



CHAPTER 7

Technical Assistance and Training

The IMF offers its member countries a broad range of technical assistance and training in macroeconomic management covering fiscal, monetary, statistical, and legal areas. In the field, it provides this assistance through missions by IMF staff from various departments, supplemented by hired consultants and experts. The work is complemented by headquarters' support. Training courses and seminars are conducted by the IMF Institute and other departments, both at headquarters and overseas. A Technical Assistance Committee—composed of senior staff from each of the IMF's departments and assisted by a Technical Assistance Secretariat—advises IMF management on priorities and policies and coordinates assistance activities within the IMF.

Technical assistance continued at a high pace in FY2000, with demands placed on the IMF as part of the international effort to strengthen the global financial architecture. The Board conducted a major review of technical assistance in June 1999 and published an IMF Policy Statement on Technical Assistance in March 2000.

Developments in FY2000

Technical assistance to members remained a major part of the IMF's work in FY2000, accounting for about 19 percent of total IMF administrative spending. Staff and experts supplied more than 300 person-years of services (see Table 7.1), comparable to the annual average for the past five years and more than double that of the late 1980s and early 1990s. The regional distribution of IMF technical assistance in FY2000 was similar to that in the previous year, except that the share for Asia and Pacific area countries was lower as their demand eased with the resolution of the Asian financial crisis. Technical assistance was equally allocated between the fiscal and monetary areas, which together accounted for about 70 percent of total assistance (see Figure 7.1).

In addition to its own budgeted resources for technical assistance and training, the IMF administers financing provided by several bilateral and multilateral

donors—including Australia, Denmark, France, Switzerland, Japan, New Zealand, and the United Kingdom, as well as the Asian Development Bank, the United Nations Development Program (UNDP), and the World Bank—either through the Framework Administered Account for Technical Assistance (established by the IMF in 1995), or through cost sharing under UNDP projects executed by the IMF or other arrangements with the IMF. Some donors—such as Norway, Sweden, the United Kingdom, the Inter-American Development Bank, and the European Union—have also coordinated technical assistance cofinancing arrangements with the IMF. In FY2000, external financing accounted for about 30 percent of the IMF's total technical assistance and training activities, with Japan continuing to be the largest source of such external financing. The Technical Assistance Secretariat coordinates the management of this financing.

The IMF Institute continued to expand its training in different parts of the world. Building on earlier collaborative arrangements with partners, it launched the *Joint Africa Training Institute* (JAI) in 1999 with the World Bank and the African Development Bank. In 2000, it established the *Joint China-IMF Training Program* with the People's Bank of China to deliver training to government officials in China, with six courses and one high-level seminar to be conducted in 2000. The Institute also delivered for the first time a distance learning course on financial programming and policies for 50 government officials. Participants received eight weeks of training in their home countries and attended a two-week residential workshop in Washington. Finally, as part of the Institute's continuous restructuring of its curriculum to better meet the need for training in new, specialized policy areas, the Institute delivered several courses in financial sector issues at headquarters and overseas.

In FY2000, a number of IMF initiatives relating to strengthening the architecture of the international monetary system began to generate new demands for technical assistance. Work on standards and codes, including fiscal transparency assessments, led to requests for tech-

Table 7.1
Technical Assistance Delivery
(Effective person-years)¹

	1996/97	1997/98	1998/99	1999/00 ²
IMF technical assistance resources	172.7	189.6	201.7	211.2
Staff	97.1	103.9	98.9	107.3
Headquarters-based consultants	20.1	20.8	21.2	25.2
Experts	55.5	64.9	81.6	78.7
External technical assistance resources	104.2	96.2	100.0	86.9
United Nations Development Program	21.5	24.4	14.4	9.6
Japan	67.3	55.6	70.9	67.6
Other	15.4	16.2	15.0	9.7
Total technical assistance resources	277.0	285.7	301.7	298.1
Total resources by department				
Monetary and Exchange Affairs				
Department	114.6	110.6	120.8	105.3
Fiscal Affairs Department	96.2	98.8	101.7	103.4
Statistics Department	36.6	39.0	38.9	42.0
IMF Institute	11.0	12.1	15.4	27.3
Legal Department	9.3	10.3	10.7	9.6
Other ³	9.3	14.9	14.3	10.5
Total regional use by department	251.0	258.7	274.0	271.3
African Department	54.5	65.8	72.1	76.5
Asia and Pacific Department	49.0	42.5	57.6	49.0
European I Department	22.5	23.8	22.4	27.3
European II Department	57.6	52.6	47.1	49.5
Middle Eastern Department	26.5	29.5	32.5	30.1
Western Hemisphere Department	31.2	35.2	32.1	29.0
Interregional	9.6	8.6	10.2	8.2
Nonregional use	26.1	26.9	27.7	26.8
Total technical assistance use	277.0	285.6	301.7	298.1

¹An effective person-year of technical assistance is 260 days.

²Estimated.

³"Other" includes the Policy Development and Review Department, Bureau of Information and Technology Services, and Technical Assistance Secretariat.

nical assistance in carrying out the assessments, and in implementing recommendations, particularly on fiscal transparency issues. Financial Sector Assessment Programs (FSAPs), under which financial vulnerabilities are reviewed and measures recommended to strengthen financial systems, have also identified needs that prompted requests for assistance in such areas as secondary market development and risk assessment methodologies. Similarly, work on the Special Data Dissemination Standard and the General Data Dissemination System has generated needs for technical assistance and training in macroeconomic statistics. (See Chapter 4 for details on these initiatives.)

Technical assistance to support rehabilitation and recovery in countries emerging from conflict has always demanded a fast, flexible, and wide-ranging response from the IMF. In FY2000, several new entities (East Timor and Kosovo; see Box 7.1) and other countries

recovering from violence (Liberia and Sierra Leone) received considerable IMF technical assistance—coordinated with the help of other providers—to support the creation or rehabilitation of fiscal, financial, and statistical institutions, and the development of policymaking capacity.

Review of Technical Assistance

In June 1999, the Executive Board discussed the IMF's technical assistance program and how to make it more efficient and effective, drawing on a review prepared by the IMF's Office of Internal Audit and Inspection. Generally, the Board favored better integrating technical assistance into a country's overall policy framework; improving the follow-up and implementation of recommendations; strengthening communication and coordination among providers, and between providers and national authorities; and improving the process for selecting experts. The Board underscored the importance of better integrating technical assistance with IMF surveillance and program activities—which all contribute to the same ultimate objectives. Directors supported pursuing, selectively and experimentally, consultations on technical assistance needs in connection with country (Article IV) discussions and drawing up Technical Cooperation Action Plans that place

needs in a medium-term framework for countries with substantial need for technical assistance.

Technical assistance will clearly have a more sustained impact if governments are committed to effective implementation. It should be confined to areas within the IMF's core responsibilities and for which the staff has significant specialized expertise. Directors agreed that ongoing work on internationally agreed standards and codes of transparency could affect the demand for such assistance. Long-term experts could usefully complement assistance by staff and short-term experts, but requests for them should be scrutinized carefully and such experts should be overseen by headquarters staff. The impact of technical assistance would depend substantially on the transfer of knowledge and skills to officials in the recipient country. Assistance thus had to be conveyed in a clear and operationally useful way. Directors agreed with an

enhanced effort to promote the public dissemination of best practices and lessons of technical assistance of general interest.

Directors stressed the need for comprehensive and rigorous evaluation of IMF technical assistance activities, including both ongoing self-evaluations and periodic broader independent assessments. They encouraged the staff to review, with the Board's Evaluation Group, possible approaches to evaluation, including those of other providers. Directors favored resuming periodic and comprehensive reporting to the Board on the IMF's technical assistance activities, the first report to be issued by mid-2000. They requested that a policy statement be prepared for Executive Board discussion presenting specific proposals on objectives, and the operational framework and evaluation methodologies of technical assistance.

Follow-Up to Technical Assistance Review

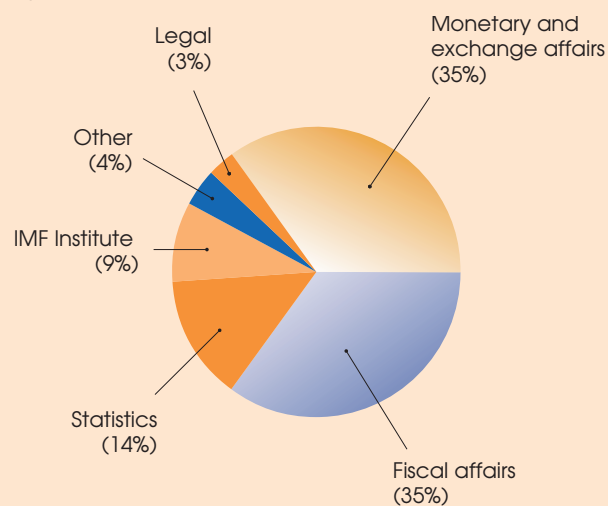
Following the June 1999 review, the steps taken by the IMF to implement the Board's recommendation included:

