Technical assistance and training

CHAPTER | 6

Besides offering policy advice to member countries in connection with its surveillance of their economies and its lending programs, the IMF provides technical assistance and training for officials, mostly free of charge, to developing countries upon request.

The IMF spends about $80 million annually on technical assistance and training designed to help member countries build knowledge, skills, and stronger institutions in the areas in which the Fund has expertise, such as fiscal, monetary, and foreign exchange policies; central banking; financial regulation and supervision; budgetary management; and economic statistics. Nearly 70 percent of IMF spending on technical assistance goes to countries with annual GDP below $1,000 per capita.

The Fund also cooperates closely with a number of other providers of technical assistance to leverage its own efforts. For example, the FIRST Initiative (Financial Sector Reform and Strengthening), a $53 million multidonor program, has undertaken 23 projects in close partnership with the Fund, to which it has committed over $2.6 million. Most of these projects are aimed at following up on recommendations made under the joint IMF–World Bank Financial Sector Assessment Program (FSAP). In total, the FIRST Initiative has undertaken 46 FSAP-related projects at a cost of nearly $8 million.

IMF technical assistance is offered by different departments in the Fund—the Monetary and Financial Systems Department and the Fiscal Affairs Department are the biggest providers—and is coordinated and monitored by the Office of Technical Assistance Management (OTM) in the Office of the Managing Director. Training is provided by the IMF Institute, in collaboration with other departments, at headquarters, in the field, and through regional training institutes.

Technical assistance is delivered in a variety of ways. IMF staff may be sent to member countries to advise government and central bank officials on specific issues, or the Fund may provide specialists on a short- or a long-term basis. Since 1993, the Fund has provided a small but increasing part of its technical assistance through regional centers.

The regional technical assistance centers are guided by steering committees with representatives from participating countries and supporting donor agencies, as well as observers from regional institutions involved in capacity building. Each country appoints a representative and an alternate to the committee. Center coordinators, who are IMF staff members, have responsibility for the day-to-day management of the centers. With the opening of a new center in the Middle East (METAC) in October 2004, five centers have now been established with the Fund's assistance: two in Africa (West AFRITAC, based in Bamako, Mali, and serving western Africa, and East AFRITAC, based in Dar es Salaam, Tanzania, and serving eastern Africa), and one each in the Caribbean (CARTAC) and the Pacific (PFTAC) regions, in Barbados and Fiji, respectively. Based in Beirut, Lebanon, METAC serves Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, the West Bank and Gaza, and Yemen. It focuses on helping post-conflict economies in the region restore macroeconomic stability and develop basic institutions for policymaking. In October 2004, the IMF decided to extend CARTAC's mandate (which was due to expire in early 2005) through 2007. CARTAC, which was established in 2001, provides technical assistance and training to 20 Caribbean island countries and territories. It is supported by the IMF and eight bilateral and multilateral donors.

During FY2005, the Fund expanded its efforts in priority areas, sought to leverage its resources by cooperating with other providers of technical assistance and by mobilizing external funding, and continued to review the effectiveness of its technical assistance.

Technical assistance delivery in FY2005

Technical assistance efforts were expanded and strengthened in FY2005 in a number of priority areas, including trade facilitation, reflecting how critical trade liberalization is to low-income countries' efforts to stimulate growth (Box 6.1).

The IMF–World Bank Financial Sector Assessment Program, which is important in informing IMF surveillance,

Slovenia

Against a backdrop of prudent macroeconomic policies, a gradualist approach to structural reform, and political and social cohesiveness, Slovenia has experienced average annual real GDP growth of about 4 percent and macroeconomic stability since 1995. Thanks to a conservative fiscal policy, which has kept the deficit below 1½ percent of GDP, and a high private saving rate, its external position is balanced. Its monetary framework has been unorthodox: interest rates were adjusted in response to inflation dynamics and expectations, while the exchange rate was managed so as to discourage interest-sensitive capital inflows.

Slovenia joined the European Union on May 1, 2004, and entered the ERM2 (exchange rate mechanism) on June 28, 2004. Slovenia is well poised to achieve its goal of adopting the euro in January 2007; it already complies with all of the Maastricht criteria except for the one on inflation. To further reduce inflation, which declined to 3.6 percent in 2004 from 8 percent, the authorities are maintaining a stringent fiscal policy, tight monetary conditions, wage moderation, and restraint in administrative price adjustments.

Slovenia is the only transition country that has not had a Fund-supported program, although it has received technical assistance. Its financial sector has been assessed under the Financial Sector Assessment Program (FSAP) and subsequently updated, and the Fund has also completed a number of Reports on the Observance of Standards and Codes (ROSCs) for Slovenia.

Slovenia-IMF activities during FY2005

April–May 2004	The Fund provides technical assistance on performance information to support better budgeting
May 2004	Completion of 2004 Article IV consultation; publication of Financial Sector Stability Assessment update, with ROSCs on banking and insurance supervision
July 2004	Staff visit
November 2004	Technical assistance on recording transactions in international trade in services
March 2005	Discussions on 2005 Article IV consultation

also supports members' efforts to build better institutions in the financial sector (see Chapter 2), in part by providing a timeline and prioritization for technical assistance after an assessment is made. The Fund held a seminar in June 2004 to familiarize country officials with FSAP methodologies and tools.

Following the Executive Board's discussion in July 2004 of the Biennial Review of Surveillance, at which Executive Directors emphasized the need to focus more closely on exchange rate issues, at a seminar in December 2004, the Board discussed a staff paper providing guidance to countries wishing to move from a fixed to a floating exchange rate, drawing on the experience of countries that have successfully made such a transition (see Chapter 2). Follow-up work has begun on developing practical advice in areas highlighted by the Board, such as the speed and sequencing of a move toward floating, measures to avoid disorderly exits from a fixed exchange rate regime, factors that make orderly exits durable, and development of an adequate risk-management system.

Fund staff have held several regional meetings to disseminate key findings of the staff paper "Monetary Policy Implementation at Different Stages of Market Development," which was discussed by the Board in November 2004 (see Chapter 2), and seek feedback from member countries. In March 2005, a regional outreach meeting for the Pacific Islands was held at the Reserve Bank of Fiji, in cooperation with the Pacific Financial Technical Assistance Center (PFTAC). A similar event was held in cooperation with the Caribbean Center for Monetary Studies in May 2005. Several other activities are planned for next year, in cooperation with the technical assistance centers in Africa and the Middle East. The events held so far confirmed the key conclusions of the study, while allowing Fund staff to appreciate the specific constraints to monetary policy implementation in countries with shallow markets. They provided useful material for the development of a menu of options for monetary policy implementation in countries at different stages of market development.

The first phase of the assessment of offshore financial sectors, which began in 2000, was virtually complete by the end of FY2005, and Anti-Money-Laundering/Combating the Financing of Terrorism (AML/CFT) assessments were being complemented with expanded delivery of technical assistance for the areas covered under the revised standard—the 40 + 8 Recommendations of the Financial Action Task Force (FATF) endorsed by the IMF's Board in March 2004. Since 2001, the Fund has conducted numerous awareness-raising seminars, as well as training workshops, around the world to sensitize member country authorities to the international standards on AML/CFT and issues directly affecting their countries. The Fund's work on AML/CFT is undertaken in close collaboration with the FATF, the

FATF-style regional bodies, and the United Nations.

In the area of data quality and governance practices, in December 2004, the IMF posted a *Draft Guide on Resource Revenue Transparency* on its website, seeking comments from the general public. The *Guide* is intended to help countries address the governance and transparency issues that arise in managing resource revenues from extractive industries such as oil, gas, and mining (see Chapter 2).

In February 2005, the Executive Board held a seminar on IMF technical assistance to post-conflict countries in the monetary and fiscal areas. Directors noted that the Fund had an important role to play, in collaboration with country authorities and other donors, in rebuilding key institutions to help restore macroeconomic stability and lay the basis for sustainable growth in such countries. (See Chapter 3 for a description of Fund emergency lending in post-conflict countries.)

One way the IMF measures its technical assistance is by tracking the time spent helping countries. In FY2005 the IMF provided the equivalent of almost 381 person-years of technical assistance. This was 4 percent higher than in FY2004 and over 80 person-years higher than a decade ago (300.5 person-years in FY1995).

Reflecting new needs within program areas, technical assistance in FY2005 increased for policy reform and capacity building, including efforts by countries aiming to meet international standards and codes and to achieve financial sector improvements. Technical assistance for the Heavily Indebted Poor Countries (HIPC) Initiative declined, reflecting the maturing of the program (Table 6.1).

Of all the regions, sub-Saharan Africa continued to receive the largest, and an increasing, share of IMF technical assistance. Technical assistance also increased, and has remained high, in the Asia-Pacific region, in part because of the assistance provided to post-conflict countries such as Cambodia and Timor-Leste, and support for reforms in China, Indonesia, and Mongolia. Technical assistance to other geographical regions, as well as for interregional

Box 6.1 Trade-related technical assistance and institution building

The August 2004 World Trade Organization (WTO) agreement setting up the negotiation frameworks and modalities for the Doha Round of trade talks called on the Fund and other international agencies to provide technical assistance for trade facilitation. The Fund and other agencies subsequently set up an information network that enables them to respond efficiently to specific needs for assistance.

The principal source of the Fund's trade-related technical assistance is the Fiscal Affairs Department (FAD), which provides assistance on customs administration modernization and tariff reform. The Fund's technical assistance in customs administration is strategic in nature, aimed at providing the overall framework for reform and continuing oversight, with other donors providing support on specific aspects. In contrast, technical assistance in trade policy usually takes the form of "one-off" missions that often have a wider tax focus than tariffs alone, given that countries lowering tariffs must compensate for reduced trade revenues by strengthening domestic tax collection. Overall, FAD has seen a modest increase in trade-related technical assistance missions in recent years. To varying degrees, the Fund's regional technical assistance centers also provide help in this area.

With other international partners, the Fund has been engaged in a joint effort to promote the mainstreaming of trade in poverty reduction strategies and trade-related technical assistance and capacity building. At the core of this agenda has been the Fund's involvement in the Integrated Framework (IF), a cooperative effort of six agencies—the IMF, the International Trade Center, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), the World Bank, and the World Trade Organization, which is the chair—with the participation of bilateral donors and developing countries. The IF coordinates the preparation of Diagnostic Trade Integration Studies in developing countries, often prepared under the leadership of the World Bank with contributions from the Fund. The studies identify policy and assistance priorities ("action matrix"), which are reviewed in national workshops that include government, the private sector, and civil society, with the objective of integrating them into national development and poverty reduction strategies. The action matrices are presented to donors for funding, as appropriate, but the IF also has a small funding capability of its own for capacity-building projects that require rapid follow-up. (See Box 2.1 for a discussion of the Fund's role in trade policy.)

Table 6.1 Technical assistance program areas, FY2003–05

(Field delivery in person-years)[1]

	FY2003	FY2004	FY2005
Main program areas			
Crisis prevention	34.9	34.8	27.7
Poverty reduction	60.8	57.0	58.5
Crisis resolution and management	26.3	25.2	23.6
Post-conflict/isolation	30.4	27.2	28.1
Regional	41.2	57.0	63.8
Total	**193.6**	**201.1**	**201.6**
Key policy initiatives and concerns			
Assistance on standards and codes, excluding FSAP	18.1	21.7	14.8
FSAP-related	6.0	9.9	15.4
HIPC-associated	16.8	11.5	5.7
Offshore financial centers and AML/CFT	10.4	8.6	11.3
Policy reform/capacity building	142.3	147.4	154.4
Other	–	1.9	–
Total	**193.6**	**201.1**	**201.6**

Source: IMF Office of Technical Assistance Management.
Note: FSAP = Financial Sector Assessment Program; HIPC = Heavily Indebted Poor Countries Initiative; AML/CFT = Anti-Money-Laundering and Combating the Financing of Terrorism.
[1]Excludes headquarters-based activities related to technical assistance. An effective person-year of technical assistance is 260 days.

Table 6.2 Technical assistance resources and delivery, FY2001–05

(In effective person-years)[1]

	FY2001	FY2002	FY2003	FY2004	FY2005
IMF technical assistance budget	**265.5**	**268.8**	**262.2**	**262.1**	**283.4**
Staff	171.8	172.2	174.1	186.1	195.6
Headquarters-based consultants	22.7	23.2	20.1	20.6	27.4
Field experts	71.0	73.4	68.0	55.4	60.4
External technical assistance resources	**77.7**	**77.8**	**93.5**	**105.3**	**97.1**
United Nations Development Program	8.4	9.6	9.6	8.1	5.8
Japan	59.5	56.2	61.9	61.6	52.5
Other cofinanciers	9.8	12.0	22.0	35.6	38.9
Total technical assistance resources	***343.3***	***346.6***	***355.7***	***367.4***	***380.6***
Technical assistance regional delivery[2]	**275.8**	**280.0**	**286.5**	**291.1**	**301.4**
Africa	68.2	71.9	72.1	83.8	86.9
Asia and Pacific	57.0	63.1	67.5	69.0	68.2
Europe I	30.2	30.3	27.7	–	–
Europe II	40.8	32.6	25.1	–	–
Europe	–	–	–	35.5	34.5
Middle East	27.8	22.4	26.5	–	–
Middle East and Central Asia	–	–	–	40.1	45.1
Western Hemisphere	23.7	28.0	32.6	26.6	32.7
Regional and interregional	28.0	31.7	35.1	36.0	33.9
Technical assistance nonregional delivery[3]	**67.5**	**66.6**	**69.2**	**76.4**	**79.2**
Total technical assistance delivery	***343.3***	***346.6***	***355.7***	***367.4***	***380.6***
Technical assistance delivery by Fund department					
Fiscal Affairs Department	111.9	97.5	94.3	95.6	99.5
Monetary and Financial Systems Department	101.2	115.5	120.0	122.0	127.0
Statistics Department	48.2	49.2	55.7	59.0	53.1
IMF Institute	54.4	56.0	55.4	53.6	57.0
Legal Department	15.4	15.5	19.6	23.9	23.5
Other[4]	12.2	12.9	10.7	13.3	20.4

Source: IMF Office of Technical Assistance Management.

[1]An effective person-year of technical assistance is 260 days. New definition used since 2001; data adjusted retroactively.

[2]In FY2004 the former European II Department was dissolved, and its countries were absorbed by the new European Department and Middle East and Central Asia Department.

[3]Indirect technical assistance, including technical assistance policy, management, evaluation, and other related activities.

[4]Includes the Fund's Policy Development and Review Department, the Technology and General Services Department, and the Office of Technical Assistance Management.

projects, remained broadly the same as over the past three years (see Table 6.2 and Figure 6.1).

