

ABEBE AEMRO SELASSIE took over as Director of the African Department in September 2016. Previously, Selassie served in the IMF's African Department as a senior resident representative in Uganda and mission chief for South Africa and led work on the *Regional Economic Outlook*. He also brings extensive operational and policy experience with the Strategy, Policy, and Review Department and the European Department. He previously worked for the Economist Intelligence Unit and for the Ethiopian government as Principal Economist in the Office of the President. He holds a master's in economic history from the London School of Economics.

MASOOD AHMED retired from the IMF in October 2016 after serving as Director of the Middle East and Central Asia Department at the IMF for eight years, overseeing the IMF's relations with the region at a time of political transition and

to serve as an IMF Deputy Managing Director effective August 22. Zhang previously served for four years as China's Executive Director at the IMF. At China's central bank he held several positions, including head of the bank's legal affairs department and head of its financial survey and statistics department. He also has worked at the World Bank and the Asian Development Bank. "Mr. Zhang brings a strong combination of international economic expertise, public sector policymaking, and diplomatic skills," Lagarde said. "He also has extensive experience with international financial institutions, excellent communication and negotiating skills, and a superb knowledge of IMF policies and procedures."

intensified turmoil during the conflict in Syria. He joined the IMF in 2000 as Deputy Director of the Strategy, Policy, and Review Department and was Director of the Communications Department from 2006 to 2008. Ahmed holds postgraduate degrees in economics from the London School of Economics.

JIHAD AZOUR took over as Director of the Middle East and Central Asia Department in March 2017. Azour previously served as Lebanon's Finance Minister from 2005 to 2008, during which he coordinated the implementation of important reform initiatives at the national level and in the Finance Ministry. He chaired the Group of Eight Middle East and North Africa Ministerial Group from 2006 to 2008 and spearheaded the Paris III International Conference for Lebanon, which was instrumental in raising international financial support for Lebanese reconstruction. Azour holds a Ph.D. in international finance and a postgraduate degree in international economics and finance from the Institut d'Études Politiques de Paris.

JOSÉ VIÑALS served for seven years as the Financial Counsellor and Director of the Monetary and Capital Markets Department, where he worked tirelessly to make the IMF a truly macro-financial institution. Before joining the IMF in 2009, Viñals had a distinguished career at the Central Bank of Spain, where he served as the Deputy Governor. He holds a Ph.D. in economics from Harvard University.

TOBIAS ADRIAN joined the IMF in January 2017 as Financial Counsellor and Director of the Monetary and Capital Markets Department. He brings extensive operational and policy experience from roles at the Federal Reserve Bank of New York, where he was Senior Vice President and Associate Director of Research. Adrian holds a Ph.D. from the Massachusetts Institute of Technology.

MOISÉS SCHWARTZ served as Director of the Independent Evaluation Office from 2010 to 2017. Schwartz was previously President of the National Commission for Retirement Savings in Mexico. He served as an Executive Director of the IMF and, before that, was the Mexican Finance Minister's Chief of Staff and Director General of International Financial Affairs in the Ministry of Finance. Schwartz holds a Ph.D. in economics from the University of California, Los Angeles.

CHARLES COLLYNS was appointed Director of the Independent Evaluation Office effective February 2017. Previously, Collyns had been Managing Director and Chief Economist of the Institute of International Finance since August 2013 and served as Assistant Secretary for International Finance at the US Department of the Treasury. He was IMF Deputy Director of the Research Department and of the Western Hemisphere Department. Collyns holds an M.Phil. and a D.Phil. in economics from Oxford University.

Management Structure and Salaries

The Executive Board reviews IMF management remuneration periodically. The Board of Governors approves the Managing Director's salary. Annual adjustments are made based on the Washington, DC, consumer price index. As of July 1, 2016, the salary structure for management was as follows:

Managing Director:	$500,600
First Deputy Managing Director:	$435,280
Deputy Managing Directors:	$414,570

Senior Staff Changes

On September 15, 2016, IMF Managing Director Christine Lagarde appointed Abebe Aemro Selassie as Director of the IMF's African Department, after his predecessor Antoinette Sayeh retired from the IMF *(see profiles of outgoing and incoming senior staff in Box 3.2).*

On November 28, 2016, Lagarde announced the appointment of Tobias Adrian as Financial Counsellor and Director of the Monetary and Capital Markets Department to succeed José Viñals, who left the IMF.

On December 1, 2016, Lagarde announced the appointment of Jihad Azour as Director of the Middle East and Central Asia Department, replacing Masood Ahmed, who also retired from the IMF.

On October 14, 2016, the Executive Board selected Charles Collyns as Director of the Independent Evaluation Office. He succeeded Moisés Schwartz, whose term expired.

ACCOUNTABILITY

Risk Management at the IMF

By virtue of its role as established in the Articles of Agreement, the IMF faces a range of risks. In 2016, the Executive Board approved risk acceptance statements indicating the degree of risk the IMF is willing to tolerate across its activities and has the capacity to successfully manage over an extended period. The statements will be reviewed periodically to reflect any changes in existing policies and processes made by the Executive Board and management.

The IMF uses three lines of defense to actively manage risks. The first line of defense is the departments that conduct day-to-day operations and that establish and maintain systems of internal controls for identifying and managing the risks inherent in those operations. In specific areas, cross-departmental committees provide additional risk oversight. The second line of defense is a Risk Management Unit, which is responsible for developing and maintaining the risk-management framework, assessing aggregate risk, and reporting to management and the Executive Board on the IMF's overall risk profile, highlighting areas where risk mitigation efforts are required.

The Risk Management Unit's risk assessment feeds into the IMF's strategic and budget planning cycle. A Fund Risk Committee chaired by the First Deputy Managing Director assesses and prioritizes risk mitigation efforts and ensures integration of the risk function across the institution. The Office of Internal Audit and Inspection—the third line of defense—provides assurance on the effectiveness of governance, risk management, and internal controls. Ultimate responsibility for managing and mitigating risks lies with management and the Executive Board.