- *Preparation and publication of a policy statement on technical assistance.* In March 2000, the IMF issued its first Policy Statement on IMF Technical Assistance (see below). The statement reflects Executive Directors' views expressed during the Board discussions in June and December 1999. It covers the scope and focus of technical assistance, criteria for its allocation, the need for recipient ownership, and the issues associated with publication and evaluation.
- *Resumed annual reporting on technical assistance to the Board.* Regular annual reporting to the Board on technical assistance activities will resume in mid-2000. The report covers the traditional areas of technical assistance delivery by department, but also focuses on evolving issues, new trends, and evaluations.
- *Integrating technical assistance more closely with surveillance and program activities.* To achieve this, the IMF proceeded on a pilot basis and in a limited number of countries to carry out consultations with governments on technical assistance needs in connection with country (Article IV) consultations. These consultations include, among other things, a review of past technical assistance where applicable, and agreement on broad priorities for future IMF technical assistance. For countries with substantial technical assistance needs, the IMF also prepared—on a pilot basis, with governments, and where appropriate, other multilateral and bilateral aid agencies—medium-term technical cooperation action plans. In mid-2001, the IMF will report on the experience with these pilots to the Executive Board, which will then review their effectiveness and resource implications.
- *Strengthened monitoring and evaluation.* A paper on “The Evaluation of Technical Assistance by Other Providers” was circulated to Executive Directors for their information in March 2000. This paper examines the technical assistance policies and procedures of other institutions and is serving as background for guiding the ongoing work on developing appropriate systems for more rigorous monitoring of technical assistance in the IMF.
- *Enhanced collaboration with other technical assistance providers.* The additional technical and institutional capacities that governments will need to develop under the Poverty Reduction Strategy Papers and the Initiative for Heavily Indebted Poor Countries (see Chapter 5), as well as the architecture initiatives noted above, are expected to boost demand for IMF technical assistance resources even further. These requirements, together with needs identified under the Technical Cooperation Action Plans, will likely exceed the IMF's technical assistance resources and it will be necessary to involve other donor agencies more closely. Thus, in FY2000 the IMF initiated a series of consultations with other multilateral and bilateral donor agencies to strengthen ongoing collaboration and coordination and to forge new partnerships.

Figure 7.1

Composition of Technical Assistance, Financial Year 2000

(As a percent of total resources in effective person-years)¹



¹An effective person-year of technical assistance is 260 days. For the IMF Institute, figure excludes training provided or coordinated by the Institute at headquarters.

Box 7.1

Postconflict Technical Assistance for Kosovo and East Timor

In the case of two recent postconflict situations, Kosovo and East Timor, the United Nations asked the IMF to provide immediate technical assistance to help establish basic institutional capacity in the monetary and fiscal areas.

Monetary

The IMF's Monetary and Exchange Affairs Department (MAE) advised on how to establish essential money and payment services quickly and on developing the institutional structure for modern, market-economy-based money and banking services. Most of MAE's recommendations have been carried out by the respective local UN administrations, with MAE technical assistance providers coordinating the efforts of other donors.

In Kosovo, MAE personnel prepared four draft laws (on the use of currencies, banking, the establishment of the Banking and Payments Authority of Kosovo (BPK), and payment transactions). The first three of these were adopted in late 1999. The IMF is providing financing for the Managing Director of the Kosovo Banking and Payment Authority, and the U.S. Agency for International Development is financing four resident senior executives; both have provided many short-term expert visits as well. The BPK officially opened on May 19, 2000. It

has already licensed four banks and is providing payment services in deutsche mark. The training of Kosovars in the new operating procedures began in May 2000. Most foreign experts are expected to be replaced early in 2001.

In East Timor, MAE assisted with the preparation of key financial legislation. Regulations to establish the Central Payments Office, to designate the U.S. dollar as the official currency of East Timor, to license currency exchange bureaus, and to oversee a comprehensive banking system were approved by the UN Transitional Authority for East Timor in January and February 2000.

Fiscal

The IMF's Fiscal Affairs Department (FAD) advised on how to establish essential fiscal institutions virtually from scratch. The approach taken was similar in both cases, and most of FAD's recommendations have been implemented in Kosovo; it is too soon to assess progress in East Timor, where the assistance began six months later. Following the passage of enabling legislation in Kosovo, the central fiscal authority is now operating as a fledgling ministry of finance. The Fiscal Affairs Department coordinated this effort with the World Bank, the Euro-

pean Union, and bilateral donors, orchestrating assistance from different sources and guiding the work of the provided experts. In Kosovo, where the major bilateral partner has been the U.S. government, progress has been excellent, with the central fiscal authority operating smoothly and nationals soon ready to take over.

The challenge in East Timor is more daunting. Although a central fiscal authority exists by law, it is not currently functional. Few East Timorese have the background or skills to work in such an institution. Equally problematic is finding experts to staff the central fiscal authority and to finalize the donor funding arrangements required to pay for the technical assistance.

The IMF's Fiscal Affairs Department drew two conclusions from these postconflict experiences in Kosovo and East Timor. First, the overriding concern should be to establish a minimum fiscal administrative capacity as quickly as possible while meeting an acceptable level of transparency and accountability. Second, unlike most situations where experts act as advisors to the authorities, in these situations experts need to be given executive and line responsibility to have the central fiscal authority operating effectively even before training of counterparts takes place.

POLICY STATEMENT ON IMF TECHNICAL ASSISTANCE

Objective of Assistance Program

In accord with the IMF's first Article of Agreement, the objective of the IMF's technical assistance¹ program is to contribute to the development of the productive resources of member countries by enhancing the effectiveness of economic policy and financial management. The IMF's technical assistance program works to achieve this objective in two ways. First, much of the IMF's technical assistance seeks to support the efforts of members to *strengthen their capacity*—in both human and institutional resources—to formulate and implement sustainable, growth-oriented, and poverty-reducing

macroeconomic, financial, and structural policies. Second, the IMF assists countries in the *design* of appropriate macroeconomic and structural policy reforms, taking account of the lessons learned by other countries in addressing similar economic policy concerns. In both ways, IMF technical assistance provides a cooperative framework for the sharing of knowledge and international experience, in a lasting manner, with member countries.

Scope and Nature

The IMF seeks to provide technical assistance as efficiently and effectively as possible in its core substantive areas of competency, namely:

- macroeconomic policy formulation and management;
- monetary policy; central banking; the financial system; and foreign exchange markets and policy;
- fiscal policy, public finances, and fiscal management;

¹The term "technical assistance" as used here includes training provided to country officials such as that organized by the IMF Institute.

- external debt monitoring; and
 - macroeconomic, external, fiscal, and financial statistics.
- The specific topics covered, and the relative emphasis given, are very much influenced by the issues that emerge in the course of the IMF's surveillance and program activities, such as the recent focus on the links between high-quality growth and poverty reduction.

The Annex to this statement describes the technical assistance provided by the functional departments of the IMF. The IMF's regional (or area) departments, which are responsible for country-level management of surveillance and program operations, collaborate closely with the functional departments in the planning, implementation, monitoring, and follow-up of technical assistance.

Mode of delivery. Technical assistance is provided in a variety of forms. These include staff missions from headquarters; the placement of experts for periods ranging from a few months to a few years (depending on the nature of the tasks to be done and the capacity and interest of the countries concerned); the preparation of technical and diagnostic reports; the delivery of training courses, seminars, and workshops; and the on-line provision of advice and support from headquarters. Technical assistance and training are also delivered from regionally based centers.

Recruitment of experts. The IMF provides the services of qualified experts, either directly from its staff or from external sources. These are often drawn from the staff, or former staff, of member country ministries, institutions, and agencies. The IMF seeks to expand and review its roster of experts, in order to ensure an adequate supply of well-qualified specialists that are conversant with technical developments in their particular fields of expertise. The principal approach to identifying candidates is through the IMF's contacts with central banks, financial supervision agencies, ministries of finance, tax and customs departments, and statistical offices. Advertising is also occasionally used for highly specific scarce skills. The importance of appropriate language, communication, and pedagogic skills is recognized in the recruitment of staff and experts. All IMF experts are professionally supervised and administratively backstopped by technically qualified IMF headquarters staff. The IMF's resident representatives also liaise closely with experts during their assignments. During staff visits, area departments may follow up on the implementation of technical assistance-related policy advice and the work of experts.

Collaboration with other technical assistance providers. The IMF is committed to cooperate and collaborate with other providers of technical assistance. The global decline in Official Development Assistance levels underscores the need to ensure that duplication and overlap in coverage are avoided and that technical assistance is delivered by the most appropriate source within a carefully coordinated framework. The limited character of the technical assistance provided by the IMF offers a fruitful basis for such collaboration, with the IMF's provision of experts usefully complemented by technical assistance-related services and equipment offered by other technical assistance agencies.

Determining Technical Assistance Priorities

The sources of demand for IMF technical assistance. The IMF's technical assistance services are one of the benefits and rights of membership, and its provision, in almost all cases, is

not related to IMF conditionality.² Much of the demand by countries for the IMF's technical assistance services arises from the perception of recipient governments that such assistance can play an important role in helping them to strengthen their implementation of policies. As indicated above, the IMF's surveillance and program activities may also generate requests for technical assistance. Specifically, it is often in discussions with country authorities during Article IV consultations, or when designing and monitoring IMF-supported programs, that the needs for capacity building and policy strengthening are mutually recognized and the concomitant requirements for technical assistance clearly identified. Recently, the IMF has given added emphasis to the importance of a better integration of technical assistance with its surveillance and program activities. In this regard, it stresses the importance of encouraging countries to identify their technical assistance needs and priorities well in advance, rather than waiting for problems to emerge. Working in partnership, the IMF and governments are thus moving further from a "reactive" to a more "proactive" stance in the planning, prioritization, and delivery of technical assistance.