The Monetary and Financial Systems Department remained the largest technical assistance provider among Fund departments, delivering some 127 person-years of assistance, reflecting the Fund's financial sector initiatives. The Fiscal Affairs Department, the IMF's second-largest technical assistance provider, increased its delivery level to 99.5 person-years. While the Statistics Department's technical assistance delivery was a little lower than in the previous year, the Legal Department maintained its level of technical assistance with its continuing involvement in activities to combat money laundering and the financing of terrorism (see Table 6.2 and Figure 6.2). During FY2005, the International Capital Markets Department began to provide technical assistance in the areas of investor relations programs, certain aspects of liability management, and development of local capital markets.

IMF Institute

The IMF Institute trains officials from member countries through courses and seminars focused on four core areas—macroeconomic management, and financial, fiscal, and external sector policies. Courses and seminars are delivered by Institute staff and by staff from other IMF departments, occasionally assisted by outside academics and experts, at IMF headquarters in Washington, D.C., and at various overseas locations. Some preference in acceptance is given to officials from developing and transition countries.

In FY2005, the IMF Institute, with the assistance of other IMF departments, delivered 124 courses for officials, attended by about 3,900 participants (see Table 6.3). About two-thirds of this training in terms of the number of courses, and about one-half in terms of participant-weeks, were provided through the IMF's six regional training institutes, which are located in Austria, Brazil, China, Singapore, Tunisia, and the United Arab Emirates (see Table 6.4). Training in Washington, D.C., where courses are longer, continued to play an important role, accounting for about a third of participant-weeks. The remainder of the training was at overseas locations outside of the IMF regional network, largely as part of ongoing collaboration between the IMF Institute and national or regional training programs, and in the form of distance-learning courses, the latter including residential segments held in Washington, D.C.

The number of training courses and seminars rose by over 3 percent in FY2005 and the number of participant-weeks rose by over 4 percent. Almost two-thirds of the increase in participant-weeks of training reflected an expansion of the distance-learning program. Two distance-learning courses were added for African officials, with funding from the French and U.K. governments. Training delivery in FY2005 was also facilitated by a full year of training at the Joint Africa Institute following its move from Côte d'Ivoire to Tunisia in FY2004.

The IMF Institute has continued to pay close attention to developing its curriculum and adapting its program to the

Figure 6.1 Technical assistance by region, FY2005

(As a percent of total regional delivery, in effective person-years)

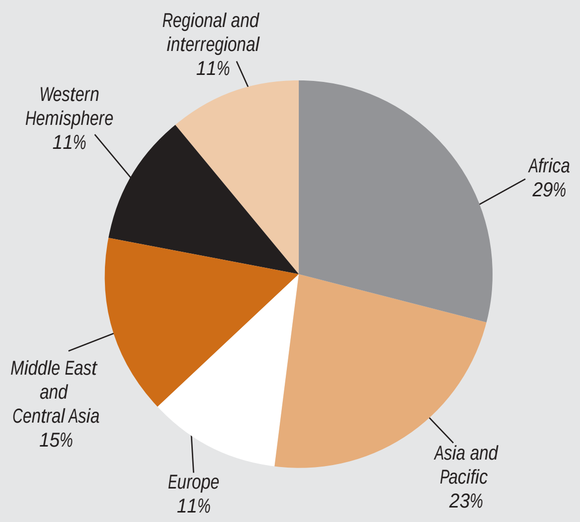
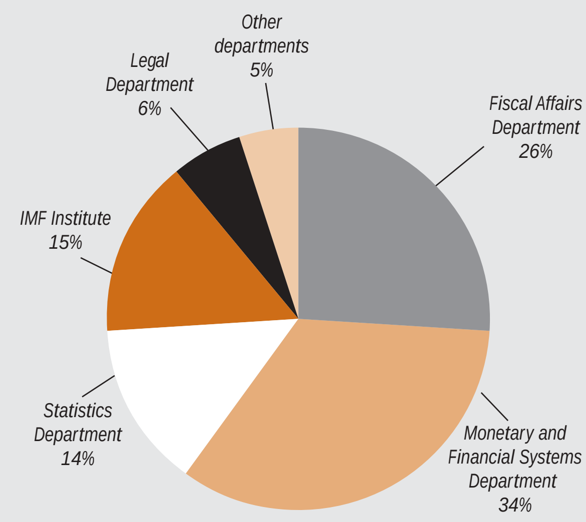


Figure 6.2 Technical assistance by department,FY2005

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



needs of member countries. In FY2005, new courses were delivered on such topics as Fiscal Decentralization, and Macroeconomic Management and Debt Issues. The Institute also delivered its first French-language distance-learning course, on Financial Programming and Policies, and also delivered for the first time an Arabic version of the course on Macroeconomic Management and Financial Sector Issues. There was increased training in the area of anti-money-laundering and combating the financing of terrorism, in support of IMF initiatives in this area. The Institute has also continued to provide, both in Washington, D.C., and through the regional institutes and programs, short seminars tailored to the needs of high-level officials on key current issues. In FY2005, the seminars covered topics such as Arab Economic Integration, Asset Securitization and Structured Finance, Challenges of Reforming Tax and Customs Administrations, China's Foreign Exchange System, and Foreign Aid and Macroeconomic Management.

External financing

The IMF finances its technical assistance and training mainly from its own resources, but external financing provides an important complement. External financing is provided in the form of grants, mainly under the IMF's Framework Administered Account for Technical Assistance Activities but also through cost-sharing arrangements with the United Nations Development Program (UNDP) and, in a small number of cases, direct reimbursement arrangements. In FY2005, three new subaccounts were established under the umbrella Framework Administered Account, for a total of 19 subaccounts. The three new subaccounts were the Middle East Regional Technical Assistance Center Subaccount, the Technical Assistance Subaccount to Support Macroeconomic and Financial Policy Formulation and Management, and the Spain Technical Assistance Subaccount. These subaccounts now include five multidonor subaccounts to support the PFTAC, the AFRITACs, METAC, technical assistance to Iraq, and technical assistance for macroeconomic and financial policy formulation and management.

In FY2005, external financing accounted for 26 percent of total assistance delivered by the IMF. Japan remained the largest single donor, providing some 54 percent of all external finance for technical assistance. Other bilateral donors were Australia, Austria, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, the Russian Federation, Singapore, Sweden, Switzerland, the United Kingdom, and the United States. Multilateral donors were the African Development Bank, the Arab Monetary Fund, the Asian Development Bank, the European Commission, the Inter-American Development Bank, the United Nations, the UNDP, and the World Bank.

Reviewing and enhancing effectiveness

In FY2005, the IMF's Independent Evaluation Office (IEO) completed a report on the Fund's technical assistance pro-

Table 6.3 IMF Institute training programs for officials, FY2001–05

	FY2001	FY2002	FY2003	FY2004	FY2005
Headquarters training					
Courses and seminars	21	18	20	18	20
Participants	760	695	698	614	713
Participant-weeks	3,584	2,718	3,009	2,764	2,900
Regional training institutes and programs[1]					
Courses and seminars	64	73	73	82	85
Participants	1,998	2,291	2,302	2,607	2,572
Participant-weeks	3,691	4,261	3,969	4,449	4,509
Other overseas training					
Courses and seminars	19	16	17	18	16
Participants	569	439	496	551	507
Participant-weeks	1,050	828	899	949	857
Distance learning[2]					
Courses	1	3	3	2	3
Participants	40	120	110	72	112
Participant-weeks	166	551	490	344	607
Total courses and seminars	**105**	**110**	**113**	**120**	**124**
Total participants	**3,367**	**3,545**	**3,606**	**3,844**	**3,904**
Total participant-weeks	**8,491**	**8,358**	**8,367**	**8,506**	**8,872**

Source: IMF Institute.

[1]Includes Joint Vienna Institute (established in 1992), IMF-Singapore Regional Training Institute (1998), IMF-AMF (Arab Monetary Fund) Regional Training Program in the United Arab Emirates (1999), Joint Africa Institute in Côte d'Ivoire and Tunisia (1999), Joint China-IMF Training Program (2000), and Joint Regional Training Center for Latin America in Brazil (2001). Data do not include courses offered by the African Development Bank and the World Bank at the Joint Africa Institute, or those offered by the Austrian authorities at the Joint Vienna Institute.

[2]To avoid double counting, only the residential segment is counted in the number of courses and seminars and the number of participants. Participant-weeks include both the distance and the residential segments. In FY2005, four distance segments were completed. The residential segment for one of these courses will take place in FY2006.

gram (see Chapter 7 for a more detailed description of IEO's responsibilities and activities), and OTM commissioned an independent evaluation of the AFRITACs as part of its formal evaluation program, which was launched in April 2003 (see Table 6.5 for other evaluations planned during FY2006–07).

IEO evaluation of technical assistance

In February 2005, the Executive Board reviewed the IEO's report on the Fund's technical assistance (TA) program. Directors highlighted the increasingly important role that Fund technical assistance plays in responding to the diverse needs of member countries, particularly in the areas of policy design and implementation, and capacity building. They concurred that the Fund's key strengths in providing technical assistance were its ability to respond quickly, to tailor advice to members' circumstances, and to produce high-quality analysis based on effective quality control. As for areas for improvement, there was a need to introduce a more medium-term perspective for setting technical assistance strategy and priorities; strengthen the tracking and evaluation of technical assistance implementation and results; enhance country ownership; and revisit the need for prioritization filters.

As recognized in the IEO report, the Fund has been taking steps in these areas, for instance with the introduction of departmental technical assistance strategy notes, a planned pilot to provide technical assistance summaries in selected Article IV reports, the launch of the technical assistance evaluation program in 2003, and the development of the Fund-wide Technical Assistance Information Management System (TAIMS—see Box 6.2). At the same time, however, improving the effectiveness of technical assistance remains a challenge, and Directors considered how the IEO's six major recommendations could advance this effort:

- Recommendation 1. The IMF should develop a medium-term country policy framework for setting TA priorities, incorporating country-specific strategic directions and linked to more systematic assessments of factors underlying past performance.
- Recommendation 2. The IMF should develop more systematic approaches to track progress on major TA activities and to identify reasons behind major shortfalls.
- Recommendations 3 and 4. Greater involvement by the authorities and counterparts in the design of TA activities and arrangements for follow-up should be emphasized as a signal of ownership and commitment. Stronger efforts should be made by TA experts to identify options and discuss alternatives with local officials prior to drafting TA recommendations.
- Recommendation 5. The program of ex post evaluations of TA should be widened and more systematic procedures of disseminating lessons put in place, thereby strengthening recent trends, including through periodic stocktaking exercises and regular reviews.
- Recommendation 6. The prioritization filters should be discontinued or replaced by ones that would more effectively guide TA allocation.

Directors agreed with the recommendation that the IMF should develop a medium-term country policy framework for setting technical assistance priorities that incorporates country-specific strategic directions and is linked to the

Table 6.4 IMF Institute regional training programs

	Date established	Location	Cosponsors	Intended participant countries
Joint Vienna Institute	1992	Austria	Austrian authorities, European Bank for Reconstruction and Development, Organization for Economic Cooperation and Development, World Bank, and World Trade Organization[1]	Transition countries in Europe and Asia
IMF-Singapore Regional Training Institute	1998	Singapore	Government of Singapore	Developing and transition countries in Asia and the Pacific
IMF-AMF Regional Training Program	1999	United Arab Emirates	Arab Monetary Fund	Member countries of the Arab Monetary Fund
Joint Africa Institute[2]	1999	Tunisia	African Development Bank, World Bank	African countries
Joint China-IMF Training Program	2000	China	People's Bank of China	China
Joint Regional Training Center for Latin America	2001	Brazil	Government of Brazil	Latin American countries

[1]A number of other European countries and the European Union, although not formal sponsors of the Joint Vienna Institute, provide financial support.
[2]In 2003, the Joint Africa Institute shifted its operations temporarily from Côte d'Ivoire to Tunisia, owing to the security situation in Côte d'Ivoire.

more systematic assessment of factors underlying past performance. In particular, most Directors agreed that the Poverty Reduction Strategy Papers drawn up by low-income countries (see Chapter 4) should serve as a vehicle for identifying medium-term technical assistance needs and improving coordination among various agencies. Directors also saw value in the evolution of annual Resource Allocation Plans (RAPs) toward a multiyear framework, consistent with the IMF's move to a three-year budget framework; in area departments taking a central role in developing country frameworks that would help prioritize technical assistance needs; and in the Fund's resident representatives in member countries also contributing to the identification of technical assistance needs and the monitoring of delivery. Such a framework would allow a comparison of needs for technical assistance across sectors and countries, and enhance the Fund's ability to meet them. It would also provide a means of identifying emerging pressure points that might call for a reallocation of resources across the Fund's departments

Table 6.5 Technical assistance (TA) evaluation program—FY2006–07

Subject of evaluation report	Financial year
TA on tax policy in countries facing a loss of revenue as a result of trade and tariff reform	2006
Capacity-building TA in four selected countries in the monetary and financial systems area	
TA in anti-money-laundering and combating the financing of terrorism	2007
Revenue administration—TA to Middle Eastern countries	
Revenue administration—TA to Southeast Asia	
General Data Dissemination System (GDDS)—Regional technical assistance projects	

that provide technical assistance. Prioritization of the uses of resources should flow from a shared vision of the Fund's overall medium-term objectives, while the Fund should retain the flexibility to respond to members' urgent needs. Functional departments should remain responsible for ensuring the quality of technical assistance and for devising technical assistance strategies in their sectors, as well as for the choice of the most effective way of delivery. In this context, Directors generally supported the view that country authorities should ultimately be responsible for coordinating technical assistance, although the Fund might need to work more closely with other agencies and donors in cases of weak capacity in member countries.

Directors also supported the recommendation that IMF staff and the authorities agree at the outset of major technical assistance projects on measurable indicators of progress. They noted that TAIMS could become the vehicle through which enhanced, transparent, and standardized monitoring practices are implemented across the institution.

Greater involvement by the authorities and counterparts in the design of technical assistance activities and arrangements for follow-up should be emphasized as a signal of ownership and commitment. Stronger efforts should be made by technical assistance experts to identify options and discuss alternatives with local officials prior to drafting technical assistance recommendations. Directors concurred that greater involvement and ownership by the recipient authorities and discussion of options were crucial to greater technical assistance effectiveness and to enhancement of local capacity.

Directors recommended that the program of ex post evaluations of technical assistance be widened, and more

Box 6.2 Technical Assistance Information Management System (TAIMS)

During FY2005, the IMF launched the first phase of TAIMS, a multiyear information technology project that will bring industry best practices to the Fund in the delivery and management of technical assistance. It will also provide the Fund with the tool it needs for the effective management of resources, projects, and donor relations; medium-term planning; and integrated monitoring and evaluation.