The IMF monitors and actively manages risks across four broad and interrelated areas—strategic, core, cross-functional, and reputational:

- *Strategic* direction is guided by the Managing Director's Global Policy Agenda, informed by continuous analysis of emerging issues affecting the international monetary system. Managing strategic risk requires establishing a clear strategic framework, supported by the medium-term budget, and responding to the evolving external environment.

- Risks in the *core functions* relate to aligning surveillance, lending, and capacity development activities with the IMF's strategic direction and underlying objectives, while ensuring that its financing model remains safeguarded. In managing lending risks—of programs not achieving their intended objectives—the IMF employs a multilayered framework mainly based on access limits, program design, and conditions for disbursements *(see Box 3.3).* An adequate level of precautionary balances and the Fund's de facto preferred creditor status are integral parts of this framework.

- Risks in *cross-functional assets* refer to the capacity of the IMF's human capital, technology, physical assets, and other support to help the Fund implement its strategic direction and avoid any disruption in effective performance of its core functions. Cross-functional risks also encompass income and investment risks.

- *Reputation* risk refers to the possibility that stakeholders might take a negative view of the IMF, resulting in damage to its credibility and policy traction.

Audit Mechanisms

The IMF's audit mechanisms comprise an external audit firm, an internal audit function, and an independent External Audit Committee (EAC) that, under the IMF By-Laws, exercises general oversight over the annual audit.

EXTERNAL AUDIT COMMITTEE

The three members of the EAC are selected by the Executive Board and appointed by the Managing Director. Members serve three-year terms on a staggered basis and are independent of the IMF. EAC members are nationals of different member countries and must possess the expertise and qualifications required to carry out the oversight of the annual audit. Typically, EAC members have significant experience in international public accounting firms, the public sector, or academia.

Box 3.3. Managing risks with safeguards assessments

When the IMF provides financing to a member country, a safeguards assessment is usually carried out to obtain reasonable assurances that its central bank is able to adequately manage the resources received from the IMF and provide reliable program monetary data on the IMF-supported program. Safeguards assessments are diagnostic reviews of central banks' governance and control frameworks and complement the IMF's other safeguards, which include limits on access, conditionality, program design, measures to address misreporting, and postprogram monitoring. They involve an evaluation of central bank operations in five areas: the external audit mechanism, the legal structure and autonomy, the financial reporting framework, the internal audit mechanism, and the system of internal controls.

At the end of April 2017, 296 assessments had been conducted, covering 96 central banks; 13 of these assessments were completed in FY2017. In addition, safeguards activities include monitoring of progress in addressing recommendations and other developments in central banks' safeguards frameworks for as long as IMF credit remains outstanding. About 60 central banks are currently subject to monitoring.

The IMF Executive Board reviews the safeguards policy every five years. The latest review, in 2015, confirmed the policy's effectiveness and its positive contribution to the IMF's overall risk-management framework. It also recognized that the safeguards process has helped central banks improve their control, audit, and reporting practices. The safeguards framework has been refined periodically to adapt to experience in the field and developments in industry. While no significant changes have been made, a new element introduced in 2015 was that for cases involving direct budget financing, a risk-based approach for fiscal safeguards reviews of state treasuries would be conducted. The reviews will only apply for arrangements under which a member requests exceptional access to Fund resources and a substantial portion of the funds, at least 25 percent, is directed to financing the state budget. So far, no such cases have arisen.

In addition, regional safeguards seminars were conducted during FY2017 at the Singapore Regional Training Institute and with the Joint Partnership for Africa in Pretoria, South Africa. The seminars highlighted international leading practices in safeguards areas and provided a forum for central bank officials to share experiences. In addition, a high-level central bank governance forum was held in Dubai. Participants were high-level central bank officials and their external auditors. The forum highlighted diverse approaches and different milestones among participant central banks in strengthening oversight and enablers of good governance, such as internal audit, risk management functions, and audit committees.

The EAC selects one of its members as chair, determines its own procedures, and is independent of the IMF's management in overseeing the annual audit. It meets in Washington, DC, each year, usually in January or February, to oversee planning for the annual audit; in June after the completion of the audit; and in July to brief the Executive Board. The IMF staff and the external auditors consult with EAC members throughout the year. The 2017 EAC members were Mary Barth, a professor of accounting at Stanford University; Kamlesh Vikamsey, a chartered accountant and senior partner in an accounting firm in India; and Kathy Hodge, a chartered accountant and partner in an international accounting firm in Antigua and Barbuda.

EXTERNAL AUDIT FIRM

The external audit firm, which is selected by the Executive Board in consultation with the EAC and appointed by the Managing Director, is responsible for conducting the IMF's annual external audit and expressing an opinion on the IMF's financial statements, including the accounts administered under Article V, Section 2(b), of the Articles of Agreement and the Staff Retirement Plan. At the conclusion of the annual audit, the EAC briefs the Executive Board on the results of the audit and transmits the report issued by the external audit firm, through the Managing Director and the Executive Board, for consideration by the Board of Governors.

The external audit firm is appointed for a term of five years, which may be renewed for up to an additional five years. PricewaterhouseCoopers was appointed as the IMF's external audit firm in November 2014. The external audit firm may perform certain consulting services, except for prohibited services and subject to robust safeguards to protect the audit firm's independence. These safeguards involve oversight by the IMF's EAC and, for consulting fees above a certain threshold, the Executive Board's approval.

OFFICE OF INTERNAL AUDIT AND INSPECTION

The Office of Internal Audit and Inspection (OIA) is an independent assurance and advisory function designed to protect and strengthen the IMF. The OIA's mandate is twofold: (1) assessing the effectiveness of the IMF's governance, risk management, and internal controls; and (2) acting as a consultant and catalyst for improvement of the Fund's business processes by advising on best practice and development of cost-effective control solutions. To provide for its independence, the OIA reports to management and maintains a functional reporting relationship with the External Audit Committee.

The OIA's FY2017 work included the quota increase payments under the Fourteenth General Review of Quotas, the IMF's approach to identity and access management (to manage individuals' access to information assets), the IMF's controls to manage risks associated with third-party vendors, and an independent assessment of the prototype of the Fund's Economic Data Registry.