Linking technical assistance with surveillance. This objective is currently being pursued, on an experimental basis, in two respects. First, Technical Assistance Consultations (TCs) have been added to the agenda of a selected number of Article IV missions. A TC provides an opportunity for discussions on the effectiveness of past IMF technical assistance and on the scope and direction of future possible assistance from the IMF. Secondly, for countries facing critical capacity constraints in their efforts to implement programs of economic and financial reforms, the IMF initiated a pilot project involving the preparation of medium-term Technical Cooperation Action Plans (TCAPs). TCAPs are intended to comprise a comprehensive assessment of a country's or subregion's macroeconomic and financial management weaknesses in the core areas of the IMF's work and an elaboration of a technical assistance program for addressing these. Such exercises are carried out by IMF staff and the country authorities with the active participation and support of other interested donors. The preparation of a TCAP is seen as the beginning of a dynamic process that would involve a commitment by the authorities, the IMF, and other donors to provide resources to implement the TCAP and jointly to monitor and adjust its implementation over an agreed time period.

Unanticipated sources of demand. Despite the intention to improve projections of technical assistance requirements through the TCs and TCAPs, some of the demand for technical assistance from the IMF will still arise in response to unexpected changes in the policy environment of a country—a change in government, an unanticipated crisis, or an external shock. There is thus expected to remain a continuing element of unpredictability in the demand for technical assistance services, and an important characteristic of the IMF's technical assistance program will remain its capacity to respond quickly to such situations.

²Eligibility for technical assistance for countries in protracted arrears to the IMF is restricted in the absence of specific approval of the Executive Board, which takes account of a country's degree of cooperation with the IMF in seeking to redress its arrears difficulties.

Prioritizing technical assistance requests. Technical assistance is provided only when requested by a country's authorities.³ Since the demand for such assistance normally exceeds the resources available from the IMF, a number of considerations are taken into account in prioritizing country requests. In order of their relative importance, these are the extent to which:

- a country's authorities are strongly supportive of obtaining the technical assistance and committed to ensuring its implementation. Such commitment is critical for the technical assistance to be effective and have a measurable impact. A strong prior track record in effectively using the IMF's technical assistance services is one key indicator of country commitment;
- the technical assistance addresses those weaknesses in a country's institutional capacity for macroeconomic policy implementation that have been identified in the course of the IMF's surveillance and other work;
- technical assistance contributes to strengthening a country's capacity to design and implement an IMF-supported program, especially in the preparation of a Poverty Reduction Strategy Paper and in the implementation of a Poverty Reduction and Growth Facility program;
- technical assistance supports a country's efforts in complying with internationally agreed standards and codes of statistical, fiscal, and financial transparency;
- other donors cannot provide the requested assistance;
- technical assistance would be the only benefit of IMF membership accruing to a country; and
- technical assistance can be provided in collaboration with other technical assistance providers, since this allows the IMF to use its cooperation with other donors to leverage its limited resources.

While emphasizing the need to apply the above criteria systematically when appraising individual requests for technical assistance, the IMF recognizes that at times two additional factors may influence a decision to provide technical assistance:

- the systemic or regional importance of the requesting country; and/or
- the emergence of the need for technical assistance as a result of a postcrisis situation.

With respect to the former, even when it is clear that a technical assistance project may not be fully effective, the IMF may provide critically necessary technical assistance in order to maximize the prospects for successful macroeconomic policy implementation. With respect to the latter, when countries are faced with the task of rebuilding their basic macroeconomic management institutions, the international community has come to expect that the IMF will be able to respond to these needs, even when the risk of failure is considered high.

Role of Recipient Governments in Realizing Effective Technical Assistance

Strengthening recipient country ownership. The IMF's technical assistance program is based on the fundamental principle that to be effective and to have a high impact, it is

³Technical assistance may also be provided, with the Board's agreement, to nonmembers and to international organizations.

important to ensure that a partner country is fully committed to owning the work associated with the assistance and implementing the recommendations flowing from the technical assistance. This underscores the importance of having IMF technical assistance activities planned and implemented with the full involvement of the recipient authorities at each of the various stages of the process, from identification of need through discussion and agreement on terms of reference and project objectives, to implementation, monitoring, and evaluation. Particularly when it is intended to field a long-term expert—whether on a full-time or peripatetic basis—close consultation with the authorities is critical in order to ensure that the conditions are right for making good use of an expert's time. Such consultation should result in reaching agreement on the type of expert required; the needed qualifications and experience; and, ultimately, on the individual chosen to provide the technical assistance. A mutual review of the results of past and current technical assistance efforts, including a country's track record in the implementation of technical assistance recommendations, and a consideration of future needs, are important aspects of the process of enhancing ownership by recipient country authorities.

Charging policy of the IMF for its technical assistance.

In line with the practice of other bilateral and multilateral agencies, the IMF's technical assistance is generally provided free of charge. The exception relates to the assignment of long-term experts (defined as experts residing in a country for six months or more), for which countries may be asked to make a specified financial (or equivalent in-kind) contribution to the IMF. Whether a contribution is required, and the amount charged, depends on the country's ability to pay, although no member is denied access to technical assistance because it is unable to pay. The IMF's management determines the charges within a basic policy framework on country contributions established by the IMF's Executive Board. As a cooperative undertaking between the IMF and the requesting country, the IMF recognizes that successful technical assistance requires careful preparation and commitment of resources by the recipient authorities. Important in this regard are the assignment of counterpart staff and adequate complementary resources (for example, office space and equipment, administrative support staff, communications facilities, material supplies, and utilities), all of which amount to a considerable real cost for the recipient government, over and above whatever charges may be levied by the IMF.

Monitoring and Evaluation

Development of a cost-effective and well-integrated system of monitoring and evaluation. Monitoring and evaluation are essential for ensuring accountability and transparency in technical assistance activities; for assessing their relevance, efficiency, effectiveness, and impact; and for drawing lessons on how to strengthen ongoing and future technical assistance operations. The size of the IMF's technical assistance program, though still modest by international standards, has reached a level requiring the adoption of a systematic approach to technical assistance monitoring and evaluation. Staff are in the process of preparing proposals in this area, drawing on the experience and current practices of other agencies. Monitoring needs to involve both IMF staff and country authorities in order to ensure that all ongoing techni-

cal assistance efforts are meeting agreed targets and objectives and producing the required outputs. Monitoring also inevitably involves making evaluative judgments during a project's lifetime, which are then used to improve ongoing implementation efforts. In contrast, more analytical evaluation exercises generally take a longer-term perspective, are often carried out independently of the directly involved staff (sometimes by external evaluators), and focus mainly on completed operations or on completed operations of an ongoing program.

A common approach to monitoring and evaluation will be developed to enable judgments across countries and selected subject areas, so that lessons can be drawn and used to strengthen future operations. All monitoring and evaluation activities will require input from the recipient authorities, at the project and policy level, to ensure their views on the reasons for success and failure of technical assistance are fully taken into account. In-depth, thematic evaluation studies on selected topics are expected to complement routine and comprehensive monitoring activities by individual technical assistance departments. Such studies serve as a cross-check on the consistency and quality of the advice rendered, and allow for an assessment of the policy and capacity-building impact of the technical assistance provided and of its sustainability. Independent evaluations will also be undertaken, taking account of budgetary implications.

External Dissemination

The IMF recognizes the importance of disseminating information on its technical assistance activities of general interest both to the membership and the public at large. One vehicle for this will be an Annual Report on Technical Assistance to the Executive Board, which will summarize technical assistance activities and related technical assistance policy developments over the previous year, as well as the outcome of monitoring and evaluation efforts. The report will also highlight any policy issues on which Board guidance may be needed.

In the interests of transparency and a well-informed public, the IMF believes that information on the lessons learned from the IMF's technical assistance program, as well as on the assistance provided to individual countries, should be disseminated as widely as possible. Thus, information on the *general substance* of the IMF's technical policy advice in the different functional areas is disseminated both through IMF research and other publications (e.g., handbooks, occasional papers, and pamphlets), and increasingly on the IMF's external website.⁴ While the IMF recognizes the public interest would also be served by the provision of information on the *country-specific advice* tendered by the IMF, it is also important to recognize that members may seek the IMF's technical advice on a confidential basis. It is thus appropriate that a member country should have the right to decide on whether to allow publication of this advice. For this reason, individual technical assistance reports will continue to be circulated on a restricted basis within the IMF, the World Bank, and other cooperating

donor agencies, with wider distribution contingent upon the permission of the country concerned.

Internal Management of Technical Assistance

Although the management of the IMF's technical assistance program is largely devolved to individual departments, IMF-wide policies and procedures governing the financing, planning, implementation, monitoring, evaluation, and reporting of technical assistance are coordinated and developed by a senior-level Technical Assistance Committee (TAC). Reporting directly to the Deputy Managing Director responsible for technical assistance matters, the TAC also acts as a forum for reaching agreement on recommendations to management on the allocation of technical assistance resources across the different geographic regions and functional areas. In addition, it serves as the coordinator for pilot technical assistance initiatives undertaken by the IMF (such as the recent experiment with TCs and TCAPs) and for the implementation of the reforms that emanated from the Executive Board's June 1999 review of the IMF's technical assistance activities. The TAC and its subcommittees are supported by a small unit, the Technical Assistance Secretariat (TAS), attached to the Office of Budget and Planning in the Office of the Managing Director, which also assists in negotiating and administering technical assistance agreements with other agencies and donors. The TAS compiles aggregate data on planned and actual technical assistance delivery for internal and external reporting purposes.