A standard Fund-wide system, TAIMS is being deployed in three phases to provide a consistent, easily accessible, and integrated view of the Fund's technical assistance activities across departments. It will provide the basis for reporting to management and the Executive Board on technical assistance activities and, eventually, outcomes.

TAIMS Phase I deploys a Fund-wide, standard, computer-supported technical assistance information and monitoring system that consolidates information on technical assistance projects from existing databases. Additional information (such as a general definition of projects, their objectives and outputs, activities, and scheduled monitoring events) is also collected during this phase. The system provides both a narrative description of projects and data on resource use and costs.

TAIMS Phase II will focus on improving the medium-term planning of technical assistance to better incorporate policy and management prioritization in the planning process. The goal is to enable the Fund to forecast its future resource needs. Tools will be created to facilitate the Resource Allocation Planning (RAP) process.

TAIMS Phase III, subject to management's approval, will aim at creating tools and supporting work practices to evaluate the effectiveness of the Fund's technical assistance over the medium term. It will build on the monitoring and planning tools created in Phases I and II to improve the effectiveness of the Fund's technical assistance, as well as on the TAIMS database.

systematic procedures of disseminating lessons put in place, thereby strengthening recent trends at the Fund, including through periodic stocktaking exercises and regular reviews. Directors agreed that external evaluations were a useful tool to enhance accountability and provide a fresh perspective.

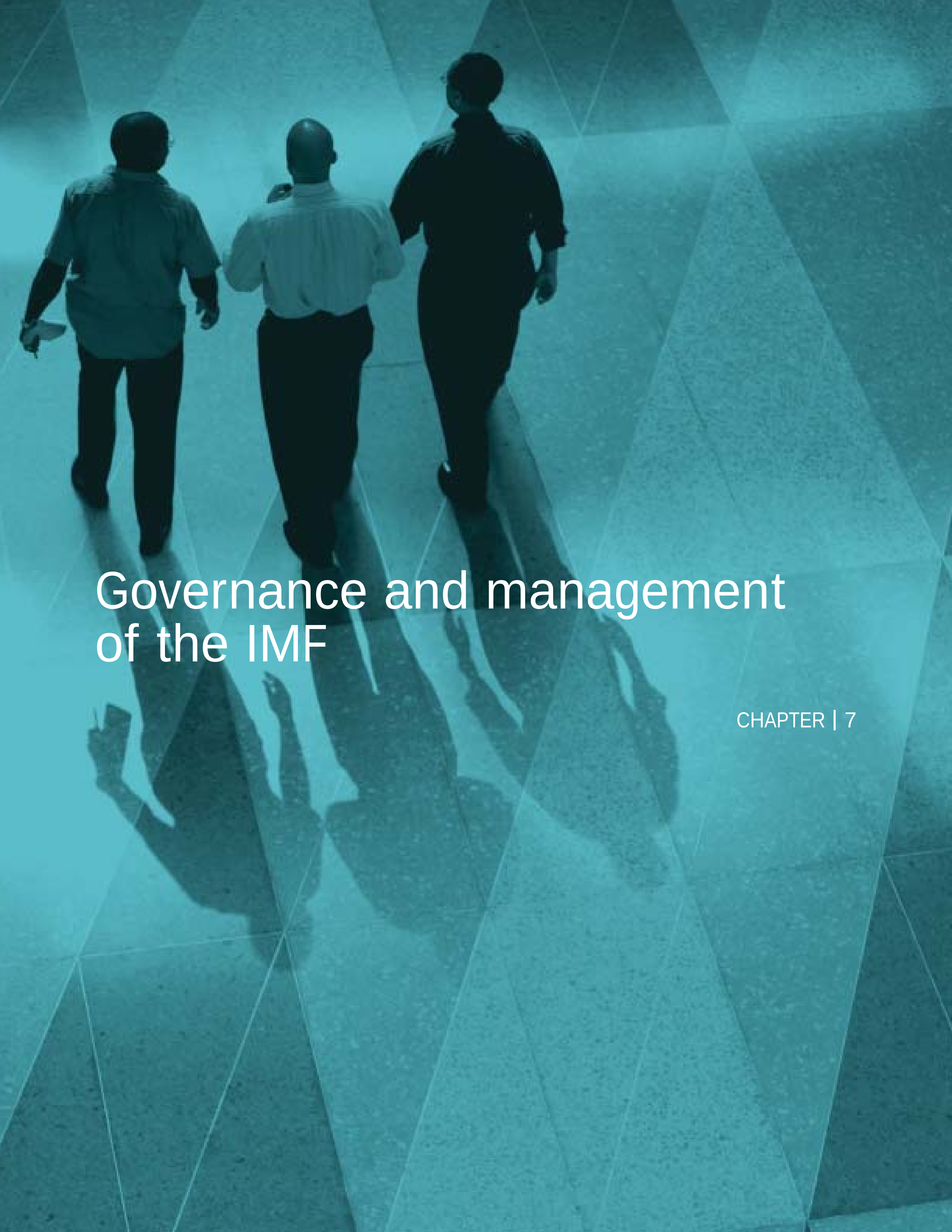
It was also stressed that, given the low-income countries' pressing needs for technical assistance in the context of the Millennium Development Goals, implementation of the report's recommendations should not involve any reduction in the volume of technical assistance delivered to these members.

Evaluation of the AFRITACs

The IMF's regional technical assistance centers in eastern and western Africa were established in 2002 and 2003, respectively, for the purpose of strengthening the capacity of sub-Saharan countries to design and implement poverty reduction policies and to improve the coordination of capacity-building technical assistance in the PRSP process. The AFRITACs have provided technical assistance and training in a range of subjects, including banking and microfinance supervision, customs administration, debt and financial markets, monetary operations, public expenditure management, revenue administration, statistics, and tax administration. They were evaluated in FY2005, at the behest of OTM, by a three-person team of independent consultants specializing in public economics, financial management, and evaluation techniques.

The evaluation found that the AFRITACs provided an effective delivery vehicle for capacity building. They distinguish themselves from other delivery modes by superiority in responsiveness to client needs, proximity to member countries, quick response time, familiarity with local context and issues, and relevant leadership. For the most part, the two centers, which have a demand-driven approach based on in-depth consultations with member countries, have achieved their objectives. Respondents to a questionnaire noted that the AFRITAC model enhanced country ownership, increased regional solidarity, kept donors better informed about country circumstances and needs, enhanced staff accountability, and increased the use of African experts. The AFRITACs' delivery approach also seems to be relatively cost effective and the centers are well managed. Member governments have supported the centers. The main area for improvement is in monitoring and evaluation, where there is a lack of performance indicators. The AFRITACs have worked closely with such regional organizations as the African Capacity Building Foundation and AFRISTAT (Economic and Statistical Observatory for sub-Saharan Africa), and aim at developing further their relationships with the Macroeconomic and Financial Management Institute for Eastern and Southern Africa and the Joint Africa Institute.

The evaluation made a number of recommendations, including the following: beneficiary countries should adopt comprehensive capacity-building programs as part of their Poverty Reduction Strategy Papers; beneficiary agencies should prepare plans, with help from the IMF, for developing staff resources and institutional capacity; countries' representation on the Steering Committee should reflect their technical assistance needs; workshop participants should be carefully selected and required to share the knowledge acquired with colleagues from their own and related agencies; the IMF should engage a short-term expert to assist in the elaboration of performance indicators and of a logical framework approach for evaluating AFRITAC outputs yearly, at a minimum; and the AFRITACs should continue to promote African expertise by recruiting resident and short-term experts on the continent, preparing local individuals to provide training, and intensifying their cooperation with regional institutions. In April 2005, the Steering Committees of the two AFRITACs endorsed the independent evaluation report and decided to develop an action plan to implement its major recommendations.



Governance and management of the IMF

CHAPTER | 7

The IMF is accountable to the governments of its member countries, which appoint its Board of Governors and appoint or elect its Executive Directors, who sit on the Executive Board.

The *Board of Governors,* the highest decision-making body of the IMF, consists of one governor and one alternate governor from each of the IMF's 184 member countries. The governor is usually the member country's minister of finance or the head of its central bank. All governors meet once a year at the IMF-World Bank Annual Meetings.

There are two committees of governors that represent the whole membership. The *International Monetary and Financial Committee* (IMFC) is an advisory body composed of 24 IMF governors (or their alternates) representing the same countries or constituencies (groups of countries) as the 24 Directors who make up the IMF's Executive Board. The IMFC normally meets twice a year, in March/April and at the time of the Annual Meetings in September/October. Its responsibilities include providing guidance to the Executive Board and advising, and reporting to, the Board of Governors on issues related to the management of the international monetary system. The current Chair of the IMFC is Mr. Gordon Brown, Chancellor of the Exchequer of the United Kingdom. The *Development Committee* (formally, the Joint Ministerial Committee of the Boards of Governors of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries) is a joint World Bank–IMF body composed of 24 World Bank or IMF governors or their alternates. The Committee serves as a forum that helps build intergovernmental consensus on development issues, including on the financial resources required for promoting economic development in developing countries. It usually meets twice a year, following the IMFC meetings. Both committees generally summarize their meetings in communiqués, which are published on the IMF's website (see Appendix IV).

The day-to-day oversight of the work of the IMF is conducted at its Washington, D.C., headquarters by its *Executive Board;* this work is guided by the IMFC and supported by the IMF's staff. The Managing Director is Chair of the Executive Board and head of the IMF staff; he is assisted by a First Deputy Managing Director and two other Deputy Managing Directors. The Executive Board, which consists of 24 Directors, has a central role in policy formulation and decision making in the IMF, and exercises all the powers for conducting the institution's business except those that the Articles of Agreement reserve for the Board of Governors or the Managing Director. The Board meets in "continuous session," that is, as often as the business at hand requires, usually for three full days each week. In calendar 2004, total Board meeting time amounted to about 500 hours. The Board held 265 formal meetings (including those in which decisions are made), 9 informal seminars, and 91 other informal meetings, including committee meetings. The Board spent 55 percent of its time on member country matters (mainly Article IV consultations and reviews and approvals of IMF financing arrangements); 22 percent of its time on global and regional surveillance and general policy issues (such as the world economic outlook, global financial stability, IMF financial resources, strengthening the international financial system, the debt situation, low-income countries, and issues related to IMF lending facilities and program design); and the remaining time on committees and administrative and other matters.

Each member country's voting power in the Fund is determined by its quota (which broadly reflects each country's relative economic size and also helps to determine the amounts it can borrow) and by the basic votes that are distributed equally among all members (for more information about quotas, see *www.imf.org/external/np/exr/facts/quotas.htm*). Under the IMF's Articles of Agreement, general reviews of quotas are conducted at intervals of not more than five years. The Fund is currently in the period of the Thirteenth General Review of Quotas, which must be concluded by January 2008. In this context, the Executive Board has had a number of discussions on issues relating to the distribution of quotas and members' voice and participation in the Fund (see Box 7.1).

The IMF is committed to meeting the highest standards of internal management and control, and several important initiatives are under way in this regard. Further reforms of the Fund's internal budget process have been launched with the ultimate aim of establishing a medium-term, output-oriented budget system. (See "Administrative and capital budgets" below and the Overview for more details.) In FY2005, the Fund began a comprehensive review of its employment framework, compensation, and benefits, draw-

Box 7.1 Status of IMF discussions on quotas, voice, and participation

On January 30, 2003, the IMF's Board of Governors adopted a resolution concluding the Twelfth General Review of Quotas without proposing an increase in IMF quotas. The resolution also noted the Executive Board's intention during the Thirteenth General Review "to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy, and to consider measures to strengthen the governance of the Fund." Under the IMF's Articles of Agreement, general reviews of quotas are to be conducted at intervals of not more than five years; the Thirteenth Review will therefore need to be concluded by January 2008.

On July 31, 2003, the Executive Board considered issues related to the distribution of IMF quotas—including quota formulas—and voting power. Most Directors saw considerable merit in a package approach including elements that would benefit the membership as a whole. Such a package would involve a general quota increase with a relatively large selective element allocated by means of a new quota formula; ad hoc quota increases aimed at addressing the cases of countries whose quotas were most clearly out of line with the relative size of the economies; and an increase in basic votes aimed specifically at correcting the erosion of the voting power of the smallest members.[1] Based on the IMF's liquidity position and regular monitoring of the adequacy of IMF resources, most Directors believed that there was no need for a quota increase. Updated illustrative quota calculations were provided to the Board in August 2004.

The Executive Board has taken a number of actions in recent years to enhance the administrative and technical capacity of the developing and transition countries' Executive Directors to participate fully and effectively in the IMF's decision-making processes. In April 2003, the Executive Board decided to allow the Executive Directors from sub-Saharan Africa, who had the largest constituencies, to add three new staff members to their offices.

The Executive Directors have also advanced their work in several other areas aimed at enhancing capacity in Executive Directors' offices, particularly those of developing and transition countries. These recent and ongoing initiatives include an agreement to make available informal voluntary guidelines on the qualifications and duties of personnel in the offices of the Executive Directors; to provide additional training for new members of Executive Directors' staff on a regular basis; to explore ways in which new technology could facilitate close and effective communication with authorities in capitals; and to strengthen efforts to provide incoming Board members and their staff with timely and comprehensive information on Board procedures and Fund policies.

A status report by the IMF's Executive Board on quotas, voice, and representation[2] was provided to the IMFC for its October 2, 2004, meeting. In taking note of the report, the IMFC encouraged the Board "to consider further issues of voice, quotas, and participation, noting as the Board agreed, that progress will require broad consensus among the shareholders." On this issue, the Committee also recommended the completion of the ratification of the Fourth Amendment (see IMFC Communiqué, October 2, 2004).

[1]An increase in basic votes would require an amendment of the Articles of Agreement.
[2]Available at *www.imf.org/external/np/fin/2004/eng/092204.htm.*

ing on external expertise. It also undertook a review of the resident representative program.

Administrative and capital budgets

The IMF's administrative budget provides funds for personnel costs, travel, and other recurrent expenses. It covers the period May 1 through April 30 and is approved by the Executive Board on both a gross and a net basis. The gross budget includes expenditures that are funded from receipts—mainly external donor contributions for capacity building (technical assistance and training of member country officials). The net budget covers only those expenditures that are funded from the net income of IMF operations. In addition to limits on gross and net expenditures, the Executive Board sets a ceiling on full-time (both open-ended and limited-term) staff positions.

The Board also approves three-year budget appropriations for capital projects starting in the forthcoming financial year. Capital projects comprise building facilities, including regulatory-mandated and security-related upgrades, and information technology (IT) projects. The reforms to capital budget procedures introduced in FY2003 shifted from a system of annual appropriations for separate stages of capital projects to full appropriation at the beginning of a project, giving authorization to spend up to that amount over the next three fiscal years; funds not spent within this time frame lapse, unless reappropriated by the Board.