The OIA also delivered the Eighth Periodic Monitoring Report (PMR) on the Status of Implementation Plans in Response to Board-Endorsed Recommendations of the IMF's Independent Evaluation Office (IEO). This was the third such report prepared by the OIA. The report assessed the progress made over the past year on actions contained in the four Management Implementation Plans arising from recent IEO evaluations, as well as on another four for which individual management actions were classified as "in progress" in the Seventh PMR. The Executive Board's Evaluation Committee reviewed the Eighth PMR in March 2017, and the Executive Board approved it in April 2017.

The Executive Board is informed of OIA activities twice a year in an activity report that includes information on audit results and the status of audit recommendations. The most recent informal Board briefing on these matters took place in January 2017.

INDEPENDENT EVALUATION OFFICE

The IEO was established in 2000 to conduct independent, objective evaluations of IMF policies and activities. Under its terms of reference, the IEO is fully independent of IMF management and staff and operates at arm's length from the Fund's Executive Board. Its mission is to enhance the learning culture within the IMF, strengthen the IMF's external credibility, and support the institutional governance and oversight functions of the Executive Board.

Executive Board Reviews of IEO Reports and Recommendations

THE IMF AND THE CRISES IN GREECE, IRELAND, AND PORTUGAL

In July 2016, the Board reviewed a report by the IEO on the IMF and the crises in Greece, Ireland, and Portugal. Executive Directors welcomed the report and appreciated the accompanying statement by the Managing Director. They agreed that the report's findings provide valuable insights and lessons for handling crises in members of currency unions. Directors underscored that the work of the IEO continues to play a vital role in enhancing the learning culture within the IMF, strengthening the Fund's external credibility and supporting the Executive Board's oversight responsibilities.

Directors broadly shared the general thrust of the IEO's main findings and broadly endorsed its recommendations, with some caveats. Directors recognized that, while the Fund needs to learn from the experience of the three euro area crisis programs, it is important to acknowledge the difficult and unprecedented circumstances prevailing at the time. Key challenges included the abrupt loss of market access, the need to address deep imbalances without recourse to adjustment in the nominal exchange rate, and the absence of euro area firewalls. Directors also noted that the uncertainty and fear of contagion were acute given the backdrop of the global financial crisis. They emphasized that the IMF's performance in these crisis cases must be assessed in this broader context as it navigated uncharted territory.

Against this background, Directors considered that the Fund-supported programs had succeeded in buying time to build European firewalls, preventing the crisis from spreading, and restoring growth and market access in Ireland and Portugal. They observed that the political economy of the Greek crisis was unique and complex. Directors generally viewed the unprecedented Troika arrangement as efficient overall, noting in particular how the Fund's engagement had evolved over time. Nevertheless, the need to coordinate and reach common ground with the European partners may have affected the IMF's agility as a crisis manager and gave rise to criticism that its decision-making process lacked transparency.

In line with established practices, management and staff gave careful consideration to the discussion in formulating the implementation plan, including approaches to monitor progress.

IMF'S MULTILATERAL SURVEILLANCE

In March 2017, the IEO issued an update of the 2006 evaluation of the IMF's multilateral surveillance. It found significant progress in attaining the objectives of the 2006 evaluation—as the global financial crisis served as a catalyst for many reforms. These included the 2012 Integrated Surveillance Decision, new activities that closed gaps in precrisis analysis in areas such as vulnerabilities and spillovers in advanced economies, and a more structured discussion of macro-financial risks through the Early Warning Exercise. At the same time, the task of maintaining consistency across the larger number of overlapping products has become more difficult.

The IEO Work Program

In addition to completing the projects discussed above, the IEO continued work on its evaluation on the IMF and social protection and initiated two additional evaluations during FY2017. The evaluation on the IMF and social protection assesses how the IMF has responded to the increasing attention being paid to social protection amid rising concern about preventing or alleviating a reduction in well-being among vulnerable groups. Looking at the past decade, it focuses on the IMF's role in and approach to social protection at the institutional level; the IMF's operational work on social protection at the country level (in the context of economic surveillance, lending, and technical assistance); and IMF collaboration with other institutions that have a more direct role in designing, financing, and assessing social protection policies, strategies, and programs. The IEO presented this evaluation to the Executive Board for discussion in July 2017.

An evaluation of the IMF and fragile states analyzes the role played by the IMF in countries in postconflict and other fragile situations through policy advice, program design (with and without financing), and capacity building. It focuses on the general framework for IMF engagement, how the Fund interacts with external stakeholders, the role of the Executive Board, and internal human resource issues. The Executive Board discussed

a draft issues paper for this evaluation in November 2016; the IEO expects to present a report to the Executive Board late in FY2018.

A newly launched evaluation of IMF financial surveillance is in the early stages. The report will examine the Fund's efforts to strengthen financial surveillance since the onset of the global financial crisis. It will examine the relevance, quality, and effectiveness of IMF surveillance products and activities, at both the bilateral and multilateral levels. Additionally, the IEO initiated two evaluation updates for delivery in FY2018: "IMF Exchange Rate Policy Advice, 1999–2005: Revisiting the 2007 IEO Evaluation" and "Structural Conditionality in IMF-Supported Programs: Revisiting the 2007 IEO Evaluation."

Looking further ahead, the IEO, in consultation with various stakeholders, is considering topics for future evaluation. A list of prospective topics, to serve as the basis for consultations, will be prepared in early FY2018 and brought to the attention of the Evaluation Committee of the Executive Board. Information and documentation on the IEO's completed, ongoing, and future evaluations are available at www.ieo-imf.org.

Implementation of Board-Endorsed Recommendations

In November 2016, the Executive Board approved the Management Implementation Plan (MIP) for the evaluation "Behind the Scenes with Data at the IMF." The discussion focused on the timing and procedures for the articulation of a long-term strategy for data and statistics, as proposed by the evaluation. The MIP indicates that this strategy will be drafted by a task force after broad consultations across the IMF and presented to the Executive Board no later than the end of 2017.