Role of External Financing

In recent years, the IMF has sought to expand its range of contacts and collaboration with other technical assistance providers. For example, the IMF has cooperated with other donor agencies on a number of large-scale integrated multi-year technical assistance projects of administrative and institutional reform. Equally, the IMF's technical assistance program has benefited from generous cofinancing from a few multilateral and bilateral agencies, which have supplemented the IMF's own budgetary resources for these activities. As the IMF's mandate broadens, the pressure of demand on its technical assistance resources is likely to increase further—for work on implementing the new international codes and standards; for work on strengthening the banking sector and financial systems; for helping HIPC countries undertake debt sustainability analyses and manage their debt reduction programs; and for public expenditure management and statistical technical assistance in connection with the design and implementation of Poverty Reduction Strategy Papers and IMF-supported policy programs under the new Poverty Reduction and Growth Facility. The IMF will seek every opportunity to cooperate with other agencies in these areas. The TCAPs in particular will require the close involvement of other donor agencies,⁵ since effecting and financing their implementation will greatly exceed the technical assistance resources and instruments available to the IMF.

The IMF encourages member countries who have not yet done so to consider providing such complementary financial

⁴In this connection, a website will be established dealing with technical assistance issues, both as a vehicle for dissemination of information and as a conduit for feedback to the IMF.

⁵It will be particularly important to work with the World Bank and the UNDP, to ensure consistency with the Bank's Comprehensive Development Framework and the UN system's Country Strategy.

support in order to enhance the resources available for technical assistance, preferably in a manner that is as unrestricted as possible. Meanwhile, the IMF's efforts to deepen technical assistance collaboration with its multilateral and bilateral development partners will continue.

ANNEX TYPES OF TECHNICAL ASSISTANCE BY IMF DEPARTMENT

Fiscal Affairs Department

Tax policy: advising on improving the administrative and economic efficiency of indirect taxes (sales taxes, VAT, and excises), corporate and personal income taxes, payroll and social fund taxes, property taxes, and tariffs—including issues arising in connection with minimum taxes, tax incentive provisions, taxation of financial services and transactions; tax treatment of international capital flows, cross-border issues in both direct and indirect taxes, agricultural taxation, ad valorem versus specific excise rates; and interactions between inflation and taxation.

Tax and customs administration: providing advice and assistance on improving the effectiveness of tax and customs administration; increasing tax compliance through strengthening of collection, audit, and taxpayer service functions; implementing significant new taxes; establishing special controls over the largest taxpayers; introducing measures to bring small and medium-sized taxpayers into the tax net; and rationalizing customs procedures to secure revenue and facilitate trade.

Budgeting and public expenditure management: advising on strengthening budget planning and preparation, budget execution, auditing, classifying government accounts and data reporting, establishing treasury systems, harmonizing regional budget practices, assessing transparency of fiscal systems, and, in particular, ensuring conformity with the Code of Fiscal Transparency.

Expenditure policy: although principally the responsibility of the World Bank, occasional missions carrying out expenditure reviews, formulating social safety net schemes, and rationalizing social insurance schemes.

Fiscal federalism: although principally the responsibility of the World Bank, occasional missions to assess approaches to rationalizing interregional transfers systems, consider assignments of tax and expenditure responsibilities, and formulate approaches to regulate borrowing by decentralized governmental units.

Fiscal and macroeconomic management: advising on ways to strengthen the capacity to undertake fiscal management in a macroeconomic context through institutional restructuring, adoption of improved techniques of macro-fiscal analysis, and provision of appropriate training.

Training: preparation and delivery of courses on topics in public finance in a number of languages and, on occasion, in country-tailored seminars.

IMF Institute

Delivery of policy-oriented training: organizing policy-oriented training courses and seminars for officials of member countries on a range of topics relating to macroeconomic and financial policy formulation and implementation. These courses, seminars, and conferences—held in Washington, at

regional training centers, and in member countries—are designed to improve the ability of officials to manage economies and conduct appropriate policies. Schedules, administrative information, and training material are accessible from the IMF website (www.imf.org/external/np/ins).

Legal Department

Drafting legislation, commenting on draft legislation prepared by the authorities of member countries, drafting implementing regulations, and providing other legal advice and training with a focus on the following areas: central banking, commercial banking, foreign exchange, taxation (including all taxes as well as tax administration and procedure), customs regulations, budget law, collateral law, bankruptcy law, and other economic laws.

Monetary and Exchange Affairs Department

Central banking and currency arrangements: advising on the establishment and strengthening of the organization and operation of central banks, currency boards, and other currency arrangements; the issuance of new currencies; central bank accounting and internal audit; and associated legislative, regulatory, and organizational reforms.

Monetary and exchange policy operations, and public debt management: advising on the design and implementation of monetary policy instruments and operations; money and exchange market intervention techniques and procedures; institutional framework and instruments for public debt management; and coordination with monetary management.

Financial market development, focusing particularly on money, government debt, and foreign exchange markets: advising on the development of efficient primary, secondary, and derivative markets and instruments; market regulation and organization (agents, trading arrangements, accounting, settlement systems, and codes of conduct); and measures to strengthen market depth and liquidity.

Exchange systems and currency convertibility: advising on the design of exchange systems, exchange regulations, and the choice of exchange rate arrangements; foreign exchange reserve management practices and operations; and reforms to support progress toward currency convertibility for current and capital account transactions.

Payment systems: advising on the organization and oversight of payment systems, policies to reduce systemic risk in payment clearing and settlement systems, as well as on the promotion of operational efficiency; also, advising on inter-bank and securities settlement systems and linkages to monetary policy.

Bank supervision and regulation: advising on techniques of prudential regulation and supervision, including licensing, on-site and off-site inspection procedures, risk assessment and risk management, capital adequacy, loan classification and provisioning, other prudential rules, reform of banking laws, and organization of the banking supervision function.

Bank restructuring and banking safety nets: in collaboration with the World Bank, advising on the development and implementation of strategies for banking system restructuring and bank exit, management of systemic banking crises, deposit guarantee schemes and liquidity support facilities, techniques for bank recapitalization, and arrangements for loan recovery.

Implementation of international standards: in collaboration with international regulatory bodies, regional supervisory organizations, cooperating central banks, financial supervisory agencies, and the World Bank, assisting members in their assessments of compliance with international standards related to the financial system, including Basel Core Principles and Code of Good Practices on Transparency in Monetary and Financial Policies, and advising on the implementation of such standards.

Policy Development and Review Department

External debt monitoring: advising and assisting in the creation of wide-coverage, high-frequency debt monitoring systems created by authorities (usually based in central banks) in emerging markets to provide them with timely information on market sentiment and to help them monitor the participation by banks or other creditors in the context of efforts to prevent or resolve financial crises.

Statistics Department

In all the areas listed below, technical assistance is designed to improve the collection, compilation, and dissemination of official statistics. In addition to providing assessments with respect to accuracy, coverage, and timeliness, technical assistance missions in each area often deliver on-the-job training, and help design statistical reporting forms and classification keys, as well as short- and medium-term action plans for improving statistical procedures.

Multisector statistical issues: carrying out multisector missions to provide an assessment of weaknesses in specific areas, as well as assisting in the development of statistical legislation, institutional organization of statistics, national statistical policy and strategy, and interagency coordination and consistency issues.

Balance of payments and external debt statistics: assessing the accuracy and comprehensiveness of data collection and compilation systems for international transactions in goods

and services; financial flows, including direct and portfolio investment; and international investment position statistics.

Government finance statistics: providing guidance on the compilation and reporting of fiscal data, focusing on comprehensiveness of institutional coverage of government, preparation of bridge tables linking national classifications with international standards, and assessment of the consistency of bank financing of the deficit with the monetary accounts.

Monetary and financial statistics: advising on the adequacy of institutional coverage; appropriate classification of monetary accounts in terms of financial instruments, residency, and institutional sector; proper valuation of instruments; and correct statistical treatment of derivative instruments and banks under liquidation.

National accounts and price statistics: providing guidance to governments in their efforts to develop annual and quarterly national accounts, and advising on efforts to overhaul or update a producer price, consumer price, or international trade price index system.

Data dissemination standards: assisting countries in preparing metadata submissions and complying with the requirements of the Special Data Dissemination Standard (SDDS) or with participation in the General Data Dissemination System (GDDS); and advising countries on the status of their dissemination practices vis-à-vis the dissemination standards.

Technology and General Services Department

Support for technical assistance projects keyed to other IMF departments: for example, for Monetary and Exchange Affairs: assisting in developing systems for central banking operations, book-entry systems for government securities, banking supervision systems; for Fiscal Affairs: assisting in designing computer-based financial, budget, and expenditure control and information systems for ministries of finance; for Statistics: elaborating systems to collect and manage financial and economic time-series data or systems that facilitate econometric analyses.





CHAPTER 8

IMF Organization, Staffing, and Budget

Financial year 2000 saw several important staffing and organizational changes, most notably the changes in the IMF's management team. On November 9, 1999, Managing Director Michel Camdessus announced his intention to resign in early 2000, after 13 years of service. This led the Executive Board to embark on a process to name his replacement, which culminated with the Board's selection of Horst Köhler, a German national, on March 23, 2000. Prior to this, on December 14, 1999, Eduardo Aninat, then-Finance Minister of Chile, assumed office for a five-year term as Deputy Managing Director, to replace Alassane D. Ouattara, who left the IMF at the end of his appointment on July 31, 1999.

On the organizational front, in FY2000, IMF internal service functions were reorganized into two departments to facilitate the planning, streamlining, and efficiency of services and to create a separate human resources department. As to the Administrative Budget, the Executive Board saw justification for additional staffing and other resources to carry out the new initiatives—work on various aspects of strengthening the global financial architecture, the Poverty Reduction and Growth Facility, and the enhanced Initiative for Heavily Indebted Poor Countries (HIPCs)—while maintaining the IMF's capacity to implement its core work program.

Organization

The IMF consists of a Board of Governors, an Executive Board, a Managing Director, a First Deputy Managing Director, two Deputy Managing Directors, and a staff of international civil servants. The institution's founding Articles of Agreement require that staff appointed to the IMF demonstrate the highest standards of efficiency and technical competence and reflect the organization's diverse membership.