The IMF's net administrative expenses are funded from its operational income, which includes charges on the use of Fund resources. The rate of charge depends mainly on the income outlook—itself determined largely by the level of Fund credit outstanding and the SDR interest rate—but also on the level of expenses (see Chapter 5, "Financial operations and policies"). At the time of the Board consideration of the FY2006 budget in April 2005, it was estimated that the administrative and capital budgets for FY2006, relative to the FY2005 outturn, would contribute an additional 4 basis points to the rate of charge set for FY2006, all else held constant.

Background

Following an external review in the summer of 2001, the IMF began to modernize its internal budgetary procedures and practices with a view to adopting an output-focused medium-term budget system, along the lines of those that have evolved in the public sectors of many industrial countries. The IMF has now shifted to dollar budgeting, while retaining a limit on the number of staff positions, and has established a top-down dollar limit on the size of the administrative budget. Departmental business plans have been introduced, both for the direct delivery of services to member countries and, in the case of support departments, for the provision of services to other departments.

A principal recommendation of the external review was that the Fund should put in place a medium-term strategy. Work began on developing such a strategy toward the end of 2004. However, pending its completion, and given that two major expenditure reviews are under way,[1] the administrative budget for FY2006 was formulated as a transitional arrangement.

Table 7.1 Administrative budgets, FY2003–06[1]

(In millions of U.S. dollars)

	Financial year ended April 30, 2003: Actual expenses	Financial year ended April 30, 2004: Actual expenses	Financial year ended April 30, 2005: Budget	Financial year ended April 30, 2005: Actual expenses	Financial year ending April 30, 2006: Budget
Administrative budget					
Personnel expenses					
Salaries	337.1	355.9	373.8	375.2	395.7[2]
Benefits and other expenses	191.3	200.3	259.9	259.5	263.8
Subtotal	**528.4**	**556.2**	**633.7**	**634.7**	**659.7**
Other expenses					
Travel	79.9	91.5	97.6	90.2	99.4
Other expenses	155.7	158.4	173.8	167.3	177.9
Subtotal	**235.6**	**249.9**	**271.4**[3]	**257.5**	**277.3**
Total administrative budget (gross)	**764.0**	**806.1**	**905.1**	**892.2**	**937.0**
Receipts	(44.1)	(58.5)	(55.5)	(66.1)	(60.9)
Total administrative budget (net)	**719.9**	**747.6**	**849.6**	**826.1**	**876.1**

Note: Figures may not add because of rounding.
[1]Administrative budgets as approved by the Board for the financial years ending April 30, 2005, and April 30, 2006, compared with actual expenses for the financial years ended April 30, 2003; April 30, 2004; and April 30, 2005.
[2]Includes $1 million in contingency reserves for salaries.
[3]Includes $2 million in contingency reserves—$1 million for travel and $1 million for other expenditures.

Nonetheless, other budget reforms were introduced during FY2005:

- A new time-reporting system (TRS) was implemented to reduce the number of activity codes and adapt them to better match the IMF's primary outputs.
- A new cost allocation system, complementing the TRS, was put in place to assign staff and nonstaff costs to primary outputs.
- Activity indicators were introduced on a pilot basis for certain IMF activities.

These measures have been supported by an improved computerized management information system. Further development of the information system is planned.

Budgets and actual expenditures in FY2005

The IMF's *administrative budget* for the financial year that ended April 30, 2005 (FY2005) authorized total expenditure of $905.1 million ($849.6 million net of receipts). The FY2005 *capital budget* made provision for expenditures of $31.8 million over three years on new projects commencing in FY2005, of which $8.1 million was for building facilities, including security-related upgrades, and $23.7 million for information technology projects.

The outturn on the administrative budget for FY2005 amounted to $892.2 million on a gross basis, $12.9 million (1.4 percent) less than budgeted. This gap reflects underspending of $6.4 million in travel and $5.5 million for other expenditures. Personnel expenditures were $1 million above budget, after taking into account an acceleration of planned payments into the Staff Retirement Plan and a retroactive pay adjustment, which more than outweighed the effect of lower-than-anticipated staffing levels. Receipts were larger than projected, in part because of an unbudgeted one-off refund of $3 million received under the Medical Benefits Plan. In addition, disbursements from donors for the financing of technical assistance and travel rebates were higher than projected. Further information on the actual expenditures of the administrative budgets for FY2003 through FY2005 and budgeted expenditures for FY2006 is provided in Table 7.1.

The available activity indicators, as well as input data on travel, expert assignments, and staff members, suggest a modest increase in activities related to capacity building during FY2005, partly as a result of increased external financing for technical assistance. The data also suggest a small shift of resources from work on the use of Fund resources to surveillance, because there were four fewer Fund-supported financial programs or cases of countries being near such programs than in FY2004. Work on standard

[1]The Employment Framework, Compensation, and Benefits Review and the Review of Information Technology together cover areas of expenditure that account for more than 75 percent of the total administrative budget.

Box 7.2 New headquarters building

The construction of a second IMF headquarters building (HQ2), adjacent to the existing headquarters, was nearly complete at the end of FY2005, and occupancy was completed in June 2005. Completion ahead of schedule allowed the Fund to terminate leases at the International Square building seven months earlier than originally planned. With the termination also of the IMF's lease at 1776 G Street in December 2005 and the move of staff to headquarters, the entire Fund staff will be accommodated completely in Fund-owned space and within a single headquarters complex for the first time since 1983. The HQ2 building is a modern, light-filled structure with extensive use of glass to create an open and attractive office environment. At the same time, the building is designed for enhanced security with reinforced concrete, strengthened glass, and air filtration. Other features include a large conference facility and mini-atria on office floors for informal meetings.

The new HQ2 building incorporates the advanced technology known as Internet Protocol Telephony, or IPT, which allows organizations to use existing computer networks for voice communications, thereby lowering costs while facilitating the expansion of the range of services, such as audio and video conferencing. This technology will be made available throughout the Fund by end-2005.

setting and policy development, research, and operation of the international monetary system was broadly stable.

As noted earlier, information is also available on the cost of providing the Fund's primary outputs. However, a strict comparison between FY2004 and FY2005 is problematic because of the previously mentioned changeover to the new time-reporting system. While the new system allowed staff time to be linked more accurately to primary outputs, it also resulted in some discrete shifts in time recorded on those outputs, which reflect data refinement rather than shifts in real resources.

Total *capital spending* in FY2005 was within the relevant approved budgets. Expenditures of $126.0 million were funded in line with new appropriations from the FY2005 budget, as well as appropriations from previous capital budgets. In particular, total spending on the Headquarters 2 building project remained within the $149.3 million multiyear budget approved by the Executive Board. The building was opened to staff in May 2005—eight months ahead of the original schedule (Box 7.2).

Budgets for FY2006

On April 22, 2005, the Executive Board approved a gross administrative budget of $937 million and a net administrative budget of $876.1 million, implying a nominal increase of 3.5 percent in gross terms (3.1 percent in net terms) over the FY2005 approved budget. The Board also approved an unchanged ceiling of 2,802 full-time staff positions for FY2006.[2]

As noted, the administrative budget was formulated as a transitional arrangement. Within a zero-real-growth top-down constraint, priority was given to further enhancing the effectiveness of surveillance, following the recommendations of the July 2004 Biennial Review of Surveillance, and to strengthening the IMF's support for low-income member countries. Accordingly, the FY2006 budget increases resources devoted to surveillance, with emphasis on the financial sector and low-income countries (particularly in Africa), and to work on Fund lending programs. A broadly stable allocation of resources for the delivery of technical assistance and training to member country officials is also planned. The IMF's ability to deliver these capacity-building services is increasingly dependent on the availability of external funding from donors. Figure 7.1 shows the projected share of resources by primary output category under the FY2006 gross administrative budget.

The necessary reallocation of funds within the budget is being wholly accommodated through redeployment of staff positions and dollar resources—mainly from support to primary activities. Over the past four years, more than 50 full-time staff positions have been redeployed from support to frontline activities, enabling the IMF to raise the delivery of its primary outputs within a broadly unchanged employment ceiling.

In terms of input costs, the FY2006 administrative budget allows for a 3.6 percent structural salary adjustment and provisions for additional expenditures on security, based on recommendations of the U.S. Secret Service (Box 7.3). For the second successive year, it incorporates declines (in real terms) in dollar provisions for the travel and building and other expenses categories. Some elements of individual budget accounts that have not been used in recent years were eliminated.

The medium-term capital plan for FY2006–08, which covers all new capital projects scheduled to start in each of the next three years, is also of a transitional nature, pending completion of the above-mentioned reviews. The FY2006–08 capital plan allows for $148.3 million in capital spending, compared with $122.9 million for the FY2005–07 plan approved in FY2004. The increase is more than accounted for by the cost of security-related projects, totaling about $30 million over the next three years. Part of the cost of these security projects has been accommodated within the plan by rephasing or delaying other facilities projects. For information technology (IT), the highest priority is the cre-

[2] The budget document can be accessed electronically at *www.imf.org/external/np/pp/eng/2005/040105.htm*.

Box 7.3 Security matters

On August 1, 2004, citing threats by an international terrorist group against the financial services sector in New York City, northern New Jersey, and Washington, D.C., the U.S. Department of Homeland Security raised the domestic security threat level for these areas, which included IMF headquarters. The IMF immediately put in place enhanced security measures, which law enforcement authorities considered appropriate, and Fund security staff remained in continuous contact with the investigative law enforcement agencies. On November 17, 2004, the U.S. authorities reduced the terrorism threat level for the financial services sector in the three areas, noting the enhanced permanent security measures adopted by the Fund and the other institutions. Further physical security enhancements are planned for FY2006.

ation of back-up facilities to ensure availability of all critical systems in the case of a serious disruption.

Within this medium-term plan, capital spending in FY2006 is budgeted at $52.5 million, of which $28.5 million is for building facilities and $24.0 million for IT projects.

The medium-term budgetary framework

In addition to approving the administrative and capital budgets for the upcoming financial year, beginning in FY2002 the Executive Board was asked to take note each year of the medium-term expenditure framework (MTEF). The MTEF provided a "top-down" reference for administrative expenditures for the current and each of the following two financial years. It reflected the cost of policies, with the number of staff positions unchanged and allowing for projected price increases in the main inputs—personnel costs, travel, and other expenditures.

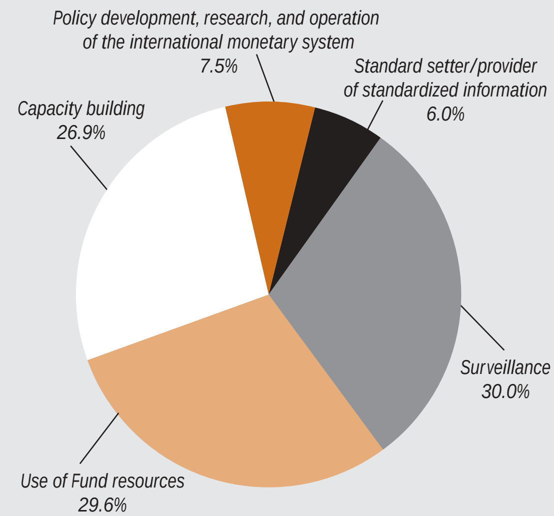
As part of the budget reform program, the MTEF will become a more comprehensive medium-term budgetary framework (MTBF). Pending completion of the IMF's medium-term strategy, an initial MTBF for FY2007 and FY2008 has been formulated mainly for illustrative purposes. The application of the assumed price increases for the Fund's main inputs, after allowing for the extra costs of holding the next Annual Meetings in Singapore ($5 million), yields annual increases in gross and net administrative budgets of 4.4 percent and 3.3 percent in FY2007 and FY2008, respectively.

Human resources

The Managing Director appoints a staff whose sole responsibility is to the IMF. The efficiency and technical competence of the IMF staff are expected to be, as stated in the

Figure 7.1 Projected share of resources devoted to each primary output, FY2006

(As percent of gross administrative budget)[1]



Source: Office of Budget and Planning.

Note: Primary outputs are defined as follows:

Policy development, research, and operation of the international monetary system: Multilateral surveillance (including *World Economic Outlook* and *Global Financial Stability Report*); collaboration with other bodies on international financial issues; operation/reform of the IMFC, Development Committee, and related bodies.

Standard setter/provider of standardized information: Dissemination of and research on Fund-developed standards and statistical information; compilation and dissemination of standardized statistics; development of statistical policies and methodologies.

Surveillance: Bilateral and regional surveillance. The Article IV consultation process; related policy advice; strengthened surveillance for monitoring and signaling purposes; analytical work, research, and policy development; Financial Sector Assessment Program, offshore financial centers and anti-money-laundering/combating the financing of terrorism assessments; Reports on the Observance of Standards and Codes.

Use of Fund resources: Operational activities related to the use of General Resources Account; the use of Poverty Reduction and Growth Facility and the enhanced Heavily Indebted Poor Countries Initiative; research, assessment (including ex post assessments), and policy development; monitoring/assessment of Fund liquidity and PRGF/HIPC financing; safeguarding Fund resources.

Capacity building: Provision of technical assistance (TA) and external training; collaboration with other providers of TA and sources of financing; monitoring, assessment, and related research.

[1]Excluding governance–that is, activities that provide services to the departments that deliver primary outputs or service the governance structure of the Fund.

Articles of Agreement, of the "highest standards." Subject to "the paramount importance" of securing such standards, staff diversity should reflect the institution's membership, with "due regard to the importance of recruiting personnel on as wide a geographical basis as possible."

The goals of the IMF require that all who work for the institution observe the highest standards of ethical conduct, consistent with the values of integrity, impartiality, and discretion, as set out in the IMF Code of Conduct and its Rules and Regulations. In accordance with these high standards, the IMF relies on a financial certification and disclosure process for staff and other internal controls to prevent actual or perceived conflicts of interest.

To provide the continuity and institutional memory from which the membership benefits, the IMF has an employment policy 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, given the changing labor market and the benefit of fresh perspectives. In the case of a number of skills and jobs—relating mainly to certain services and highly specialized economic and financial skills—business considerations have called for shorter-term appointments or for outsourcing. A comprehensive review of the IMF's employment framework and compensation and benefits systems is currently under way and is expected to be completed in FY2006. Launched in July 2004 at the initiative of the Managing Director, the review covers the full range of policies for recruiting, retaining, and developing the IMF's staff. The key objective of the review is to ensure that these policies are aligned with the strategic needs of the institution and are cost-effective.

As of December 31, 2004, the IMF employed 1,994 professional and managerial staff (about two-thirds of whom were economists) and 718 staff at the assistant level. In addition, the IMF had 384 contractual employees on its payroll, including technical assistance experts, consultants, and other short-term employees not subject to the staff ceiling. Of the IMF's 184 member countries, 141 were represented on the staff. (See Table 7.2 for the evolution of the nationality distribution of IMF professional staff since 1980.)