The MIP for the evaluation "The IMF and the Crises in Greece, Ireland, and Portugal" was approved by the Executive Board in February 2017. This plan emphasized the IMF's ongoing efforts to strengthen the analytical underpinnings of its work, in order to minimize the room for political intervention in the IMF's technical analysis and to prepare Board papers on program design in currency union members and cooperation with regional financing arrangements. It also noted the preparation of a protocol for information sharing between the IEO and IMF staff.

In April 2017, the Executive Board approved the "Eighth Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations." The report found that implementation of agreed actions had been uneven since the last report, with actions from more recent MIPs seeing more rapid progress, while advancement on older ones was slower. Overall, the Executive Board considered that management and staff remained committed to the timely implementation of open actions.

OUTREACH AND ENGAGEMENT WITH EXTERNAL STAKEHOLDERS

The objectives of IMF outreach are twofold: first, to listen to external stakeholders to better understand their concerns and perspectives, with the aim of improving the relevance and quality of IMF policy advice; and second, to strengthen the outside world's understanding of IMF objectives and operations. The IMF's Communications Department has primary responsibility for conducting the IMF's outreach activities and its engagement with external stakeholders.

The communications strategy has developed over time. Over the past decade, the IMF's approach has evolved from increased transparency to more proactive engagement with the media and other stakeholders in order to explain the IMF's policies and operations, enable the IMF to participate in and contribute to intellectual debate on important economic issues, and better facilitate two-way learning and dialogue with the IMF's global membership.

Like most modern organizations, the IMF now uses communications as a strategic tool to help strengthen its effectiveness. Strategic engagement through new technologies, such as social media, videos, blogs, and podcasts has formed an increasing part of the IMF's communications strategy. At the same time, in today's rapidly changing world, the Fund is reaching out to a new set of influencers, including civil society organizations and private sector networks.

The IMF engages with **parliamentarians**—a group that plays an important role in their countries' economic decision-making process—mainly through the Parliamentary Network of the World Bank and the International Monetary Fund, but also through targeted in-country and regional engagement.

The two-day annual conference of the Parliamentary Network was held during the Spring Meetings of the IMF and World Bank and was attended by about 170 members of parliament (MPs) from all regions. Managing Director Christine Lagarde and World Bank President Jim Yong Kim held a town hall with the MPs. IMF staff also exchanged views with the MPs on a range of issues, such as corruption, growth prospects in sub-Saharan Africa, inequality, and jobs.

In preparation for the 2018 Annual Meetings, which will take place in Indonesia, the Parliamentary Network also organized a two-day seminar in Singapore for MPs from Indonesia, Malaysia, the Philippines, Singapore, and Vietnam. The seminar covered country-specific issues but also discussed economic risks facing the Association of Southeast Asian Nations region and how legislative reforms can spur investment.

Over 40 MPs from 10 countries—Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Lebanon, Malta, Morocco, and Tunisia—met in Tunis for the launch of the Middle East and North Africa chapter of the Parliamentary Network. The conference included panel discussions on regional economic and governance reform priorities, the role of regional networks, youth unemployment, and fragile states.

Also at the regional level, the Parliamentary Network organized a three-day field visit with about 20 MPs from Belgium, Benin, Burundi, Cameroon, Canada, France, Liberia, Madagascar, Pakistan, Senegal, Sweden, Tanzania, Tunisia, Turkey, and Uganda, in Nairobi, where they met with representatives from the government, civil society, the diplomatic corps, and the private sector to discuss issues such as corruption, growth, job creation, gender, and IMF technical assistance and capacity development.

The IMF also brought together MPs from Albania, Kosovo, Moldova, Serbia, and Ukraine for a special seminar at the Joint Vienna Institute. The seminar, which was offered in various languages, featured presentations on country-specific issues as well as on governance, fiscal policy and institutions, and central bank autonomy.

In its 10th year, the IMF **Civil Society** Fellowship Program sponsored 50 representatives from civil society organizations from 36 low-income developing countries to participate in the IMF–World Bank Spring and Annual Meetings. As part of the Civil Society Policy Forum during the meetings, more than 90 panel discussions—many with IMF representation—were organized by civil society on issues such as inequality, gender, debt, public finance management, international taxation, social protection, food and energy subsidies, and corruption. During the 2016 Annual Meetings, ActionAid and the Bretton Woods Project—in partnership with the IMF—organized a flagship seminar on gender with a keynote speech from First Deputy Managing Director David Lipton—a first of its kind.

Beyond the Spring and Annual Meetings, the IMF engaged with civil society through bilateral meetings, briefings, workshops, and online consultations on such topics as debt sustainability in low-income developing countries, governance, inequality, and social safeguards. Outside of headquarters, regional events in Kenya and in Jordan complemented the ongoing engagement with local civil society during IMF staff missions. The Managing Director also met with representatives of Ugandan civil society organizations during her visit to the country to discuss governance, fiscal policies, and international taxation.

Given the importance of understanding and addressing the impact of the global financial crisis on employment, the IMF continued to regularly engage with **labor** organizations at the global, regional, and national levels. At headquarters, the IMF hosted its biennial high-level meeting with the International Trade Unions Confederation. Seventy labor union representatives from 30 countries met with the Managing Director and staff to discuss issues that included policy tools to support jobs and growth, labor market policies, income and gender inequality, and climate change and energy issues.

The IMF continues to value its engagement with **youth** as today's game-changers and tomorrow's leaders. IMF management and senior staff often meet with students, young entrepreneurs, and young leaders during country visits, during which they exchange views on issues that matter to youth in their countries. As part of the Youth Fellowship program, the IMF also invites young leaders to attend the Spring and Annual Meetings, where they attend various events and seminars, and interact with policymakers and IMF staff. For the 2017 Spring Meeting, 130 university students in the Washington, DC, area participated in the program.

The IMF also provides a platform for young global leaders to share experiences and thoughts on topics important to them through the IMF Youth Dialogue during the Annual Meetings. For the 2016 Youth Dialogue, the topic was the impact of corruption in their countries and ways to combat it. The IMF also invited Phiona Mutesi, a young Ugandan chess champion and subject of the film "Queen of Katwe," to share with Spring Meeting participants her experience growing up in the poor neighborhood of Katwe.