Executive Board

The IMF's 24-member Executive Board, as the IMF's permanent decision-making organ, conducts the institution's day-to-day business. In 1999, the Board held 137 formal meetings, 6 seminars, and 6 informal ses-

sions. The Executive Board carries out its work largely on the basis of papers prepared by IMF management and staff. In 1999, the Board spent 59 percent of its time on member country matters (Article IV consultations and reviews and approvals of IMF arrangements); 29 percent of its time on multilateral surveillance and policy issues (world economic outlook, developments in international capital markets, IMF financial resources, the architecture of the international monetary system, the debt situation, and issues related to IMF lending facilities and program design); and its remaining time on administrative and other matters.

Departments

The IMF staff is organized mainly into departments with regional (or area), functional, information and liaison, and support responsibilities (Figure 8.1). These departments are headed by directors who report to the Managing Director.

Area Departments

Six area departments—*African, Asia and Pacific, European I, European II, Middle Eastern, and Western Hemisphere*—advise management and the Executive Board on economic developments and policies in countries in their region. Their staffs are responsible also for reaching understandings on arrangements for the use of IMF financial resources and review performance under IMF-supported arrangements. Together with relevant functional departments, they provide member countries with policy advice and technical assistance, and maintain contact with regional organizations and multilateral institutions in their geographic areas. Supplemented by staff in functional departments, area departments carry out much of the IMF's country surveillance work through direct contacts with member countries. In addition, 75 area department staff are assigned to members as IMF resident representatives (see Box 8.1).

Functional and Special Services Departments

The *Fiscal Affairs Department* is responsible for activities involving public finance in member countries. It

participates in area department missions on fiscal issues, reviews the fiscal content of IMF policy advice and IMF-supported adjustment programs, and provides technical assistance in public finance. It also conducts research and policy studies on fiscal issues, as well as on income distribution and poverty, social safety nets, public expenditure policy issues, and the environment.

The *IMF Institute* provides training for officials of member countries—particularly developing countries—in such areas as financial programming and policy, external sector policies, balance of payments methodology, national accounts and government finance statistics, and public finance.

The *Legal Department* advises management, the Board, and the staff on the applicable rules of law. It prepares most of the decisions and other legal instruments necessary for the IMF's activities. The department serves as counsel to the IMF in litigation and arbitration cases, provides technical assistance on legislative reform, responds to inquiries from national authorities and international organizations on the laws of the IMF, and arrives at legal findings regarding IMF jurisdiction on exchange measures and restrictions.

The *Monetary and Exchange Affairs Department* provides analytical and technical support, including development and dissemination of good policies and best practices, to member countries and area departments on issues related to financial sector systems and soundness—including prudential regulation, supervision, and systemic restructuring; central banking, monetary, and exchange policies and instruments; and capital flows and exchange measures and systems. In surveillance activities and requests for the use of IMF resources, the department reviews issues related to its areas of competence and provides its expertise in policy assessment and development. It also delivers and administers technical assistance in these areas, coordinating with collaborating central banks, supervisory agencies, and other international organizations.

The *Policy Development and Review Department* traditionally plays a central role in the design and implementation of IMF financial facilities and operations; in recent years, it has spearheaded the IMF's work in the area of strengthening the architecture of the international financial system. Together with the Research Department, it takes the lead also in multilateral surveillance, policy coordination, and associated review and support activities. With area departments, the Policy Development and Review Department helps mobilize other financial resources for member countries using IMF resources, including work on debt and program financing (through the Paris Club and international banks).

The *Research Department* conducts policy analysis and research in areas relating to the IMF's work. The department plays a prominent role in developing IMF

Box 8.1

IMF Resident Representatives

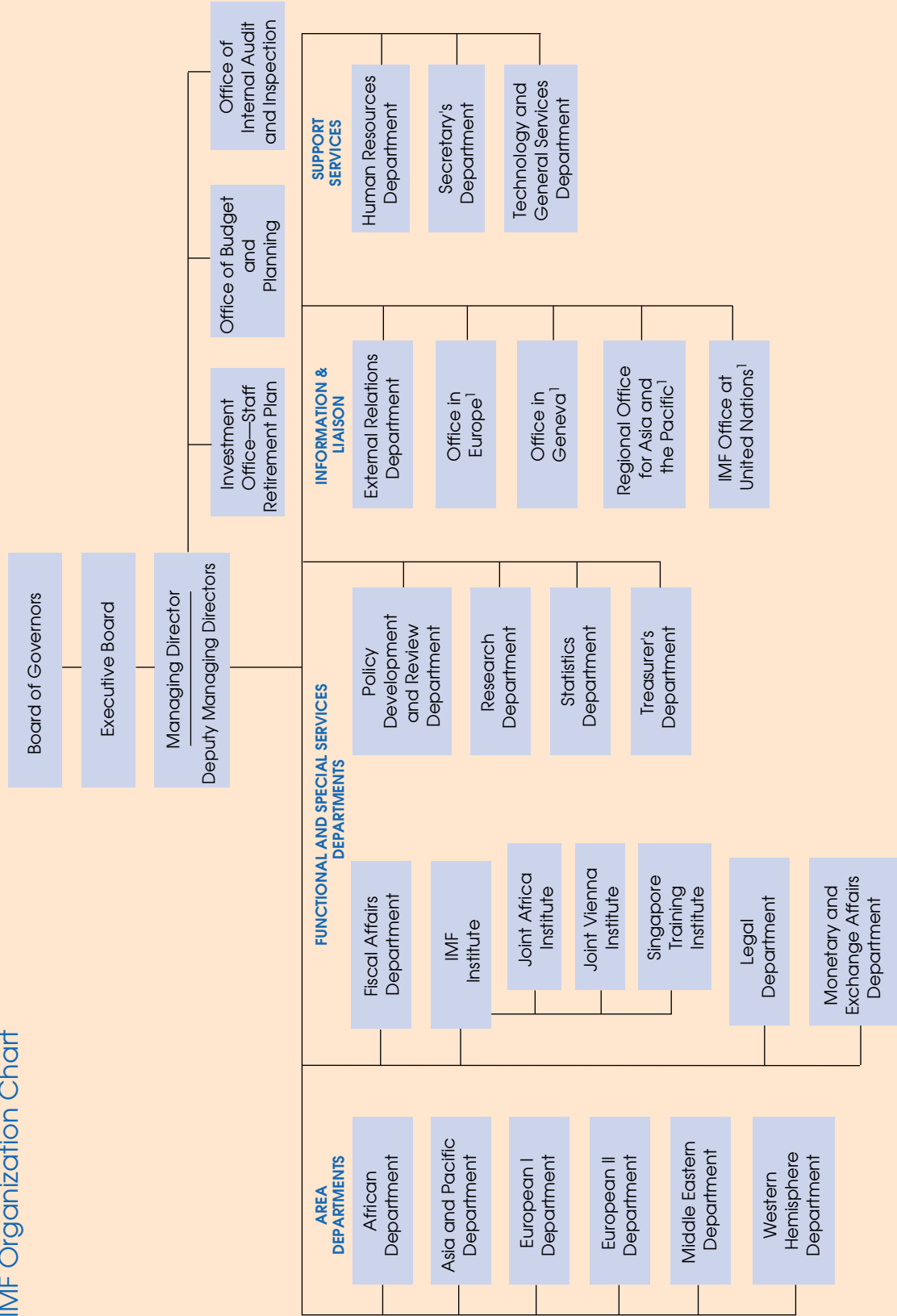
At the end of April 2000, the IMF had 75 resident representatives covering 79 member countries in Africa, Asia, Europe, the Middle East, and the Western Hemisphere. These posts—usually filled by one staff member—enhance IMF policy advice and are often set up in conjunction with an IMF-supported reform program. The representatives, who typically have good access to key national policymakers, can have a major impact on the quality of IMF country work. In particular, resident representatives alert the IMF and the host country to potential policy slippage and provide on-site program support. They can also play an active role in IMF outreach in member countries. Resident representatives are helping countries develop their poverty reduction strategies (see Chapter 5): they participate and present IMF perspectives in country-led discussions on the strategy, and support monitoring of its implementation, working with different branches of government, civil society organizations, donors, and other stakeholders.

policy concerning the international monetary system and surveillance and cooperates with other departments in formulating IMF policy advice to member countries. It coordinates the semiannual World Economic Outlook exercise and prepares the annual *International Capital Markets* report, as well as analysis for the surveillance discussions of the Group of Seven, Group of Twenty, and such regional groupings as the Asia Pacific Economic Cooperation (APEC), and the Executive Board's seminars on World Economic and Market Developments. The department also maintains contacts with the academic community and with other research organizations.

The *Statistics Department* maintains databases of country, regional, and global economic and financial statistics and reviews country data in support of the IMF's surveillance role. It is also responsible for developing statistical concepts in balance of payments, government finance, and monetary and financial statistics, as well as producing methodological manuals. The department provides technical assistance and training to help members develop statistical systems and produces the IMF's statistical publications. In addition, it is responsible for developing and maintaining standards for the dissemination of data by member countries.

The *Treasurer's Department* formulates the IMF's financial policies and practices; conducts and controls financial operations and transactions in the General Department, SDR Department, and Administered Accounts, controls expenditures under the Administrative and Capital Budgets; and maintains IMF accounts and financial records. The department's responsibilities also include quota reviews, IMF financing and liquidity, borrowing, investments, the IMF's income, and operational policies on the SDR.