Table 7.2 Distribution of professional and managerial staff by nationality[1]

(In percent)

Region[2]	1980	1990	2004
Africa	**3.8**	**5.8**	**5.8**
Asia	**12.3**	**12.7**	**15.7**
Japan	1.4	1.9	1.8
Other Asia	10.9	10.8	13.9
Europe	**39.5**	**35.1**	**35.0**
France	6.9	5.5	4.6
Germany	3.7	4.3	4.9
Italy	1.7	1.4	2.9
United Kingdom	8.2	8.0	5.3
Transition economies	–	–	5.0
Other Europe	19.0	15.9	12.3
Middle East	**5.4**	**5.5**	**4.3**
Western Hemisphere	**39.1**	**41.0**	**39.2**
Canada	2.6	2.8	3.7
United States	25.9	25.9	23.9
Other Western Hemisphere	10.6	12.3	11.6
Total	**100.0**	**100.0**	**100.0**

[1]Includes staff in Grades A9-B5. Grades A9–A15 are professional staff; grades B1–B5 are managerial staff.
[2]Regions are defined broadly on the basis of the country distribution of the IMF's area departments; beginning in 2004, regions are defined according to the country groupings in the *2004 Diversity Annual Report*. The European region includes the Russian Federation and countries of the former Soviet Union. The Middle East region includes countries in North Africa.

Changes in management

There have been no changes in the IMF's management team since the appointment of Rodrigo de Rato as Managing Director for a five-year term, which began on June 7, 2004. A national of Spain, Mr. de Rato was Minister of Economy and Vice President for Economic Affairs during 2000–04, prior to which he served as Spain's Minister of Economy and Finance.

Recruitment and retention

In 2004, 178 people joined the IMF staff, compared with 175 in 2003. The new recruits included 91 economists, 34 professionals in other specialized career streams, and 46 assistants. Fifty-six of the recruits were mid-career economists, and 35 entered the two-year Economist Program, which is designed to familiarize entry-level economists with the work of the IMF. Participants in the program are placed in two different departments, for 12 months each. Those who perform well are offered regular staff appointments.

During 2004, 159 staff members, 115 of whom were in professional and managerial grades, separated from the organization. The separation rate for these staff was 6 percent.

Salary structure

To recruit and retain the highly qualified staff it needs, the IMF has developed a compensation and benefits system designed to be internationally competitive, to reward performance, and to take account of the special needs of a multinational and largely expatriate staff. In addition to the comprehensive review of the Fund's employment, compensation, and benefits to be completed in FY2006, the IMF's staff salary structure is reviewed annually by the Executive Board and, if warranted, adjusted on the basis of a comparison with salaries paid by selected private financial and industrial firms in the United States, France, and Germany, and in representative public sector agencies, mainly in the United States. After analyses of updated comparator salaries, the salary structure was increased by 5.6 percent for FY2005,[3] and the Board approved an increase of 3.6 percent for FY2006 (Table 7.3).

[3]The Executive Board approved a 3.6 percent structural adjustment but subsequently adjusted this figure by 2 percentage points.

Table 7.3 IMF staff salary structure

(In U.S. dollars, effective May 1, 2005)

Grade[1]	Range minimum	Range maximum	Illustrative position titles
A1	25,270	37,950	Not applicable (activities at this level have been outsourced)
A2	28,320	42,460	Driver
A3	31,680	47,560	Staff Assistant (clerical)
A4	35,490	53,290	Staff Assistant (beginning secretarial)
A5	39,810	59,710	Staff Assistant (experienced secretarial)
A6	44,480	66,820	Administrative Assistant, other Assistants (for example, Computer Systems, Human Resources, External Relations)
A7	49,890	74,870	Research Assistant, Senior Administrative Assistant, other Senior Assistants (for example, Accounting, Human Resources, External Relations)
A8	55,880	83,880	Senior Administrative Assistant
A9	59,410	89,210	Librarian, Translator, Research Officer, Human Resources Officer, External Relations Officer
A10	68,360	102,560	Accountant, Research Officer, Administrative Officer
A11	75,510	117,810	Economist (Ph.D. entry level), Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A12	87,910	131,930	Economist, Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A13	98,500	147,740	Economist, Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A14	110,310	165,490	Deputy Division Chief, Senior Economist
A15/B1	124,650	187,050	Division Chief, Deputy Division Chief
B2	143,700	208,520	Division Chief, Advisor
B3	170,770	222,210	Assistant Department Director
B4	199,020	248,760	Deputy Department Director, Senior Advisor
B5	234,350	281,330	Department Director

Note: Because IMF staff other than U.S. citizens are usually not required to pay income taxes 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.

[1]Grades A1–A8 are support staff; grades A9–A15 are professional staff; and grades B1–B5 are managerial staff.

Management remuneration

Reflecting the responsibilities of each management position and the relationship between the management and staff salary structures, the salary structure for management as of July 1, 2004, is as follows:

Managing Director	\$376,380[4]
First Deputy Managing Director	\$327,290
Deputy Managing Directors	\$311,700

[4]In addition, a supplemental allowance of \$67,380 is paid to cover expenses.

Management remuneration is reviewed periodically by the Executive Board; the Managing Director's salary is approved by the Board of Governors. Annual adjustments are made on the basis of the Washington, D.C., consumer price index.

Executive Board remuneration

Upon the recommendation of the Board of Governors' Committee on the Remuneration of Executive Directors, the Governors approved increases of 4.1 percent in the remuneration of Executive Directors and their Alternates effective July 1, 2004.[5] The remuneration of Executive Directors is \$196,730; the remuneration of Alternate Executive Directors is \$170,170.[6]

Diversity

The IMF has continued to emphasize the importance of staff diversity in improving the IMF's effectiveness as an international institution. The diversity of its staff is a source of strength for the institution. The IMF recognizes that the membership must have at its service individuals who understand, through their professional experience and training, a wide range of policymaking challenges that confront country officials and who can offer policy advice appropriate to the circumstances of each of the 184 member countries.

To this end, the IMF has in place a diversity strategy grounded in the principle of inclusion, quantitative and qualitative benchmarks, regular monitoring, and mainstreaming of diversity into the Fund's daily work. The institution places strong emphasis on people management skills in assessing the performance of supervisors and in recruitment and promotion decisions, which are of particular importance in an institution with a diverse workforce. Since 1995, the Senior Advisor on Diversity, who reports directly to the Managing Director, has advised and assisted management, the Human Resources Department (HRD), and other departments on ways to strengthen, manage, and monitor diversity in the Fund (Tables 7.2, 7.4, and 7.5). In line with the IMF's diversity strategy, HRD continues to focus on integrating diversity into the human resource management policies, procedures, and practices of the institution.

Management receives regular updates on quantitative and qualitative benchmarks for the most underrepresented staff

[5]In determining the salary adjustments for Executive Directors, the committee took into consideration such things as the percentage change in the remuneration of the highest-level civil servant in the ministry of finance and central bank of selected member countries, and the change in the selected countries' consumer price index.

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

Table 7.4 Distribution of staff by gender

	1980		1990		2004[1]	
	Number	Percent	Number	Percent	Number	Percent
All staff	**1,444**	**100.0**	**1,774**	**100.0**	**2,714**	**100.0**
Women	676	46.8	827	46.6	1,246	45.9
Men	768	53.2	947	53.4	1,468	54.1
Total support staff[2]	**613**	**100.0**	**642**	**100.0**	**718**	**100.0**
Women	492	80.3	540	84.1	613	85.4
Men	121	19.7	102	15.9	105	14.6
Total professional staff[3]	**646**	**100.0**	**897**	**100.0**	**1,633**	**100.0**
Women	173	26.8	274	30.5	579	35.5
Men	473	73.2	623	69.5	1,054	64.5
Total economists	***362***	***100.0***	***529***	***100.0***	***1,008***	***100.0***
Women	42	11.6	70	13.2	249	24.7
Men	320	88.4	459	86.8	759	75.3
Total specialized career streams	***284***	***100.0***	***368***	***100.0***	***625***	***100.0***
Women	131	46.1	204	55.4	330	52.8
Men	153	53.9	164	44.6	295	47.2
Total managerial staff[4]	**185**	**100.0**	**235**	**100.0**	**363**	**100.0**
Women	11	5.9	13	5.5	54	14.9
Men	174	94.1	222	94.5	309	85.1
Total economists	***99***	***100.0***	***184***	***100.0***	***293***	***100.0***
Women	4	4.0	9	4.9	31	10.6
Men	95	96.0	175	95.1	262	89.4
Total specialized career streams	***86***	***100.0***	***51***	***100.0***	***70***	***100.0***
Women	7	8.1	4	7.8	23	32.9
Men	79	91.9	47	92.2	47	67.1

[1]Includes only staff on duty; differs from the number of approved positions.
[2]Staff in Grades A1–A8.
[3]Staff in Grades A9–A15.
[4]Staff in Grades B1–B5.

groups, as established in the 2003 Enhanced Diversity Action Plan. To strengthen data monitoring, a process for collecting multiple citizenship data was put in place during 2004. Notable progress has been achieved in the recruitment and promotion of several underrepresented staff groups, but more still has to be done to establish gender and regional balance in all grade groups.

A staff survey launched at the end of 2003 and completed in 2004 gathered opinions and perceptions on various aspects of the workplace environment. The survey identified issues pertaining to career development, discrimination, harassment, and performance management. Following the staff survey, departments developed and implemented plans to address the issues identified in the staff survey. Using staff survey data, the Senior Advisor on Diversity carried out a diversity analysis focusing on racial and ethnic data. In 2004, management also approved a centralized mobility program, which augmented the internal job market system.

Promoting and sustaining diversity of staff in any institution is a continuing challenge that requires concerted effort. Progress is monitored and problems are reported in a transparent manner in various formats—including the *Diversity Annual Report*—on the IMF website. The Fund's Senior Advisor on Diversity works closely with HRD and other departments to identify needs and opportunities for promoting diversity in each department's annual human resources plan, which provides a business-relevant and systematic framework for the IMF's diversity efforts. Typically, departmental and Fund-wide diversity actions include initiatives in recruitment and career planning, orientation and mentoring for newcomers, and measures to improve performance assessment and management selection and development. The Fund is making special efforts to increase the transparency of human resource policies, procedures, and statistics.

Organization

The IMF staff is organized mainly into departments with regional (or area), functional, information and liaison, and support responsibilities. These departments are headed by directors who report to the Managing Director (Figure 7.2).

Area departments

The five area departments—*African, Asia and Pacific, European, Middle East and Central Asia*, and *Western Hemisphere*—advise management and the Executive Board on economic developments and policies in countries in their regions. Their staffs are also responsible for putting together financial arrangements to support members' economic reform programs and for reviewing performance under these IMF-supported programs. 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 contact with member countries. In addition, 85 area department staff are assigned to members as IMF resident representatives (Box 7.4).

Functional and special services departments

The *Finance Department* is responsible for mobilizing, managing, and safeguarding the IMF's financial resources to ensure that they are deployed in a manner consistent

Table 7.5 Distribution of staff by developing and industrial countries

Staff	1990 Number	1990 Percent	2004[1] Number	2004[1] Percent
All staff	**1,774**	**100.0**	**2,714**	**100.0**
Developing countries	731	41.2	1,187	43.7
Industrial countries	1,043	58.8	1,527	56.3
Total support staff[2]	**642**	**100.0**	**718**	**100.0**
Developing countries	328	51.1	394	54.9
Industrial countries	314	48.9	324	45.1
Total professional staff[3]	**897**	**100.0**	**1,633**	**100.0**
Developing countries	343	38.2	682	41.8
Industrial countries	554	61.8	951	58.2
Total economists	***529***	***100.0***	***1,008***	***100.0***
Developing countries	220	41.6	442	43.8
Industrial countries	309	58.4	566	56.2
Total specialized career streams	***368***	***100.0***	***625***	***100.0***
Developing countries	123	33.4	240	38.4
Industrial countries	245	66.6	385	61.6
Total managerial staff[4]	**235**	**100.0**	**363**	**100.0**
Developing countries	60	25.5	111	30.6
Industrial countries	175	74.5	252	69.4
Total economists	***184***	***100.0***	***293***	***100.0***
Developing countries	54	29.3	91	31.1
Industrial countries	130	70.7	202	68.9
Total specialized career streams	***51***	***100.0***	***70***	***100.0***
Developing countries	6	11.8	20	28.6
Industrial countries	45	88.2	50	71.4

[1]Includes only staff on duty; differs from the number of approved positions.
[2]Staff in Grades A1–A8.
[3]Staff in Grades A9–A15.
[4]Staff in Grades B1–B5.

with the Fund's mandate. This entails major responsibilities for the institution's financial policies and for the conduct, accounting, and control of all financial transactions. In addition, the department helps safeguard the IMF's financial position by assessing the adequacy of the Fund's capital base (quotas), net income targets, precautionary balances, and the rates of charge and remuneration. Other responsibilities include investing funds in support of assistance to low-income countries and conducting assessments of financial control systems in borrowing members' central banks.

The *Fiscal Affairs Department* is responsible for activities involving public finance in member countries. It participates in area department missions, particularly with respect to the analysis of fiscal issues; reviews the fiscal content of IMF policy advice, including in the context of IMF-supported adjustment programs; helps countries draw up and implement fiscal programs; and provides technical assistance in public finance. It also conducts research and policy studies on fiscal issues, including tax policy and revenue administration, as well as on income distribution and poverty, social safety nets, public expenditure policy issues, and the environment.

Box 7.4 Resident representatives

At the end of April 2005, the IMF had 85 resident representative positions covering 90 member countries in Africa, Asia, Europe, the Middle East, and the Western Hemisphere. New offices were opened in Jordan (in support of Iraq) and the Dominican Republic. An office in Paraguay opened in May 2005. These posts—usually filled by one IMF employee supported by local staff—help enhance IMF policy advice and are often set up in conjunction with a reform program. The representatives, who typically have good access to key national policymakers, can bring major benefits to the quality of IMF country work. In particular, through their professional expertise and deeper familiarity with local conditions, resident representatives contribute to the formulation of IMF policy advice, monitor performance—especially under IMF-supported programs—and coordinate technical assistance. They can also alert the IMF and the host country to potential policy slippages, provide on-site program support, and play an active role in IMF outreach in member countries. Since the advent of enhanced initiatives for low-income countries, resident representatives have helped members develop their poverty reduction strategies (see Chapter 4) by taking part in country-led discussions on the strategy and by presenting IMF perspectives. They also support monitoring of program implementation and institution building, working with different branches of government, civil society organizations, donors, and other stakeholders.