Engaging through Corporate Social Responsibility

Through its Corporate Social Responsibility programs, the IMF demonstrates its commitment as an organization to promote the well-being and sustainability of the community and of the broader environment in which it operates. For example, the IMF has achieved carbon neutrality through ongoing efforts to reduce carbon emissions in its operations. In addition, the IMF purchases carbon offsets equal to or above its total carbon emissions. These offsets support environmentally sustainable projects in eight countries. And through the purchase of compostable materials, the IMF has achieved an 8 percent reduction of its landfill waste in the past year. The IMF also engages in sustainable purchasing practices focused on two key areas of procurement—office supplies and electronics. These measures are some examples of the ways in which the IMF contributes to responsible stewardship of environmental resources.

Volunteerism

Another important pillar of the IMF's corporate social responsibility is its volunteerism programs. During the year, philanthropic activities by the IMF staff received a boost with the launch of the Min Zhu Volunteer Program, an initiative that coordinates staff volunteer activities in the local community in Washington, DC, around the headquarters of the IMF. The program is named in honor of former Deputy Managing Director Min Zhu, known among staff for his dedication to community service.

The program was announced by the Managing Director on January 12 during the annual volunteering event to commemorate Dr. Martin Luther King, Jr.'s legacy of community service. More than 400 IMF staff and retirees gathered for the event and assembled hygiene kits that were distributed by the international charity World Vision to people displaced by natural disasters, including victims of Hurricane Matthew in Haiti.

The Min Zhu Volunteer Program has two main components: mentoring schoolchildren in underserved communities, for example, through teaching classes in financial literacy and providing tutoring in essay writing, and helping the homeless, for example, through preparation and delivery of meals to homeless shelters in the Washington area. Annual collection drives for winter coats, toys, and food are also planned. A group of staff

known as the IMF Volunteers Club coordinates many of the activities, thereby championing volunteerism across the Fund.

The Min Zhu Volunteer Program is managed by IMF Giving Together, which coordinates corporate and staff giving and includes an annual giving campaign, humanitarian relief appeals, grants to local and international charities, and managing charitable donations during their visits to member countries.

In 2017, during the Giving Together campaign, the IMF staff donated $2.5 million, including a 50 percent match from the IMF, with 33 percent staff participation, far exceeding the campaign goal of 25 percent.

Regional Office for Asia and the Pacific

As the IMF's outpost in Asia and the Pacific, a region whose importance in the global economy continues to grow, the Regional Office for Asia and the Pacific (OAP) monitors economic and financial developments to bring a more regionally focused perspective to IMF economic surveillance. It seeks to enhance understanding of the IMF's policies in the region and to keep the IMF informed on regional perspectives on key issues. In this capacity, the OAP is engaged in bilateral surveillance—currently on Japan and Nepal—and has stepped up its participation in regional surveillance.

The OAP staff actively participates in forums in Asia, including the Association of Southeast Asian Nations plus China, Japan, and Korea (ASEAN+3); Asia-Pacific Economic Cooperation (APEC); Executives' Meeting of East Asia Pacific Central Banks (EMEAP); and the Pacific Island Countries Central Bank Governors Meeting. The OAP contributes to capacity development in the region through the Japan-IMF Scholarship Program for Asia, the Japan-IMF Macroeconomic Seminar for Asia, and other capacity-building seminars. An example of the latter is a July 2016 seminar on social spending for inclusive growth held in Colombo, Sri Lanka, jointly with the central bank and the IMF's Fiscal Affairs Department.

The office also conducts outreach and recruiting activities in both Japan and the rest of the region and engages in dialogue with Asian policymakers on current policy issues central to the IMF's work. Policy conferences held in Tokyo included a joint event with the Japanese International Cooperation Agency on fiscal risks, fiscal space, and the United Nations Sustainable Development Goals (February 2017) and another with Hitotsubashi University on the international monetary system (March 2017). The OAP also partnered with the Australian authorities to organize a conference on investment, trade, and capital market development in the region, held in Sydney in December 2016.

Managing Director Christine Lagarde speaks on a panel during the 2016 Annual Meetings in the newly renovated HQ1 atrium.

Regional Office in Paris and Brussels

The IMF's Offices in Europe, located in Paris and Brussels, serves as a liaison to European Union (EU) institutions and member states, as well as to many international organizations and civil society in Europe. The office engages with institutions such as the European Commission, the European Central Bank, the European Stability Mechanism, and the European Parliament, as well as the Economic and Financial Committee and the Eurogroup Working Group, on euro area and EU policies and country programs financed jointly by the EU and IMF. It represents the IMF at the Organisation for Economic Co-operation and Development.

The office also supports the IMF's operations in Europe, including economic surveillance, IMF-supported programs, and technical assistance, and helps to coordinate communication and outreach activities across the region. More broadly, it fosters dialogue on global economic issues with EU institutions, international organizations, governments, and civil society in Europe and meets frequently with representatives from industry associations, trade unions, think tanks, financial markets, and the media.

The office has organized several joint workshops and events, including a joint conference with the World Bank Europe Office on the economic impact of the refugee crisis and an annual conference with the IMF's Fiscal Affairs Department on evolving fiscal policies in Europe. The office convenes high-level policy lunches at least twice a year in Paris, Brussels, London, and Berlin to discuss the IMF's views on key challenges facing the European economy. Staff members had speaking roles at international conferences in Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain, and the United Kingdom.

As part of the office's role in supporting capacity development and outreach, it co-sponsored a workshop at the Joint Vienna Institute for parliamentarians from several EU countries and staff spoke at various other institute events. The office's outreach activities include an external office newsletter that provides regular updates on IMF events and publications to key European stakeholders, an external website, and an active Twitter feed. Finally, the office supports IMF recruiting efforts by interviewing candidates at universities in several European countries.

Outreach by Resident Representatives

In 85 countries across the globe, the IMF has Resident Representatives who conduct a variety of outreach activities designed to improve understanding of the IMF's work and of macroeconomic issues, often in collaboration with local universities, governments, and nongovernmental organizations.