Figure 8.1
IMF Organization Chart



Note: Organization as of April 30, 2000.
¹ Attached to the Office of the Managing Director.

Information and Liaison

The *External Relations Department* edits, produces, and distributes the IMF's nonstatistical publications; provides information services to the press and general public; maintains contacts with nongovernmental organizations and parliamentary bodies; drafts speeches for management; and manages the IMF's website (see also Appendix V).

The IMF's *Offices for Asia and the Pacific, in Europe, in Geneva, and at the United Nations* maintain close contacts with other international and regional institutions (see Appendix IV).

Support Services

As noted in last year's Annual Report, effective July 1, 1999, most IMF service functions were reorganized into two new departments:

The new *Technology and General Services Department* manages and delivers a full range of services essential for the IMF's operation. These include information services (information technology, telecommunications, document management, and library services); facilities and general administrative services (facilities management, building projects, travel management, graphics, and procurement services); and language services (translation, interpretation, and foreign language publications). Bringing these services under one department facilitates planning for the IMF's future requirements; increases efficiency through reducing some overlapping in related functions; and helps develop and apply common instruments for measuring and assessing services. It thus allows more informed judgment and trade-offs in decisions about budgetary resources to meet service requirements.

The new *Human Resources Department* has been organized along the same lines as the former personnel function with a front office and four divisions to manage recruitment, staff development, benefits, and compensation and job grading. The IMF faces significant challenges in the period ahead to maintain a lean, highly motivated, well-trained, and diverse staff to meet the needs of its members. The establishment of a stand-alone Human Resources Department will have clear advantages in allowing the new department to focus exclusively on the important human resource function.

The *Secretary's Department* organizes the work of the IMF's governing bodies and provides secretariat services to them. In particular, it assists management in preparing and coordinating the work program of the Executive Board and other official bodies, including scheduling and assisting in the conduct of Board meetings. The department also manages the Annual Meetings, in cooperation with the World Bank.

The IMF's *offices and secretariats* are responsible for internal auditing and evaluation, work practices, bud-

get matters, technical assistance, and investments under the staff retirement plan.

Staff

The Managing Director appoints a staff whose sole responsibility is to the IMF, whose efficiency and technical competence are to be of the "highest standards," and whose diversity—reflecting its membership—is to give "due regard to the importance of recruiting personnel on as wide a geographical basis as possible." To this end, and to provide the continuity and institutional memory necessary to maintain a good and close working relationship with member countries, the IMF's employment policy is designed to recruit and retain a corps of international civil servants interested in spending a career, or a significant part of a career, at the IMF. At the same time, the IMF recognizes the value of shorter-term employment and recruitment of mid-career professionals consistent with the changing labor market and the benefit of fresh perspectives. And, in the case of a number of skills and jobs—relating mainly to technology, certain services, and highly specialized skills in economics—business considerations have called for shorter-term appointments or for outsourcing activities.

As of December 31, 1999, the IMF had 2,297 employees: 693 assistant staff and 1,604 professional staff (approximately two-thirds of whom were economists). In addition, the IMF had 444 contractual employees, which include experts, consultants, and other short-term staff, charged to nonregular resources. Of the IMF's 182 member countries, 127 were represented on the staff. (See also "Diversity" below.)

During FY2000, 3,082 staff-years were expended in the IMF, compared with 3,006 in FY1999. Included in the FY2000 total were 2,069 regular staff-years (1,990 in FY1999), supplemented by other resources, including Economist Program staff, overtime, and contractual and other temporary staff-years for a total of 2,728 staff-years (2,641 in FY1999); 233 staff-years for the Office of Executive Directors (as in FY1999); and 121 staff-years for externally financed technical assistance experts and related overhead resources (132 in FY1999).

For FY2001, the Executive Board approved a net increase of 108 new authorized staff positions.

Recruitment and Retention

Over the course of 1999, 218 new staff members joined the organization (104 economists, 41 in professional and managerial grades in specialized career streams, and 73 assistants)—an increase of 48 over the 170 staff members hired in 1998. Of the new hires in 1999, 67 were mid-career economists and 37 entered the Economist Program—a two-year program aimed at familiarizing "entry-level" economists with the work of the IMF by placing them in two different IMF departments each for a 12-month period. Candidates for the

Table 8.1
IMF Salary Structure, effective May 1, 2000¹
(In U.S. dollars)

Grade	Range Minimum	Range Maximum	Illustrative Position Titles
A1	20,390	30,590	Driver
A2	22,840	34,240	Staff Assistant (Library)
A3	25,560	38,340	Staff Assistant (Clerical)
A4	28,630	42,970	Staff Assistant (Beginning Secretarial)
A5	32,110	48,130	Staff Assistant (Experienced Secretarial)
A6	35,890	53,870	Senior Secretarial Assistant, Other Assistants (e.g., Editorial, Computer Systems, Human Resources)
A7	40,250	60,370	Research Assistant, Administrative Assistant
A8	45,080	67,620	Senior Administrative Assistant (e.g., Accounting, Human Resources)
A9	47,940	71,920	Librarian, Translator, Research Officer, Human Resources Officer
A10	55,140	82,700	Accountant, Research Officer, Administrative Officer
A11	63,320	95,000	Economist (Ph.D. entry level), Attorney, Specialist (e.g., Accounting, Computer Systems, Human Resources)
A12	70,920	106,360	Economist, Attorney, Specialist (e.g., Accounting, Computer Systems, Human Resources)
A13	79,440	119,120	Economist, Attorney, Specialist (e.g., Accounting, Computer Systems, Human Resources)
A14	88,950	133,450	Deputy Division Chief, Senior Economist
A15/B1	100,530	150,810	Division Chief, Deputy Division Chief
B2	115,900	168,140	Division Chief
B3	137,720	179,020	Assistant Department Director, Advisor
B4	160,490	200,590	Deputy Department Director, Senior Advisor
B5	188,990	226,850	Department Director

¹The salary structure for IMF staff is intended to be internationally competitive to enable the IMF to secure highly qualified staff from all member countries. Salaries are reviewed annually by the Executive Board. The salaries are kept in line with the salaries for equivalent grades and positions in private sector financial and industrial firms and in representative public sector agencies, mainly in the United States. Because IMF staff other than U.S. citizens are usually not required to pay income tax on their IMF compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the public and private sector firms from which IMF salaries are derived.

Economist Program typically are completing a Ph.D. in macroeconomics or a related field, or have already finished their graduate studies and have one or two years' work experience. Economist Program participants who perform well during the two-year period are offered regular staff appointments.

During 1999, 128 staff separated from the organization. The separation rate of staff in professional and managerial grades declined to 5.9 percent (92 staff) in 1999 from highs of 8.1 percent (122 staff) in 1998 and 7.0 percent (104 staff) in 1997. The high turnover in 1997 and 1998 was largely the result of a sudden and sharp rise in resignations of economists joining private sector financial firms and a larger number of retirements, including those encouraged by incentives. The turnover rate in 1999 for staff in professional and managerial grades returned to the medium-term average (excluding 1997 and 1998) of 5.2 percent.

Stress on IMF Staff

Excessive work-related stress among IMF staff has grown steadily in recent years as a result of both internal and external expectations. Internally, a hard-driving work style, a need for more attention to the management of human resources, and the failure to provide sufficient additional resources—or reprioritize existing activities—when additional items are added to the work program have contributed to excessive stress. Most prominent among the external factors are the constant addition of new tasks for the IMF, given its need to adapt to the changing global economic environment.

Directors have expressed concerns about the heavy work pressures in the IMF, and at the end of 1999 a Working Group on Stress, appointed by management, submitted a report proposing a practical plan for reducing negative stress. Also, the IMF's Office of Internal Audit and Inspection completed, in March 2000, a review of personnel management practices in IMF departments. Finally, a survey by the IMF's Staff Association Committee suggested measures to address stress related to staff participating in missions to member countries. Building on these recommendations, the Human Resources Department prepared a comprehensive framework for introducing and monitoring stress-reducing initiatives:

- defining more clearly the work of the institution as a whole;
- finding new ways to prepare and prioritize the IMF's work program and ensure that departments have sufficient resources to meet work demands;
- improving managerial practices, which would entail adding staff resources and funding for specialized personnel, work program management, and budget management in departments and raising managerial training in the IMF to standards observed elsewhere;
- providing for more flexible work arrangements; and
- giving staff more information on how to deal with the stress they experience.

Salary Structure

To recruit and retain the staff it needs, the IMF has developed a compensation and benefits system

designed to be competitive, to reward performance, and to take account of the special needs of a multinational and largely expatriate staff. The IMF's staff salary structure is reviewed and, if warranted, adjusted annually on the basis of a comparison with salaries paid by selected private financial and industrial firms and public sector organizations in the United States, France, and Germany. On the basis of updated analyses of comparator salaries, the salary structure was increased by 4.1 percent for FY2000, and the Board approved an increase of 4.5 percent for FY2001 (see Table 8.1 for the IMF staff salary structure).

Management Remuneration

In mid-1999, the Executive Board established a Working Group on Management Remuneration to review and consider possible changes in the system for determining the remuneration of the Managing Director of the IMF. The Working Group was chaired by Executive Director Thomas A. Bernes; other members were Executive Directors Sulaiman M. Al-Turki, Roberto F. Cippa, Riccardo Faini, Stephen Pickford, and Hernan Oyarzabal.

The Working Group's formation was prompted by concerns that the prevailing process, in which the remuneration of the IMF's four management positions was considered separately and at different times, did not allow Executive Directors to take a comprehensive or integrated view of the compensation of the management team and staff, or to establish and maintain over time an appropriate and consistent structure of management remuneration. Also, the components of the Managing Director's remuneration—the base salary and the representation allowance—had become unbalanced, with too large a share of total remuneration provided through the allowance.