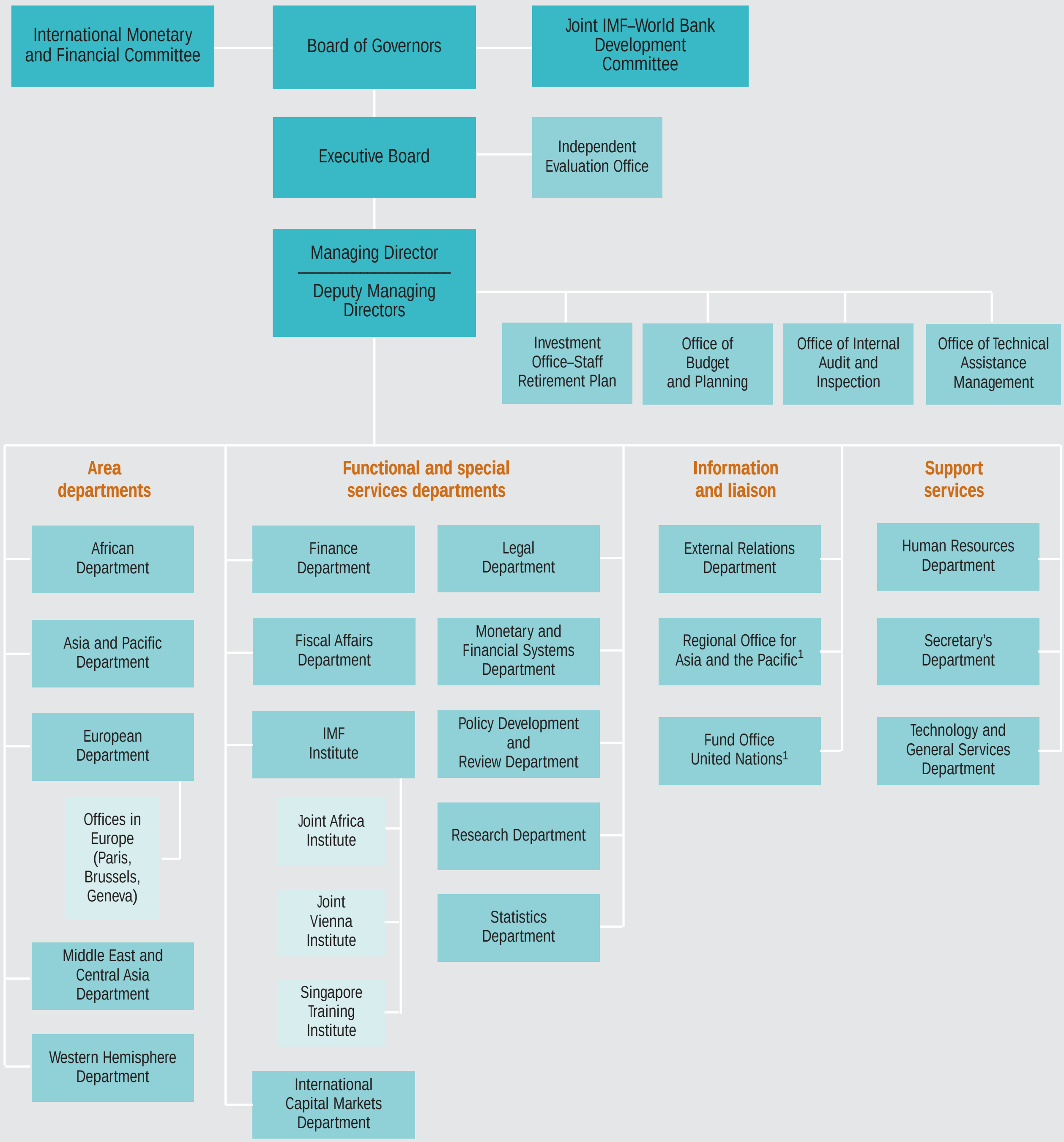
The *International Capital Markets Department* assists the Executive Board and management in overseeing the international monetary and financial system and enhances the IMF's crisis prevention and crisis management activities. As part of the Fund's global surveillance, the department prepares the semiannual *Global Financial Stability Report,* which assesses developments and systemic issues in international capital markets. Staff members also liaise with private capital market participants, national authorities responsible for financial system policies, and official forums dealing with the international financial system. In addition, the department plays a leading role in the IMF's analytical work and advice to members on access to international capital markets, as well as on strategies for external debt management.

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 Institute also conducts an active program of courses and seminars in economics, finance, and econometrics for IMF economists (see Chapter 6).

The *Legal Department* advises management, the Executive 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,

Figure 7.2 IMF organization chart

(As of April 30, 2005)



[1]Attached to the Office of the Managing Director.

Senior officers

(As of April 30, 2005)

Gerd Häusler, Counsellor
Raghuram G. Rajan, Economic Counsellor

Area departments

Abdoulaye Bio-Tchané
Director, African Department

David Burton
Director, Asia and Pacific Department

Michael C. Deppler
Director, European Department

Mohsin S. Khan
Director, Middle East and Central Asia Department

Anoop Singh
Director, Western Hemisphere Department

Functional and special services departments

Michael G. Kuhn
Director, Finance Department

Teresa M. Ter-Minassian
Director, Fiscal Affairs Department

Leslie J. Lipschitz
Director, IMF Institute

Gerd Häusler
Director, International Capital Markets Department

Sean Hagan
General Counsel, Legal Department

Stefan Ingves
Director, Monetary and Financial Systems Department

Mark Allen
Director, Policy Development and Review Department

Raghuram G. Rajan
Director, Research Department

Robert Edwards
Director, Statistics Department

Information and liaison

Thomas C. Dawson II
Director, External Relations Department

Hiroyuki Hino
Director, Regional Office for Asia and the Pacific

Saleh M. Nsouli
Director, Offices in Europe

Reinhard Münzberg
Director and Special Representative to the UN, Fund Office at the United Nations

Support services

Jorge R. Marquez-Ruarte
Director, Human Resources Department

Shailendra J. Anjaria
Secretary, Secretary's Department

Brian C. Stuart
Director, Technology and General Services Department

Offices

Barry H. Potter
Director, Office of Budget and Planning

Alain Coune
Director, Office of Internal Audit and Inspection

Claire Liuksila
Director, Office of Technical Assistance Management

Thomas Bernes
Director, Independent Evaluation Office
(assumed position in June 2005)

provides technical assistance on legislative reform, assesses the consistency of laws and regulations with selected international standards and codes, 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 Financial Systems Department* is engaged in four operational areas—financial system surveillance (including the Financial Sector Assessment Program and Article IV participation), banking supervision and crisis resolution, monetary and exchange rate infrastructure and operations, and technical assistance. It provides analytical, operational, and technical support to member countries and area departments, including development and dissemination of good policies and best practices. An important role is coordinating with collaborating central banks, supervisory agencies, and other international organizations.

The *Policy Development and Review Department* (PDR) plays a central role in the design and implementation of the IMF's policies related to surveillance and the use of the IMF's financial resources. Through its review of country and policy work, PDR seeks to ensure the consistent application of IMF policies throughout the institution. In recent years, the department has spearheaded the IMF's work in strengthening the international financial system, streamlining and focusing conditionality, and developing the Poverty Reduction and Growth Facility (PRGF) and the HIPC Initiative. PDR economists participate in country missions with area department staff, typically covering 80–90 countries a year, and help member countries that are making use of IMF resources mobilize other financial resources.

The *Research Department* conducts policy analysis and research in areas relating to the IMF's work. The department plays a prominent role in global surveillance and in developing IMF policy concerning the international monetary system. It cooperates with other departments in formulating IMF policy advice to member countries. It coordinates the semiannual *World Economic Outlook* exercise and prepares analysis for the surveillance discussions of the Group of Seven, the Group of Twenty, and such regional groupings as the Asia-Pacific Economic Cooperation (APEC) forum, and the Executive Board's discussions of 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 for 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.

Information and liaison

The *External Relations Department* works to promote public understanding of and support for the IMF and its policies. It aims to make the IMF's policies understandable through many activities aimed at transparency, communication, and engagement with a wide range of stakeholders. It prepares, edits, and distributes most IMF publications and other material, promotes contacts with the press and other external groups, such as civil society organizations and parliamentarians, and manages the IMF's website (see Chapter 8).

The IMF's *Offices in Asia and Europe and at the United Nations* maintain close contacts with other international and regional institutions. The UN Office also makes a substantive contribution to the Financing for Development process, while the offices in Asia and Europe contribute to bilateral and regional surveillance and are a major part of the IMF's outreach effort (see Chapter 8).

Support services

The *Human Resources Department* helps ensure that the IMF has the right mix of staff skills, experience, and diversity to meet the changing needs of the organization, and that human resources are managed, organized, and deployed in a manner that maximizes their effectiveness, moderates costs, and keeps the workload and stress at acceptable levels. The department develops policies and procedures that help the IMF achieve its work objectives, manages compensation and benefits, recruitment, and career planning programs, and supports organizational effectiveness by assisting departments with their human resources management goals.

The *Secretary's Department* organizes and reports on the activities of the IMF's governing bodies and provides secretariat services to them, as well as to the Group of Twenty-Four. In particular, it assists management in preparing and coordinating the work program of the Executive Board and other official bodies, including by scheduling and helping ensure the effective conduct of Board meetings. In carrying out these tasks, the department helps promote open and efficient channels of communications between the governing bodies, management, and staff. The department, in cooperation with its counterpart office in the World Bank, also organizes the arrangements for the Annual Meetings.

The *Technology and General Services Department* manages and delivers services essential for the IMF's operation. These include information services (information technology, library services, multimedia services, records and archives management, and telecommunications); facilities services (building projects and facilities management); general administrative services (travel management, conference and catering services, and procurement services); language services (translation, interpretation, and preparation of publications in languages other than English); and a broad range of security and business continuity services (covering headquarters security, field security, and information technology security).

The IMF also has units attached to the Office of the Managing Director.

The *Office of Budget and Planning* advises the Executive Board, Fund management, and departments on setting and implementing the administrative and capital budgets. It is also implementing the multiyear budgetary framework reforms described above.

The *Office of Internal Audit and Inspection* contributes to the internal governance of the Fund by providing independent examinations of the effectiveness of risk management, control, and governance processes. It conducts about 20 to 25 audits and reviews a year—for example, examining the adequacy of controls and procedures to safeguard and administer Fund assets and financial accounts, assessing the efficiency and effectiveness with which internal resources are being used, evaluating the adequacy of management of information technology, and ensuring that adequate physical and information security measures are in place.

The mission of the *Office of Technical Assistance Management* is to improve the effectiveness and availability of IMF technical assistance to member countries. It is responsible for (1) technical assistance policy development, implementation, and reporting, and (2) mobilization and management of technical assistance resources.

Independent Evaluation Office

The *Independent Evaluation Office (IEO)* was established by the IMF Executive Board in 2001 with a view to increasing transparency and accountability and strengthening the learning culture of the IMF. The IEO is independent of IMF management and staff, and reports regularly to the Executive Board on its findings. Detailed information on the IEO's activities, including its terms of reference, work program, publications, and outreach efforts, is available on its website (*www.imf.org/ieo*). In May 2005, Thomas A. Bernes was appointed to succeed Montek Singh Ahluwalia as Director of the IEO, effective in June 2005. Mr. Ahluwalia, who had served as the IEO's first Director since July 2001, resigned to become Deputy Chair of India's Planning Commission.

During FY2005, the IEO completed evaluations of the IMF's Role in Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility (see Chapter 4); the IMF's role in Argentina (see Chapter 3); and IMF Technical Assistance (see Chapter 6).

In the coming financial year, the IEO will evaluate the IMF's approach to capital account liberalization, IMF assistance to Jordan from 1989 to 2004, and, jointly with the World Bank's Operations Evaluation Department, the joint IMF–World Bank Financial Sector Assessment Program.

Cooperation, communication, and outreach

CHAPTER | 8

One of the IMF's purposes, stated in its Articles of Agreement, is to "promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems."

The IMF promotes international cooperation first and foremost in the course of its work with its members. But it also collaborates with other international organizations that have different mandates and responsibilities, particularly the World Bank, the World Trade Organization (WTO), the United Nations and its specialized agencies, the Bank for International Settlements (BIS), the Financial Stability Forum, the Organization for Economic Cooperation and Development (OECD), regional development banks, international standard setters, and intergovernmental groups.

International cooperation is even more essential in safeguarding the stability of the international monetary system today than it was when the IMF was founded 60 years ago. It is also essential in working to achieve the goals the international community has set for itself in recent years. These include the work to further the agenda of the Doha Round of trade negotiations at the WTO and to help the poorest countries achieve the UN Millennium Development Goals—work that is directly related to the IMF's mandate to facilitate the balanced growth of international trade and to promote the growth of real incomes. The IMF's role in the international monetary system, and its division of labor and collaboration with other organizations, are among the questions being considered in the Fund's current strategic review, discussed in the Overview.

At the same time, the Fund has increasingly recognized the need to communicate effectively with nonofficial groups and the general public to enhance understanding of its work and in recognition of the important role of transparency in ensuring proper accountability. For example, the International Monetary and Financial Committee, in its communiqué of October 2004 (see Appendix IV), called upon the IMF to "strengthen communications to markets and the public of the IMF's policy messages while preserving its role as a candid and confidential advisor." The IMF's External Relations Department coordinates and largely organizes the Fund's efforts to communicate with nonofficial groups and the public, but the Executive Board, the IMF's senior management team—the Managing Director, First Deputy Managing Director, and two other Deputy Managing Directors—and staff from all departments play important roles. Central to the Fund's communications work in recent years has been its transparency policy, under which it makes public the majority of official policy papers and country documents discussed by the Executive Board (see *Annual Report*, 2004, page 65).

Cooperation with other international organizations

Cooperation between the IMF and other international organizations continued to be strengthened in FY2005.

Regional representation

The IMF's Offices in Europe (in Paris, Brussels, and Geneva) and its Regional Office for Asia and the Pacific (in Tokyo) maintain close ties with other international organizations. Staff in the Paris Office liaise with the Group of Ten (G-10), the OECD, the BIS, and the European Commission. Additionally, they attend, on an ad hoc basis, meetings of organizations such as the Financial Action Task Force (FATF), the European Parliament, and the Council of Europe.

The Office in Geneva reports on the activities of Geneva-based socioeconomic agencies, with particular emphasis on the multilateral trading system and trade-related developments in the European Union, including the WTO, the International Labor Organization, the UN Conference on Trade and Development, the UN High Commissioner for Refugees, the UN Office of the High Commissioner for Human Rights, the World Health Organization, the UN Economic Commission for Europe, and the Inter-Parliamentary Union.