In Madagascar, for example, during the 2017 Article IV consultations, IMF Resident Representative Patrick Imam helped organize a public seminar on analytical work considered macro-critical—scaling up investment, enhancing resilience to natural disasters, and fighting corruption. Attendance was broad, with representatives from government ministries, parliament, the civil service, nongovernmental organizations, and journalists, with lively audience participation. Reactions were positive, with wide press coverage and demand for a comparable seminar during the next Article IV consultation.

In Indonesia, as part of a broad Voyage to Indonesia program in the lead-up to the 2018 IMF–World Bank Annual Meetings in Bali, the Resident Representative Office in Jakarta has organized several events in partnership with the Indonesian authorities. The events included presentations on the IMF, the Annual Meetings, and the Indonesian economy, and targeted students and faculty at universities, academic roundtables, parliamentarians, civil society organizations, and the business community. More events are planned in FY2018.

To help build consensus on Mongolia's comprehensive IMF-supported economic reform program, Resident Representative Neil Saker has been conducting intensive outreach, giving media interviews and public presentations, holding meetings, and maintaining close contact with civil society, the business community, trade unions, international investors, and diplomats. One seminar on the program was broadcast on all Bloomberg terminals globally. Saker has developed a close relationship with

a local special needs school and, during the 2016 visit of Deputy Managing Director Mitsuhiro Furusawa, the IMF donated books in a well-received gesture of support.

Bas Bakker, the Fund's Senior Regional Resident Representative for Central and Eastern Europe, is based in Warsaw, Poland, and heads the office in Minsk, Belarus. He speaks at many regional events, including the Economic Forum in Krynica, Poland, the largest conference in the region, with more than 3,000 participants, and the annual Euromoney Central and Eastern Europe Forum in Vienna, which brings together 1,100 delegates and speakers ranging from finance ministers and central bank governors to investors, business leaders, and heads of financial institutions.

In 2016, the IMF Office in Armenia participated in the public consultation processes that the authorities hold before the approval of key legislation. Resident Representative Teresa Daban Sanchez regularly attended the meetings of the Tax Councils—public-private platforms for the government and the business community to discuss tax issues—to enhance the IMF's profile and to help ensure that the discussion of key legislation incorporates inputs from IMF Technical Assistance.

In December 2016, Resident Representative Nooman Rebei organized a *Regional Economic Outlook* presentation in Nouadhibou, Mauritania, the first such event outside the capital, Nouakchott. The event had a record number of participants from the business community, including major fishing and mining companies, and bankers, along with members of civil society who were interested in the IMF's global and regional perspectives.

In Brazil, during a period of sharp economic contraction and high political uncertainty, Resident Representative Fabian Bornhorst intensified outreach to a broader audience. The Brazil office increasingly reached out to regional governments, think tanks, civil society, and the media. In addition to presenting the IMF's view on the local and regional economy, the activities included Bornhorst's participation in seminars to explain the IMF's role in promoting fiscal transparency.

QUOTAS AND GOVERNANCE

IMF Quotas

Quota subscriptions are central to the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. A member country's quota determines its maximum financial commitment to the IMF and its voting power and has a bearing on its access to IMF financing.

When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members of broadly comparable economic size and characteristics. The IMF uses a quota formula to help assess a member's relative position.

The current quota formula is a weighted average of GDP (weight of 50 percent), openness (30 percent), economic variability (15 percent), and international reserves (5 percent). For this purpose, GDP is measured through a blend of GDP at market exchange rates (60 percent) and GDP at purchasing-power-parity rates (40 percent). The formula also includes a "compression factor" that reduces the dispersion in calculated quota shares across members.

Quotas are denominated in SDRs, the IMF's unit of account. The largest member of the IMF is the United States, with a current quota (as of April 30, 2017) of SDR 83 billion (about $114 billion), and the smallest member is Tuvalu, with a quota of SDR 2.5 million (about $3.4 million).

The conditions for implementing the quota increases agreed under the Fourteenth General Quota Review were met on January 26, 2016. As a result, the quotas of each of the IMF's 189 members will increase to a combined SDR 477 billion (about $654 billion) from about SDR 238.5 billion (about $327 billion). As of April 30, 2017, 179 of the 189 members had made their quota payments, accounting for over 99 percent of the total quota increases, and total quotas stood at SDR 475 billion (about $652 billion).

Fifteenth General Review of Quotas

The Executive Board in September 2016 submitted a progress report to the IMF Board of Governors on the Fifteenth General Review of Quotas. In its report, the Executive Board recognized that, in light of the significant divergences of views on many key issues for the Fifteenth Review, further reflection was needed on how best to take the work forward. The Executive Board undertook to report to the Board of Governors on the outcome of these discussions in the near future.

In October 2016, the International Monetary and Financial Committee (IMFC) reaffirmed its commitment to a strong, quota-based, and adequately resourced IMF to preserve the Fund's role at the center of the global financial safety net. The IMFC stated that it is committed to concluding the Fifteenth Review and agreeing on a new quota formula as a basis for a realignment of quota shares to result in increased shares for dynamic economies in line with their relative positions in the world and hence likely in the share of emerging market economies and developing countries as a whole, while protecting the voice and representation of the poorest members.

The IMFC expressed its support for resetting the timetable for completing the Fifteenth Review in line with the above goals by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019, subject to adoption by the Board of Governors.

In November 2016, the Executive Board finalized a work plan and proposed that the Board of Governors adopt a resolution (1) noting the Report of the Executive Board and expressing regret that the timetable for completing the Fifteenth Review was no longer within reach; (2) calling on the Executive Board to work on the Fifteenth Review expeditiously in line with existing Executive Board understanding and guidance provided by the IMFC; (3) requesting that the Executive Board report on progress on the Fifteenth Review to the Board of Governors semiannually, with a first report by the 2017 Annual Meetings; and (4) urging the remaining members who have not yet consented to their quota increases under the Fourteenth General Review of Quotas to do so without further delay, and urging the members who have consented to their quota increases to make their quota payments in a timely manner. The Board of Governors adopted the resolution in early December 2016.

Gender Diversity in the Executive Board

The Executive Board in July 2016 issued its first report to the Board of Governors on gender diversity on the Board, calling on member countries to consider gender diversity when nominating candidates for Executive Directors and their staff. The Board followed up on a statement in the April 2016 communiqué of the International Monetary and Financial Committee reiterating the importance of gender diversity on the Board.