The proposals of the Working Group were considered by the Executive Board in March 2000. The Board approved the Working Group's proposal to maintain the total remuneration of the new Managing Director, Horst Köhler, at \$363,660—the same as for his predecessor, Michel Camdessus. Total remuneration will consist of a salary of \$308,460 and an allowance of \$55,200, reflecting a reduction relative to the previous Managing Director's allowance and a corresponding increase in salary. These amounts will be held constant in real terms throughout the five-year term of appointment through annual adjustments.

To appropriately reflect the responsibilities of each management position and the relationship between the management and staff salary structures, the salary structure for management, as of May 1, 2000, will be the following:¹

¹Remuneration of the three Deputy Managing Directors consists of salary only.

Table 8.2
**Nationality Distribution of Professional Staff
by Region**
(In percent)

Region ¹	1980	1990	1999
Africa	3.8	5.8	5.7
Asia	12.3	12.7	14.7
Japan	1.4	1.9	1.6
Other Asia	10.9	10.8	13.1
Europe	39.5	35.1	34.3
France	6.9	5.5	4.7
Germany	3.7	4.3	5.0
Italy	1.7	1.4	2.8
United Kingdom	8.2	8.0	6.6
BRO Countries ²	1.4
Other Europe	19.0	15.9	13.8
Middle East	5.4	5.5	5.6
Western Hemisphere	39.1	41.0	39.7
Canada	2.6	2.8	3.9
United States	25.9	25.9	25.2
Other Western Hemisphere	10.6	12.3	10.6
Total	100.0	100.0	100.0

¹Regions are defined on the basis of the country distribution of the IMF's area departments. The European region includes countries in both the European I and European II Departments. The Middle East region includes countries in North Africa.

²The Baltics, Russia, and other countries of the former Soviet Union.

Managing Director	\$308,460
First Deputy Managing Director	\$257,050
Deputy Managing Directors	\$244,810

The new management pay structure will be subject to a combination of periodic structural reviews by the Executive Board and annual revisions. It will be autonomous and not formally linked to remuneration in other international organizations.

At the same time as the new Managing Director's contract was approved, the Board endorsed other recommendations of the Working Group, among them, the need for greater public transparency on management remuneration. Therefore, details on total remuneration of IMF management will be included in the IMF's Annual Report, beginning with this edition.

Executive Board Remuneration

Upon the recommendation of the Board of Governors' Committee on the Remuneration of Executive Directors, the Governors approved from July 1, 1999, increases of 3.5 percent in the remuneration of Executive Directors and 4.1 percent in the remuneration of Alternates. The remuneration of Executive Directors is \$160,630, consisting of a salary of \$151,630 and a supplemental allowance of \$9,000. The remuneration

Table 8.3
Gender Distribution of Staff

Staff	1980		1990		1999 ¹	
	Number	Percent	Number	Percent	Number	Percent
All staff						
Total	1,444	100.0	1,774	100.0	2,275 ¹	100.0
Women	676	46.8	827	46.6	1,060	46.6
Men	768	53.2	947	53.4	1,215	53.4
Support staff						
Total	613	100.0	642	100.0	685 ¹	100.0
Women	492	80.3	540	84.1	586	85.5
Men	121	19.7	102	15.9	99	14.5
Professional staff						
Total	646	100.0	897	100.0	1,272 ¹	100.0
Women	173	26.8	274	30.5	436	34.3
Men	473	73.2	623	69.5	836	65.7
Economists						
Total	362	100.0	529	100.0	814	100.0
Women	42	11.6	70	13.2	173	21.3
Men	320	88.4	459	86.8	641	78.7
Specialized career streams						
Total	284	100.0	368	100.0	458	100.0
Women	131	46.1	204	55.4	263	57.4
Men	153	53.9	164	44.6	195	42.6
Managerial staff						
Total	185	100.0	235	100.0	318 ¹	100.0
Women	11	5.9	13	5.5	38	11.9
Men	174	94.1	222	94.5	280	88.1
Economists						
Total	99	100.0	184	100.0	251	100.0
Women	4	4.0	9	4.9	23	9.2
Men	95	96.0	175	95.1	228	90.8
Specialized career streams						
Total	86	100.0	51	100.0	67	100.0
Women	7	8.1	4	7.8	15	22.4
Men	79	91.9	47	92.2	52	77.6

¹Includes only staff on duty.

of Alternate Executive Directors is \$138,140, consisting of a salary of \$130,940 and a supplemental allowance of \$7,200.²

Diversity

The Executive Board continued to emphasize staff diversity as an important asset for improving the IMF's effectiveness as an international institution. The IMF's Special Advisor on Diversity, who reports to the Managing Director, designed a number of initiatives and indicators to strengthen and monitor nationality and gender diversity (Tables 8.2 and 8.3), as well as diversity management in the organization. The Special Advisor works closely with departments to identify

²These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.

needs and opportunities for promoting diversity and implementing departmental action plans, which have been prepared and monitored annually since 1996. In FY2000, departments continued to implement these plans, which typically included measures to help ensure grade and salary equity, initiatives in recruitment and career development, orientation and mentoring programs for newcomers, measures to improve communication and increase the transparency of information, and promotion of family-friendly work arrangements.

In addition, the IMF is placing greater emphasis on people management skills in the performance assessment of supervisors and in promotion decisions, which are of particular importance in an institution with a diverse workforce.

The departmental annual progress reports submitted to the Managing Director in FY2000 showed consistent improvements in diversity awareness, systematic effort, and management practices. Progress had been achieved in the recruitment, promotion, and overall representation of underrepresented staff groups and those earlier identified as having unequal career opportunities relative to others. These favorable trends were most visible among junior level staff. Only with persistent effort will the balance improve at managerial

levels. Achieving satisfactory diversity of staff in an institution that emphasizes career employment is a goal that will necessarily take time to achieve.

Administrative and Capital Budgets

The IMF's Administrative and Capital Budgets are considered in the context of rolling three-year and five-year medium-term budget plans that are reviewed each year by the Executive Board. During the period just prior to the Fall 1999 Annual Meetings, the Executive Board discussed and agreed on several new policy initiatives, which were then endorsed by the International Monetary and Financial Committee. The major new initiatives added to the IMF's agenda were:

- the establishment of Poverty Reduction Strategy Papers (PRSPs) as the basis for concessional lending under the Poverty Reduction and Growth Facility

(which replaced the Enhanced Structural Adjustment Facility); and the enhancement of the joint World Bank–IMF HIPC Initiative;

- the Financial Sector Assessment Program, also jointly with the World Bank; and
- work on international standards and codes, carried out with the active involvement of international organizations—including the World Bank—and a number of other standard-setting agencies.

In addition, Directors recognized that enhancements were needed in some of the IMF's traditional program activities, including surveillance, technical assistance, and external communications.

The five-year plan for the Capital Budget remained consistent with the strategy to continue and finalize the major building projects already approved (see below) and to continue with other capital investments that would result in cost savings—or that are required to comply with building codes or maintain existing buildings and equipment inventory.

Medium-Term Plans

Given the major new initiatives, establishing a framework for the IMF for the medium term posed challenges in terms of the magnitude of additional resources needed in the immediate future against the uncertainties about subsequent years. The planning began in early November 1999 with a series of meetings of the Committee on the Budget to consider the medium-term plans and resource implications of a number of initiatives already agreed upon in principle, and that were in their early stages of implementation. The planning process culminated in Board meetings in January and February 2000, at which Directors agreed there was justification for additional staffing and other resources in order to carry out the new initiatives without further aggravating work pressures on the staff. Given the uncertainty surrounding the world economic situation, and the difficulty in estimating resource needs for new activities, Executive Directors focused on the period immediately ahead. Against this background, the IMF's major budget objectives for FY2001 are to:

- Maintain and enhance its capacity to carry out the IMF's core work program—namely, surveillance, lending, and technical assistance.

Table 8.4

Estimated Cost of Major IMF Activities, Financial Years 1999–2001¹

(In millions of U.S. dollars)

Activity	Financial Year 1999	Percent of Total	Financial Year 2000	Percent of Total	Budget Financial Year 2001	Percent of Total
Staff and management						
Surveillance	135.6	26.0	151.7	26.0	181.0	27.9
Use of Fund resources	102.7	19.7	123.3	21.1	132.2	20.3
Technical assistance	109.3	21.0	109.3	18.7	131.6	20.3
External relations	24.0	4.6	30.5	5.2	33.9	5.2
Administrative support	98.5	18.9	114.2	19.6	113.2	17.4
Subtotal	470.1	90.3	529.0	90.7	591.9	91.1
Board of Governors and Executive Board ²	50.5	9.7	54.0	9.3	57.9	8.9
Total	520.6	100.0	583.0	100.0	649.8	100.0

Note: Because of rounding, details may not add to total.

¹Cost estimates for financial years 1999 and 2000 are based on year-end data and reflect a new cost allocation methodology when compared with prior year's Annual Reports.

²The Executive Board costs include salaries and benefits of Executive Directors and their Alternates, Advisors and Assistants; business and other travel; communications; building occupancy; books and printing; supplies and equipment; data processing; other miscellaneous costs of Executive Directors' offices, and the costs of staff support services provided for Executive Directors. The costs of the Board of Governors consist mainly of the travel and subsistence of Governors, the costs of staff support services provided for the Board of Governors, including the costs of the Annual Meetings, and other miscellaneous administrative services.