In FY2005, the Offices in Europe contributed to, among other things, the Fund's work on the Doha Round of trade negotiations; the international community's interim assessment of progress toward the Millennium Development Goals; the G-10's work on the financial position of the IMF; and the work in the Office of the UN High Commissioner for Human Rights on the role of human rights in development strategies.

The IMF's Regional Office for Asia and the Pacific is responsible for enhancing surveillance and promoting the IMF's initiatives in Asia, working with regional groups such as the Asia-Pacific Economic Cooperation, the Association of South East Asian Nations, the Asia-Europe Meeting, the Pacific Islands Forum, the South Asian Association for Regional Cooperation, the South East Asian Central Banks, and the Executives' Meeting of East Asia-Pacific Central Banks. In addition, the Office maintains close contact with the Asian Development Bank, the UN Economic and Social Commission for Asia and the Pacific, and the World Bank's Office in Japan.

World Bank

The strong collaborative relationship between the IMF and the World Bank has existed since their founding at the Bretton Woods Conference of 1944. As mandated in their respective Articles of Agreement and in a joint 1989 Concordat, the two institutions play important complementary roles in contributing to global economic stability, growth, and poverty alleviation. Collaboration takes place at all levels, including through regular meetings between the IMF's Managing Director and the Bank's President and joint visits by the two heads to several regions and countries, consultations of senior staff members, joint missions by the staffs, the coordination of policy advice to member countries, and information sharing. High-level coordination of the two institutions also takes place at the Annual Meetings of the Boards of Governors of the IMF and the World Bank and twice yearly ministerial meetings. Governors also convene during the semiannual meetings of the Development Committee, which was established in 1974 to advise the Boards of Governors of the IMF and World Bank on critical development issues—including trade and the environment—and on the financial resources required to promote economic development in low-income countries.

The two institutions continued to pursue joint initiatives in FY2005 centering on the Millennium Development Goals (MDGs), aid and aid effectiveness, debt sustainability and debt relief, trade, financial sector reform, and money laundering and combating the financing of terrorism. They worked together toward the common objective of reducing poverty by stimulating economic growth and providing debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Poverty Reduction Strategy process (see Chapter 4). In April 2005, they published the second Bank-Fund *Global Monitoring Report*, an annual report that assesses progress on policies and actions needed to achieve the MDGs. Bank and Fund staff are also collaborating on enhancing the Fund's General Data Dissemination System (GDDS) to support the compilation of MDG indicators. During the financial year, Fund and Bank staff jointly wrote two papers for the Development Committee on innovative modalities for financing the MDGs and will present a third paper, on international contributions (global taxes), at the September 2005 Annual Meetings.

The IMF and the World Bank have consistently supported the Doha Round of multilateral trade negotiations following the failure of discussions at the last ministerial meeting of the WTO in Cancún, Mexico, in September 2003. They have also cooperated in monitoring financial system stability, especially through the Financial Sector Assessment Program (FSAP; see Chapter 2), introduced in 1999, which aims to increase the effectiveness of efforts to promote the soundness of financial systems in member countries.

United Nations

The IMF works closely with the United Nations through the Special Representative of the Fund to the UN and through other extensive institutional contacts. The mandate of the Special Representative, who operates out of the Fund Office at the United Nations in New York, is to foster communications and cooperation between the IMF and the UN. The most prominent functions of the UN Office include making the IMF's views known, providing input for the deliberations at the UN on IMF-related issues, keeping the IMF informed of major developments within the UN system, and facilitating cooperation between the two institutions.

During FY2005, the IMF continued to collaborate with the UN, in particular in the follow-up to the 2002 Monterrey Consensus, and in supporting the efforts of member countries to achieve the Millennium Development Goals. For instance, Deputy Managing Director Agustín Carstens and a number of the Fund's Executive Directors participated in the April 2005 meeting, "Achieving the internationally agreed development goals, including those contained in the Millennium Declaration," of the UN Economic and Social Council (ECOSOC) with the Bretton Woods institutions, the WTO, and the UN Conference on Trade and Development. UN participants were broadly supportive of the Fund's work in low-income countries, and the President of ECOSOC urged continued cooperation among the UN agencies and the international financial institutions in support of developing countries.

World Trade Organization

Collaboration between the IMF and the WTO takes place formally as well as informally, as outlined in their Cooperation Agreement signed in December 1996. Under the Cooperation Agreement, the Fund has observer status at WTO meetings and regularly attends formal meetings of many WTO bodies. Fund staff contribute to the work of the WTO Working Group on Trade, Debt, and Finance, and regularly participate in meetings of the WTO Committee on Balance of Payments Restrictions and in the WTO-led Integrated Framework for Trade-Related Technical Assistance. The Cooperation Agreement has worked well with respect to the sharing of documents and reciprocal observer status, and has facilitated frequent and productive cooperation at the staff level.

International standard setters

The Fund's work in assessing standards and codes and producing Reports on Standards and Codes (ROSCs) for its members enables it to collaborate with standard setters, providing them with views from the Fund's global membership. Recent examples of this collaboration include

- following up with the Basel Committee and International Association of Insurance Supervisors (IAIS) on the issues raised in the staff paper "Financial Sector Regulation—Issues and Gaps" (see Chapter 2);
- working with the IAIS to develop methods for assessing the solvency of insurance companies;
- participating in the Basel Committee initiative to update the Basel Core Principles for Effective Banking Supervision (issued in 1997) to reflect subsequent guidance and Basel II developments; and
- collaborating with the Committee on Payments and Settlement Systems in formulating general guidance for the development of payments systems and principles for payments systems for remittances.

International Tax Dialogue

Founded in 2004, the International Tax Dialogue (ITD), a joint initiative of the IMF, the World Bank, and the OECD, is designed to bolster cooperation among tax officials throughout the world. The Fund's involvement reflects its responsibility for promoting sound macroeconomic policies, including in the fiscal area, and the importance of ensuring that tax systems enable revenues to be raised to finance necessary government expenditures in ways that are nondistortive and equitable and that allow untoward deficits to be avoided. The ITD's website (*www.itdweb.org)* provides information on key issues in tax policy and administration and on tax laws and practices around the world.

In March 2005, the ITD organized its first global conference, which took place in Rome, hosted by the Italian Ministry of Economy and Finance. The conference brought together tax officials from more than 100 countries and international organizations for the discussion of issues related to the value-added tax (VAT), with a particular focus on the need to combat fraud, ease administrative burdens for businesses, and explore means to improve international cooperation.

External communication and outreach

The IMF's external communication activities are of three broad types:

- Media relations—communicating through the media via articles and letters to the editor as well as briefings, interviews, and other contacts with journalists;
- Publishing—encompassing both electronic and print products (Box 8.1);
- Outreach—communicating and meeting with parliamentarians, civil society organizations (CSOs), the private sector, the general public, and, in some cases, officials of government agencies that are not traditionally interlocutors of the Fund.

Outreach to parliamentarians

Outreach to nonofficial groups is an integral part of IMF country work, and the IMF's dialogue with parliamentarians plays a particularly important role in these efforts, given their roles as decision makers and elected representatives. The IMF has expanded its outreach to parliamentarians in recent years, in accordance with the high priority given to this activity by both management and the Executive Board. The objective has been to familiarize parliamentarians with the work of the Fund, learn their views and concerns, and explain the rationale for IMF advice.

IMF staff teams often meet with key parliamentarians during country visits, and resident representatives also do so from time to time. In addition, the IMF has conducted single-country and regional seminars, including capacity-building seminars; participated in workshops/conferences organized by umbrella parliamentary groups; and hosted delegations of parliamentarians visiting Washington, D.C., where the IMF has its headquarters.

Country seminars. Single-country seminars such as those in Tanzania (October 2004), Cambodia (March 2005), Timor-Leste (March 2005), and Mongolia (April 2005) focus on the specific challenges facing a country. Multicountry regional seminars—for example, Joint Vienna Institute seminars (since 1995) and the seminar with the Central African Economic and Monetary Community (January 2005)—help identify common themes and draw policy lessons across a group of countries. Demand is growing for capacity-building seminars for parliamentarians and their staff on macroeconomic policy issues, especially those involving legislative actions.

Participation in workshops/conferences by umbrella parliamentary groups. The IMF has a well-established relationship with the Parliamentary Network on the World Bank, and its management and staff participate in the annual conference, regional events, and field visits. IMF staff have also attended meetings organized by the Inter-Parliamentary Union, the Global Organization of Parliamentarians Against Corruption, Parliamentarians for Global Action, the Parliamentary Centre, and the Commonwealth Parliamentary Association.

Visiting delegations of parliamentarians. The number of parliamentary delegations visiting the IMF has been increasing. Most visits are by delegations from single countries, but many are multicountry. Typically, the staff and Executive Directors' offices work together to organize meetings and briefings, which sometimes include management. For example, the U.K. Treasury Select Committee and the U.K. International Development Committee visit the IMF annually and meet with the Managing Director and senior staff.

Box 8.1 Disseminating information: the IMF's publishing operations and website

The IMF publishes a wide variety of material targeted at a broad range of readerships. Many of the Fund's publications are available both in print and on the IMF's website (*www.imf.org*).

- In recent years, the IMF has released a growing number of reports and other country documents covering economic and financial developments and trends in member countries. Each report, prepared by a staff team after discussions with officials of the country, is published at the option of the member. This series includes Article IV Reports, Reports Related to Use of IMF Resources, Selected Issues papers, Recent Economic Developments, and Statistical Appendixes.
- The IMF's *Annual Report* provides a comprehensive look at the IMF's activities in each financial year and is designed to be used as a reference tool.
- The *Annual Report on Exchange Arrangements and Exchange Restrictions* presents information on the exchange and trade systems of the IMF's member countries in a tabular format.
- The *World Economic Outlook* and the *Global Financial Stability Report (GFSR)* are the main vehicles through which the IMF publicizes its global surveillance findings and some of its most significant analytical work.
- The Fund publishes periodical reports on its activities and external developments that influence its activities. In FY2005, it published the 29th edition of *Selected Decisions and Selected Documents of the International Monetary Fund* and Volume III of *Current Developments in Monetary and Financial Law.*
- Staff research on the international monetary system and other topical subjects is published in *IMF Staff Papers*, a quarterly journal; the quarterly newsletter *IMF Research Bulletin;* the IMF Working Papers series; the Occasional Papers series; books; and various other publications.
- The Fund's *Dissemination Standards Bulletin Board* (*http://dsbb.imf.org/Applications/web/dsbbhome/*) provides links to the data and statistical websites of SDDS subscribers and GDDS participants and presents, in a user-friendly format comparable across countries, comprehensive information on the methods and practices behind the compilation and dissemination of such data.
- *International Financial Statistics (IFS)*, produced monthly, provides updated financial information from countries around the world; the IMF's Statistics Department also produces a yearbook containing annual data over 12 years for the countries covered in the monthly publication. The *IFS* database is available online to subscribers. Other statistical publications include the *Balance of Payments Statistics Yearbook, Government Finance Statistics Yearbook,* and *Direction of Trade Statistics* (quarterly and yearbook issues).
- Guides and manuals published by the Fund cover a variety of subjects, such as balance of payments statistics and compilation, external debt statistics, foreign direct investment trends, and the producer price index.
- The biweekly newsletter *IMF Survey* reports on current IMF policies and activities, and its annual companion, *IMF In Focus,* seeks to offer a clear, concise picture of how IMF policies and operations have evolved.
- Pamphlets such as *What Is the IMF?* and *IMF Technical Assistance* are written for the nonspecialist, as are factsheets and issues briefs posted on the IMF's website, which aim to explain key aspects of IMF operations and policies.
- The quarterly magazine *Finance and Development (F&D)* and the Economic Issues series (pamphlets on broad economic subjects related to the Fund's areas of expertise) are written in nontechnical language and aimed at disseminating information on topical subjects to nonspecialists.
- Op-eds in publications worldwide and speeches published on the external website offer broad overviews of the IMF and its policies.
- An on-line, quarterly *Civil Society Newsletter* (*www.imf.org/external/np/exr/cs/eng/index.asp*) covers IMF activities and issues of particular interest to civil society organizations.
- Videos about the work of the IMF are available to interested media, educational institutions, and social organizations, and are also used in recruitment activities.
- Educational material is available from the IMF Center and at *www.imf.org/econed*. The IMF Center hosts a permanent exhibition on the international monetary system and temporary exhibitions on related subjects and is open to the general public daily, from Monday to Friday.

Also, members of the NATO Parliamentary Assembly visited IMF headquarters in early 2005.

Engaging civil society organizations

The IMF is an important focus of the work of many civil society organizations (CSOs)—nongovernmental organizations (NGOs), labor unions, and faith-based organizations. CSOs have highly diverse interests at both the global and the national levels.

In interactions with CSOs, perennial *global issues* include the social and environmental implications of IMF advice; poverty reduction; the IMF's approach to human rights; governance and transparency; program conditionality; and the voice and representation of developing countries in the IMF and the World Bank.

Contacts take a wide variety of forms—meetings, seminars, and consultations with IMF management, Executive Directors, and staff at IMF headquarters and worldwide. A series of Civil Society Dialogues, organized in parallel with the Annual and Spring Meetings of the IMF and the World Bank, covers a wide range of topics. CSOs are frequently invited to contribute to reviews of the IMF's policies, by attending seminars or by providing comments on papers posted on the external website.

The IMF maintains a *dialogue with the international labor movement*, represented mainly by the International Confederation of Free Trade Unions (ICFTU) and the World Confederation of Labor (WCL), through workshops, regional seminars, and leadership meetings held in Washington, D.C., often jointly with the World Bank. The IMF and the World Bank agreed with the ICFTU and WCL in 2002 to hold leadership meetings biennially, with staff-level meetings on particular issues to be interspersed between them. The second such leadership meeting, held in October 2004, included about 80 leaders of national and international confederations of unions, representing nearly 200 million workers worldwide.

A highlight of communication with *faith-based organizations* in recent years has been the dialogue with the World Council of Churches (WCC), the main interdenominational organization of Protestant churches. Founded in 1948, it counts among its membership churches with more than 400 million adherents. The dialogue began with an IMF initiative in 2000, in response to critical public statements by the WCC about the IMF and the World Bank, and has continued since then, focusing mainly on poverty reduction and development issues. In October 2004, following management-level meetings at WCC headquarters, the leaders issued a joint statement in which they concluded that the areas of common ground are large and significant, and that, although there remain significant differences, the three institutions should find more effective ways to work together. The dialogue would continue, and would, in the period ahead, focus on country case studies and specific topics.