Executive Directors noted that improving gender diversity would lead to a more effective IMF and pointed to growing evidence that organizations governed by diverse boards are more successful. Directors emphasized that staff diversity and inclusion enhance the quality of the Fund's work and engagement with member countries. The Board has supported measures by member nations to promote economic and gender inclusion where it is macro-critical for sustained economic growth.

SPECIAL DRAWING RIGHT

New SDR Basket Includes Chinese Currency

The Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. IMF members who are participants in the SDR Department (currently all members) may exchange SDRs for freely usable currencies. The SDR also serves as the IMF's unit of account.

The value of the SDR is based on a basket of five major currencies. The basket composition is reviewed every five years by the Executive Board. As approved by the Executive Board of the IMF in November 2015, effective October 1, 2016, the Chinese currency, the renminbi, was determined to be a freely usable currency and was included in the SDR basket as a fifth currency, along with the US dollar, the euro, the Japanese yen, and the British pound.

Table **3.4**
Currency amounts in the SDR basket

US dollar	0.58252
Euro	0.38671
Chinese renminbi	1.0174
Japanese yen	11.900
British pound	0.085946

The renminbi's inclusion reflects the progress made in reforming China's monetary, foreign exchange, and financial systems and acknowledges the advances made in liberalizing and improving the infrastructure of its financial markets. The milestone also reflects the ongoing evolution of the global economy.

The weight of each currency in the basket reflects the relative importance of currencies in the world's trading and financial systems. In November 2015, the Board also decided that the initial weights of each currency would be 41.73 percent for the US dollar, 30.93 percent for the euro, 10.92 percent for the Chinese renminbi, 8.33 percent for the Japanese yen, and 8.09 percent for the British pound.

On September 30, 2016, the Board decided that effective October 1, 2016, the value of the SDR would be the sum of the values of the amounts of each currency as listed in *Table 3.4.*

TRANSPARENCY

Transparency in economic policy and the availability of reliable data on economic and financial developments are critical for sound decision making and for the smooth functioning of an economy. The IMF has policies in place to ensure that meaningful and accurate information—about both its own role in the global economy and the economies of its member countries—is provided in real time to its global audiences.

Transparency helps economies function better and makes them less vulnerable to crises. Greater openness on the part of member countries encourages more widespread public discussion and examination of policies, enhances the accountability of policymakers and the credibility of policies, and facilitates efficient and orderly functioning of financial markets. Greater openness and clarity by the IMF about its own policies and the advice it provides to its member countries contributes to a better understanding of the IMF's own role and operations, building traction for the Fund's policy advice and making it easier to hold the institution accountable. Outside scrutiny should also support the quality of surveillance and IMF-supported programs.

The IMF's approach to transparency is based on the overarching principle that it will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure. The principle respects the voluntary nature of publication of documents that pertain to member countries. Documents are posted on the IMF's website, www.imf.org.

Publication of country documents prepared for consideration by the IMF Executive Board ("Board documents") is typically "voluntary but presumed," meaning that, while voluntary, the publication of these documents is encouraged. A member's consent to publication of a Board document is typically obtained on a nonobjection basis. The publication of policy papers is presumed but is subject to Board approval, while the publication of multicountry documents requires consent from either the Board or the members involved, depending on the type of document.

The IMF's efforts to improve the understanding of its operations and engage more broadly with the public have been pursued along four broad lines: (1) transparency of surveillance and IMF-supported programs, (2) transparency of its financial operations, (3) external and internal review and evaluation, and (4) external communications. The Fund's Transparency Policy is reviewed every five years: the most recent review was in 2013. See also the "Accountability" and "Outreach and Engagement with External Stakeholders" sections.

IMF Executive Directors

(as of April 30, 2017)

Back row (left to right): **Hervé de Villeroché, Stephen Field, Anthony De Lannoy, Alexandre Tombini, Daouda Sembene, Carlo Cottarelli, Miroslaw Panek**

Middle row: **Masaaki Kaizuka, Carlos Hurtado, Thomas Östros, Heenam Choi, Jafar Mojarrad, Steffen Meyer, Jorge Estrella, Maxwell M. Mkwezalamba, Subir Gokarn**

Front row: **Juda Agung, Sunil Sabharwal, Michaela Erbenova, Aleksei Mozhin, Hazem Beblawi, JIN Zhongxia, Nancy Horsman, Hesham Alogeel**

Management Team

(From left to right):

David Lipton, First Deputy Managing Director

Carla Grasso, Deputy Managing Director and Chief Administrative Officer

Christine Lagarde, Managing Director

Mitsuhiro Furusawa, Deputy Managing Director

Tao Zhang, Deputy Managing Director

Executive Directors and Alternates (as of April 30, 2017)

Director / *Alternate*	Constituency
Vacant *Sunil Sabharwal*	United States
Masaaki Kaizuka *Tetsuya Hiroshima*	Japan
JIN Zhongxia *SUN Ping*	China
Anthony De Lannoy *Richard Doornbosch* *Vladyslav Rashkovan*	Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine
Steffen Meyer *Klaus Gebhard Merk*	Germany
Carlos Hurtado *Jorge Dajani Gonzalez* *José Alejandro Rojas Ramirez*	Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, República Bolivariana de Venezuela
Marzunisham Omar *Thomas Benjamin Marcelo*	Brunei Darussalam, Cambodia, Fiji, Republic of Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, The Philippines, Singapore, Thailand, Tonga, Vietnam
Carlo Cottarelli *Michail Psalidopoulos*	Albania, Greece, Italy, Malta, Portugal, San Marino
Hervé de Villeroché *Schwan Badirou Gafari*	France
Stephen Field *Vicky White*	United Kingdom
Heenam Choi *Christine Barron* *Grant Johnston*	Australia, Kiribati, Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan, Vanuatu
Nancy Horsman *Michael J. McGrath*	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines

Thomas Östros *Kimmo Virolainen*	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden
Michaela Erbenova *Christian Just* *Taşkin Temiz*	Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, Turkey
Alexandre Tombini *Bruno Saraiva* *Pedro Fachada*	Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, Trinidad and Tobago
Subir Gokarn *Rupasingha Gunaratne*	Bangladesh, Bhutan, India, Sri Lanka
Maxwell M. Mkwezalamba *Dumisani H. Mahlinza* *Fundi Tshazibana*	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
Hazem Beblawi *Sami Geadah*	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Republic of Yemen
Miroslaw Panek *Paul Inderbinen*	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan
Aleksei Mozhin *Lev Palei*	Russian Federation
Jafar Mojarrad *Mohammed Daïri*	Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia
Hesham Alogeel *Ryadh M. Alkhareif*	Saudi Arabia
Daouda Sembene *Mohamed-Lemine Raghani* *Herimandimby A. Razafindramanana*	Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo
Jorge Estrella *Gabriel Lopetegui*	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay

Senior Officers (as of April 30, 2017)

AREA DEPARTMENTS

Abebe Selassie	Director, African Department
Chang Yong Rhee	Director, Asia and Pacific Department
Poul Thomsen	Director, European Department
Jihad Azour	Director, Middle East and Central Asia Department
Alejandro Werner	Director, Western Hemisphere Department

FUNCTIONAL DEPARTMENTS

Gerard T. Rice	Director, Communications Department
Andrew J. Tweedie	Director, Finance Department
Vitor Gaspar	Director, Fiscal Affairs Department
Sharmini A. Coorey	Director, Institute for Capacity Development
Sean Hagan	General Counsel and Director, Legal Department
Tobias Adrian	Financial Counsellor and Director, Monetary and Capital Markets Department
Maurice Obstfeld	Economic Counsellor and Director, Research Department
Louis Marc Ducharme	Director, Statistics Department
Siddharth Tiwari	Director, Strategy, Policy, and Review Department

INFORMATION AND LIAISON

Chikahisa Sumi	Director, Regional Office for Asia and the Pacific
Christopher Lane	Special Representative to the United Nations
Jeffrey Franks	Director, Offices in Europe/Senior Resident Representative to the European Union

SUPPORT SERVICES

Chris Hemus	Director, Corporate Services and Facilities Department
Kalpana Kochhar	Director, Human Resources Department
Susan Swart	Chief Information Officer and Director, Information Technology Department
Jianhai Lin	Secretary of the Fund, Secretary's Department

OFFICES

Clare Brady	Director, Office of Internal Audit and Inspection
Daniel A. Citrin	Director, Office of Budget and Planning
Derek Bills	Director, Investment Office
Charles Collyns	Director, Independent Evaluation Office

Notes

PART I—OVERVIEW

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Acronyms and Abbreviations

AML/CFT	anti-money laundering and combating the financing of terrorism
CCRT	Catastrophe Containment and Relief Trust
EAC	External Audit Committee
ECF	Extended Credit Facility
EFF	Extended Fund Facility
e-GDDS	Enhanced General Data Dissemination System
EU	European Union
FATF	Financial Action Task Force
FCL	Flexible Credit Line
FM	*Fiscal Monitor*
FSI	Financial Soundness Indicator
FY	financial year
G20	Group of Twenty industrialized economies
GDP	gross domestic product
GFSR	*Global Financial Stability Report*
GPA	Global Policy Agenda
GRA	General Resources Account
HIPC	Heavily Indebted Poor Country
ICD	Institute for Capacity Development
IEO	Independent Evaluation Office
IMFC	International Monetary and Financial Committee
LIDC	low-income developing country
OIA	Office of Internal Audit and Inspection
PLL	Precautionary and Liquidity Line
PPM	postprogram monitoring
PRGT	Poverty Reduction and Growth Trust
PSI	Policy Support Instrument
RCF	Rapid Credit Facility
REO	*Regional Economic Outlook*
RFI	Rapid Financing Instrument
SARTTAC	South Asia Regional Training and Technical Assistance Center
SBA	Stand-By Arrangement
SCF	Standby Credit Facility
SDDS	Special Data Dissemination Standard
SDGs	Sustainable Development Goals
SDR	Special Drawing Right
SMP	staff-monitored program
UN	United Nations
WEO	*World Economic Outlook*

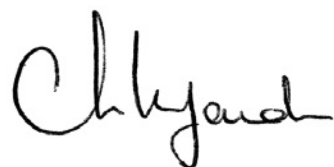
Letter of Transmittal to the Board of Governors

August 1, 2017

Dear Mr. Chairman:

I have the honor to present to the Board of Governors the Annual Report of the Executive Board for the financial year ended April 30, 2017, in accordance with Article XII, Section 7(a) of the Articles of Agreement of the International Monetary Fund and Section 10 of the IMF's By-Laws. In accordance with Section 20 of the By-Laws, the administrative and capital budgets of the IMF approved by the Executive Board for the financial year ending April 30, 2018, are presented in Part 3. The audited financial statements for the year ended April 30, 2017, of the General Department, the SDR Department, and the accounts administered by the IMF, together with reports of the external audit firm thereon, are presented in Appendix VI, which appears on the CD-ROM version of the Report, as well as at www.imf.org/external/pubs/ft/ar/2017/eng. The external audit and financial reporting processes were overseen by the External Audit Committee, comprising Ms. Barth (Chair), Mr. Vikamsey, and Ms. Hodge, as required under Section 20(c) of the Fund's By-Laws.

Yours very truly,



Christine Lagarde

Managing Director and Chair of the Executive Board

CD-ROM pocket

This Annual Report was prepared by the Editorial and Publications Division of the IMF's Communications Department, in consultation with a working group from across the Fund. Rhoda Weeks-Brown and Jeffrey Hayden oversaw the work of the Report team, which was under the direction of the Executive Board's Evaluation Committee, chaired first by Stephen Field and then by Alexandre Tombini. Jeremy Mark served as chief writer and S. Alexandra Russell as editor and project manager. Crystal Herrmann assisted with the digital design. Suzanne Alavi, Madjé Amega, and Hyoun Woo Park provided editorial and administrative assistance.

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"The well-being of the world economy and the family of nations depends on an enduring willingness to work together."

Christine Lagarde
IMF Managing Director

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