- Equip the organization to handle the new and expanded activities needed to improve the functioning of the international financial system—in particular, to increase transparency and improve the IMF's outreach to member countries, markets, and others; promote financial sector soundness and transparency in monetary and fiscal policies, standards, and data dissemination—as well as to play a role in promoting growth and poverty reduction in the poor countries eligible for the enhanced HIPC Initiative and the Poverty Reduction and Growth Facility.
- Continue to enhance the effectiveness and efficiency of IMF internal operations in the face of increasing demands, by streamlining internal work procedures, sharing tasks where possible with other organizations, and improving management of the staff's workload.

Budgets and Expenditure in FY2000

The IMF's Administrative Budget for the financial year ended April 30, 2000 (FY2000) was approved at \$575.8 million, net of reimbursements, and revised by a supplementary appropriation in January 2000 to \$585.1 million, net of reimbursements. For the Capital Budget, \$67.3 million was approved for projects beginning in FY2000 (\$18.0 million for building facility projects, \$29.3 million for electronic data processing (EDP) and information technology projects, and \$20.0 million for the new building design and precon-

Table 8.5
Administrative and Capital Budgets, Financial Years 1998–2001¹
(Values expressed in thousands of U.S. dollars)

	Financial Year Ended April 30, 1998: Actual Expenses	Financial Year Ended April 30, 1999: Actual Expenses	Financial Year Ended April 30, 2000: Actual Expenses	Financial Year Ending April 30, 2001: Budget
Administrative Budget				
I. Personnel Expenses				
Salaries	229,150	249,171	267,723	297,475
Other personnel expenses	117,213	122,039	149,397	153,666
Subtotal	346,363	371,210	417,120	451,141
II. Other expenses				
Business travel	46,831	47,128	48,845	59,983
Other travel	28,010	28,072	35,633	36,819
Communications	10,506	10,963	11,571	14,708
Building occupancy	42,877	44,927	48,071	54,696
Books and printing	9,669	9,704	11,566	12,939
Supplies and equipment	8,164	9,542	8,474	10,114
Data processing	25,765	26,018	24,986	30,147
Miscellaneous	12,930	13,560	18,004	18,220
Subtotal	184,752	189,914	207,149	237,625
III. Reimbursements	-35,836	-40,506	-41,279	-38,975
Total Administrative Budget	495,279	520,619	582,991	649,790
Less: Reimbursement for administering the SDR Department	-6,000	-4,767	-4,533	
Reimbursement for administering the SAF/PRGF	... ²	... ³	... ⁴	
Net Administrative Budget expenses ⁵	489,279	515,852	578,458	
Capital Budget				
Capital project budgets ⁶	27,240	14,440	67,330	50,600
Capital project disbursements	56,150	43,903	39,339	

¹Administrative Budget as approved by the Board for the financial year ending April 30, 2001, compared with actual expenses for the financial years ended April 30, 1998, April 30, 1999, and April 30, 2000; and Capital Budgets as approved by the Board for capital projects in financial years 1998, 1999, 2000, and 2001. Because of rounding, details may not add to total.

²The reimbursement of \$55,500 was not included in the Administrative Budget by Executive Board decision.

³The reimbursement of \$56,180 was not included in the Administrative Budget by Executive Board decision.

⁴The reimbursement of \$62,651 was not included in the Administrative Budget by Executive Board decision.

⁵Net Administrative Budget expenses exclude valuation or loss on administrative currency holdings.

⁶Multiyear Capital Budgets for projects beginning in each financial year.

struction). The estimated cost of major IMF activities is shown in Table 8.4. Actual administrative expenditures during the year totaled \$583.0 million, and capital project disbursements totaled \$39.3 million, including \$8.5 million for major building projects (Table 8.5).

During FY2000, Administrative Budget resources were used to support the IMF's work in the following proportions: surveillance and use of IMF resources, with 130 countries classified as program-intensive, and technical assistance (66 percent of expenses); external relations activities to continue to provide greater transparency of the IMF's policies and operations (5 percent); administrative support, where investments in technology and work practice improvements continue to produce savings in the

diverse activities within this category (20 percent); and Board of Governors and Executive Board (9 percent). The distribution of estimated administrative costs by major IMF activities is shown in Figure 8.2.

Budgets and Expenditure in FY2001

The Executive Board approved in April 2000 an Administrative Budget for FY2001 of \$649.8 million, net of reimbursements, an 11.1 percent increase over the revised budget for the previous year. In addition, a capital projects budget of \$50.6 million was approved for building facility projects, electronic data processing equipment, and major software development. The FY2001 Administrative Budget includes a net increase of 108 positions in the authorized staffing level (a total of 130 positions offset by savings of 22 positions from

the internal review process and savings in other activities). Most of the new positions are earmarked for work related to the major new initiatives:

- The preparation of assessments and programs for member countries jointly with the World Bank in the context of the Poverty Reduction and Growth Facility (PRGF), including work on debt relief under the Initiative for Heavily Indebted Poor Countries.
- The Financial Sector Assessment Program (FSAP), also in collaboration with the World Bank, will become an instrument of IMF surveillance to promote financial sector soundness and reduce the risk of crisis by detecting vulnerabilities and identifying corrective policies at an early stage.
- The work on standards and codes will focus on assessments of data dissemination practices, fiscal transparency, monetary and/or financial policy transparency, and banking supervision.

Most of the remaining positions are for planned enhancements to ongoing activities:

- The IMF's work program on surveillance will be strengthened on the basis of recommendations from recent external reviews.
- In the area of technical assistance, the links between technical assistance and surveillance are to be strengthened through Technical Consultations and Technical Cooperation Action Plans. The program of training officials from member countries will also be broadened, and some resources will be set aside to meet demands for technical assistance from member countries associated with PRGF work.
- The IMF is also reshaping its strategy for external communication. The main goals are to support the IMF's increasing openness and transparency in general, which should in turn improve public understanding of the IMF's work and strengthen communications with the private financial sector.
- A pilot program is to be initiated for the assessment of central bank safeguards on the use of IMF financial resources. Work on improving fiscal data in program countries will also be strengthened.

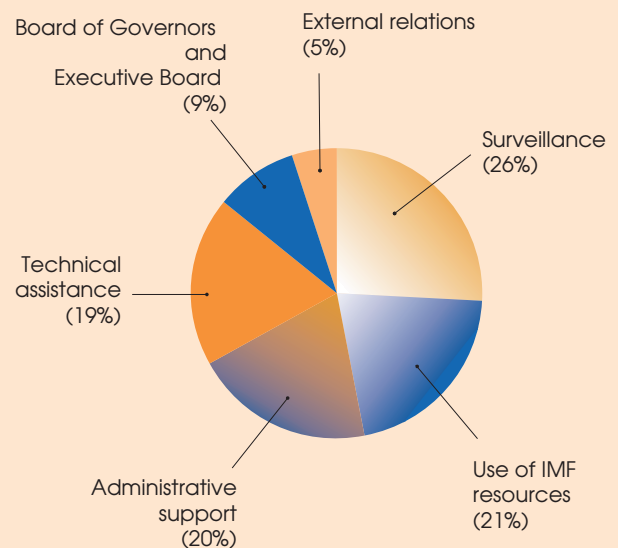
The Capital Budget represents a continuation of plans for completing major building projects, replacing older facilities and electronic data processing equipment, and major software development projects.

Buildings

The addition to the IMF headquarters building (Phase III), completed in late 1998, hosted for the first time many of the functions of the 1999 Annual Meetings. The Executive Board approved a proposal in late 1999 to construct a new building on property owned by the IMF immediately adjacent to the headquarters building. Plans are under way to complete the project by 2005. Under current staffing projections, when the new building is complete, the IMF will no

Figure 8.2
Estimated Cost of Major Activities,
Financial Year 2000

(As a percent of total costs)



Note: Information is based on outturn of expenditures in financial year 2000. The cost of general supervision, training, professional development, and leave has been distributed proportionally to each of the other categories. Because of rounding, components may not add to total.

longer need to lease space in downtown Washington. This will reduce overall occupancy costs and realize the IMF's long-term goal of housing all staff in owned space.

Selection of New Managing Director

Following the announcement by Michel Camdessus in November 1999 of his intention to step down as Managing Director, the Executive Board embarked on a process to select a successor. Executive Directors agreed to choose the Managing Director by consensus, which would be achieved through discussion and flexibly structured steps intended to narrow the range of candidates to one.

Directors held several discussions, under the chairmanship of the Dean of the Executive Board (the longest-serving Executive Director). Following these discussions and consultations in capitals, the choice of candidates was progressively narrowed down to one candidate. On March 23, 2000, the Executive Board, by a unanimous vote, selected Horst Köhler as Managing Director.

Mr. Köhler, 57, a national of Germany, was, prior to joining the IMF on May 1, 2000, President of the

European Bank for Reconstruction and Development, a post to which he was appointed in September 1998. Prior to that, Mr. Köhler was President of the German Savings Bank Association from 1993 to 1998. From 1990 to 1993, he served as Germany's Deputy Minister of Finance, responsible for international financial and monetary relations. During this time, he led negotiations on behalf of the German government on the agreement that became the Maastricht Treaty on European Economic and Monetary Union, was closely involved in the process of German unification, and was Deputy Governor for Germany at the World

Bank. He was personal representative ("sherpa") of the Federal Chancellor in the preparation of the Group of Seven Economic Summits in Houston (1990), London (1991), Munich (1992), and Tokyo (1993).

Mr. Köhler earned a doctorate in economics and political sciences from the University of Tübingen, where he was a scientific research assistant at the Institute for Applied Economic Research from 1969 to 1976. After completing his education, he held various positions in Germany's Ministries of Economics and Finance between 1976 and 1989.