At the *national level*, IMF country teams, resident representatives, and regional offices in Europe and Asia and the Pacific, increasingly recognize the importance of more systematic engagement as a means of, among other things, understanding CSO views and building consensus and ownership of sound policies. In low-income countries, the participatory nature of the Poverty Reduction Strategy Paper process creates the expectation that governments will consult with civil society, and IMF staff are often invited to participate. According to an internal staff survey in 2002, 69 percent of IMF missions had contacts with labor unions or other labor representatives at least once in the previous two years, for the purposes of hearing the views of labor unions and explaining and discussing IMF policy advice. The IMF, after consultation with CSOs, produced a *Guide for Staff Relations with Civil Society Organizations*, published on the external website to assist staff—and CSOs—to develop a more productive relationship.

In addition, the IMF established a Civic and Community Relations Office in 1994 to strengthen its outreach and assistance to the Washington, D.C., community, where the IMF's headquarters are located, as well as in communities in developing countries, including through charitable donations (Box 8.2).

Integrating communications and operations

IMF staff have increasingly reached out to diverse interested groups and to the general public when preparing policy proposals and reviewing policy experience. The following are some examples of the IMF's communication and outreach activities during FY2005.

- The 2004 Biennial Surveillance Review (see Chapter 2) made extensive use of interviews, surveys, and workshops not only with country authorities but also with financial market participants, think tanks, other nongovernmental experts and observers, and the media.
- An extensive and systematic program of outreach has been undertaken in support of the IMF's efforts to assess and explain its work in low-income countries. During FY2005, IMF staff participated in a variety of activities, including conferences and seminars where IMF policies or initiatives were the focus of discussion. Examples include two IMF-sponsored conferences in Africa on the review of program design and Fund participation in seminars in Accra, Berlin, and Paris on debt sustainability. A recent innovation was the organization of events for CSOs in Washington, D.C., around the time of the October 2004 Annual Meetings.

Box 8.2 The IMF Civic and Community Relations Office

The IMF Civic and Community Relations Office coordinates the IMF's efforts to be a good neighbor and responsible civic entity through *Civic Program* charitable giving, *INVOLVE* employee volunteerism, and *Community Relations* local outreach and partnering.

Activities in both the IMF host city of Washington, D.C., and developing countries give priority to nonprofit programs that address urgent social problems and help the neediest become self-sufficient—echoing IMF work to improve lives in member countries. The budget ($703,734 in FY2005) is for humanitarian purposes only and is separate from the financial assistance the IMF provides to member countries.

The *IMF Civic Program* gives grants and surplus property to charities, guided by an advisory committee of 12 representatives drawn from staff, spouses/partners, retirees, and INVOLVE volunteers. (See guidelines and past recipients at *www.imf.org/external/np/cpac/cpindex.htm*.)

During FY2005, IMF management presented donations to charities in Angola, Burkina Faso, Equatorial Guinea, Gabon, India, Nigeria, Senegal, and Uganda. Staff initiated appeals for victims of the Indian Ocean tsunami, hurricanes in the Caribbean, and other humanitarian emergencies in Paraguay, Russia, and Sudan, raising $360,000. The IMF matches employee donations to appeals, as well as the annual giving campaign, by 50 percent.

INVOLVE, the acronym for **In**ternational **Vol**unteer **Ve**nture, encourages IMF employees, retirees, families, and friends who join to participate in 65 local projects yearly to clothe and mentor poor children, feed the homeless, and repair homes of the elderly, or participate in the annual, citywide "Help the Homeless Walkathon" and the "D.C. Cares Servathon."

Community Relations partners with peer organizations and matches local needs with the IMF's ability to help. In FY2005 it provided facilities for meetings of community groups, such as the D.C. Children and Youth Investment Trust sponsored by the mayor's office. The IMF contributed substantially to local charities, including the D.C. Housing Trust Fund, D.C. Central Kitchen, St. Mary's Court senior citizens home, and adjoining neighborhood beautification programs. Annually, the IMF organizes a popular one-week summer camp for inner-city children.

Surveillance

Outreach is an integral part of the IMF's country and regional surveillance process. While the focus of Article IV consultation missions (see Chapter 1) is on communication between member country officials and staff mission teams, staff teams' statements at the conclusion of Article IV missions, as well as press conferences, press releases, and Public Information Notices (PINs) issued by the Executive Board after its discussions of Article IV consultations are used—with the country's agreement—to publicize and explain the findings of the surveillance and to inform markets. The IMF's Media Briefing Center is used to disseminate, under embargo, web-streamed press briefings to journalists. The IMF's Offices in Europe and Asia maintain relations with local media. Country teams often place op-eds and letters to the editor in local newspapers to explain country-specific and regional issues. In addition, interaction with parliamentarians, the private sector, and CSOs, including labor unions and faith-based organizations, has become more important for improving the IMF's understanding of specific issues as well as for explaining IMF views.

Financial assistance

Outreach is perhaps most important in countries that are using IMF resources. The 2002 Conditionality Guidelines[1] indicate that staff should encourage national authorities to broaden the base of support for sound policies to enhance the likelihood of successful program implementation. In low-income countries receiving financial assistance under the Poverty Reduction and Growth Facility, the preparation of the Poverty Reduction Strategy Paper provides a mechanism for public consultation by the authorities.

Mission teams and resident representatives increasingly devote time and resources to outreach as programs evolve. These staff members are in a position not only to explain IMF views and policy advice but also to listen to the concerns of nonofficial groups and to help shape program design in a way that strengthens country ownership.

Standards and codes

The IMF has undertaken a number of initiatives to make member countries aware of *international standards and codes* and to encourage compliance with them, including by providing technical assistance when needed. Nearly 75 percent of the summary assessments, known as Reports on the Observance of Standards and Codes (ROSCs), have been published. Documents setting out standards and codes are published on the IMF's external website, and some are also available in print.

The IMF's external website provides a venue for experts outside the institution to contribute to the IMF's work on *statistical issues.* Drafts of statistical manuals are posted for comment, and the IMF hosts discussions on statistical topics such as the treatment of nonperforming loans and pension schemes in macroeconomic statistics. In recent years, the IMF has stepped up publication and distribution of statistical manuals and guides in multiple languages to promote standardized methodologies and policies. It is a member of, or has observer status in, a number of standard-setting bodies. IMF representatives

[1]See *www.imf.org/external/np/pdr/cond/2003/eng/050803.htm* and *www.imf.org/external/np/pdr/cond/2002/eng/guid/092302.htm*.

attend meetings of the Financial Stability Forum and, in October 2004, the Fund was invited to become a full member of the International Association of Insurance Supervisors.

The Fund has continued to strengthen its regional outreach effort, which has been integrated with technical assistance, in data dissemination initiatives. Fund staff conducted several regional outreach seminars and workshops in FY2005 to promote subscription to the Special Data Dissemination Standard (SDDS) and participation by countries in the General Data Dissemination System (GDDS).

In 2005, for example, the Fund conducted seminars and workshops on international standards related to anti-money-laundering and combating the financing of terrorism initiatives, as well as on the data template on international reserves.

Conferences on policies and research

The IMF also holds workshops and seminars for officials in member countries to disseminate the results of its research and to seek feedback. Its annual research conference, in November 2004, focused on policies, institutions, and instability. In October 2004, it cohosted, with the Bank Negara Malaysia, a high-level conference in Kuala Lumpur on the Fund's role in supporting financial sector development in Asia, and in December 2004 it cosponsored, with the Central Bank of West African States (BCEAO), a seminar on trade and regional integration in Africa. And in January 2005, it invited representatives from a wide variety of agencies involved in HIV/AIDS work to a workshop, in an effort to raise their awareness that IMF-supported programs do not specify hard budget ceilings on health care spending and to counter misperceptions that its policy advice hinders the disbursement of funds that are becoming available for combating HIV/AIDS.

Role of IMF management

In early August 2004, at the conclusion of a trip to Africa, Managing Director Rodrigo de Rato affirmed that the IMF was committed to helping the region raise economic growth to attain the UN Millennium Development Goals. During his week-long visit he met with African leaders, parliamentarians, and representatives of civil society to discuss issues ranging from increasing Africa's voice and participation in the IMF to improving governance in the oil sector. On September 8–9, the Managing Director returned to sub-Saharan Africa to attend the African Union's Extraordinary Summit on Employment and Poverty Reduction in Africa, held in Ouagadougou, Burkina Faso. In his address to the summit, Mr. de Rato identified three priority areas for the IMF in the region: making IMF financial assistance more flexible and responsive; sharpening the IMF's role in countries that do not need the institution's financial assistance, including through policy advice and technical assistance; and reinforcing the IMF's analysis and assistance in support of Africa's regional integration initiatives. On the sidelines of the summit, the Managing Director met individually with nine heads of state or government to listen firsthand to the challenges they face and their views on what the IMF can do to combat poverty on the continent.

Also in September 2004, Mr. de Rato traveled to Santiago, Chile, to attend the Eleventh Annual Finance Ministers' Meeting of the Asia–Pacific Economic Cooperation (APEC). Participants, including senior officials from APEC economies, business leaders, and academics, agreed to promote structural reforms in APEC's 21 member economies and, to this end, to set up a steering committee within APEC to formulate structural reform measures and monitor implementation.

IMF management also worked with governments and other international agencies to assess the financing needs for reconstruction in the areas devastated by the December 2004 tsunami in the Indian Ocean. The IMF offered emergency assistance on the order of $1 billion and sent teams to the region to evaluate financing and support needs in individual countries. The Managing Director toured the worst-hit region of Aceh in northern Sumatra in January 2005. While in Indonesia, Mr. de Rato attended the Special ASEAN Leaders' Meeting on the Aftermath of the Earthquake and Tsunami, and met with regional and international leaders, including UN Secretary General Kofi Annan, then–World Bank President James Wolfensohn, and Asia Development Bank President Tadao Chino.

The IMF's Deputy Managing Directors also attended many conferences, meetings, and seminars throughout the course of the year. In June 2004, First Deputy Managing Director Anne O. Krueger traveled to Vienna, Austria, to deliver a speech and participate in the conference "60 Years of Bretton Woods: The Governance of the International Financial System—Looking Ahead." She then traveled to Basel, Switzerland, to attend the 74th Annual General Meeting of the Bank for International Settlements. In November 2004, Ms. Krueger delivered a keynote address at the Bankers' Conference 2004 in New Delhi, India, and in December 2004 she addressed the IMF Seminar on Trade and Regional Integration in Africa, held in Dakar, Senegal. Ms. Krueger also visited Sri Lanka and Maldives, two of the countries hard hit by the tsunami, in January 2005.

In October 2004, Deputy Managing Director Agustín Carstens traveled to Kuala Lumpur, Malaysia, to deliver a speech at the High-Level Conference on Financial Sector

Issues in Emerging Markets in Asia and the Role of the IMF. He proceeded to Geneva, Switzerland, to participate in the WTO Council Meeting, and then to Madrid, Spain, to attend the Sixth Annual Conference on Latin American Countries Risk.

In October 2004, Deputy Managing Director Takatoshi Kato traveled to Nairobi, Kenya, to participate in a Fund-sponsored seminar, "Growth and Poverty Reduction—Lessons from Africa, China, and India." In November 2004, he delivered opening remarks at the 2004 APEC Finance and Development Forum in Hainan, China.

Executive Board's evaluation of external communications

In March 2005, the Executive Board discussed a paper prepared by the External Relations Department (EXR) on "Integrating IMF Communications and Operations."[2] The Board discussion was the fourth on the IMF's communications strategy (the first was in 1998). These four discussions have supplemented and reinforced the separate Board reviews and updates of the IMF's transparency policy, which set the guidelines for the types and extent of information that the Fund may release publicly.[3]

Overall, Executive Directors felt that the IMF continues to pursue a reasonably balanced communications strategy, aimed, first and foremost, at strengthening the global constituency for sound and transparent policies, while enhancing the persuasiveness and thereby the effectiveness of IMF policy advice. The discussion also provided suggestions on various aspects of the IMF's communications strategy, which were to be implemented taking into account the ongoing development of the IMF's medium-term strategy.

Directors agreed that a key medium-term objective of the IMF's communications strategy should be better coordination and integration of communications activities with the IMF's operations, both in country work and in broader policy design and implementation. Directors supported closer collaboration between area departments and EXR in developing and implementing regional and country communications plans. To ensure that such plans are adapted to each country's circumstances and priorities, they should be designed and executed with the support of Directors and national authorities.

Many Directors saw regional offices and resident representative offices as having a crucial supportive role, but stressed the importance for effective communication of close coordination among mission chiefs, department heads, and management. Directors also saw a continuing role for themselves in external communications activities, in their capacity both as officials of the IMF and as country representatives. In this regard, they viewed Directors' group travel as continuing to provide a further vehicle for outreach, both to inform member countries about the IMF and its policies and to listen to the authorities and civil society.

Directors generally agreed that communications planning and activities in the context of IMF-supported country programs remain a particular priority. In this context, communications should continue to focus on the authorities' own efforts, to reinforce country ownership of economic policy programs. Directors recommended that the authorities be consulted closely when planning in-country communications and supported the emphasis on enhancing communication with national parliamentarians whenever judged appropriate by the authorities.

Directors saw considerable scope for the IMF to convey its surveillance findings more widely and effectively. Additional emphasis on communications related to surveillance would, in many cases, need to rely primarily upon area department staff, with support from EXR. A number of Directors pointed to the benefits of making summaries of surveillance analysis and findings, as well as program documentation, available in local languages. They noted the potential benefits and opportunities for wider communication, as well as the additional costs that would be associated with an expansion of non-English materials. In this regard, Directors welcomed the recent formation of a working group of Directors and staff to consider issues related to the publication of material on the IMF's external website in languages in addition to English.

Progress made by the international community toward achieving the Millennium Development Goals (MDGs) will be a subject of special interest in the period ahead. In this context, the IMF's commitment to helping countries make progress toward the MDGs needs to be emphasized, and clear communications will be key to effective signaling in low-income countries, in line with the IMF's own ongoing deliberations on its role in these countries. At the same time, Directors noted that the IMF is only one among several partners in the achievement of MDGs, and its communications strategy should avoid contributing to excessive expectations.

Directors were of the view that, notwithstanding the major advances made in improving public understanding of IMF policies, the mission of the IMF is still not as readily recognizable or understood as that of some other international

[2]The text of the paper is available at *www.imf.org/external/np/exr/docs/2005/020805.htm*.

[3]See Public Information Notice (PIN) No. 03/122, "IMF Reviews the Fund's Transparency Policy—Issues and Next Steps," *www.imf.org/external/np/sec/pn/2003/pn03122.htm*.

organizations. Publishing and outreach activities aimed at explaining the work of the IMF to journalists, parliamentarians, civil society, and the general public will therefore remain of considerable importance. A further area identified for strengthening outreach is contacts with the private sector. Directors also noted the important role of the Independent Evaluation Office in the Fund's outreach and communications activities.