

**IMMEDIATE
ATTENTION**

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SM/00/97
Revision 1

June 22, 2000

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Statement by the Managing Director on Cooperation with Investigations on Fund Activities by Auditing Institutions of Members—Revised Proposed Procedures**

The statement by the Managing Director on the proposed procedures on cooperation with investigations on Fund activities by auditing institutions of members circulated to the Executive Board on May 23, 2000, (SM/00/97) has been revised at the suggestion of one Executive Director to provide for the possibility of management making available to an investigative agency, at its request, information that has not been made available to the Executive Board. In those cases, the revised procedures provide for that information also to be available to the Executive Board on the same terms as it is made available to the agency. The possibility of a consultation with the Executive Board in the case of a decision by management not to provide requested information has also been added.

Also, and as a matter of clarification, the second bullet of paragraph 4(b)(ii) of the proposed procedures has been revised to provide for an opportunity to review any report resulting from an enquiry before its circulation outside the agency. Such a clarification was thought necessary as some agencies circulate their draft reports for comments by the investigated entity at the same time as they are circulated for comments to others, including the intended recipients of the report.

The attachment contains the revised statement with deletions stricken out and additions highlighted.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Wednesday, June 28, 2000. In the absence of such a request, the proposed procedures that appear on pages 2 and 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

Other Distribution:
Department Heads

Statement by the Managing Director on
Cooperation with Investigations on Fund Activities by Auditing Institutions of
Members—Proposed Procedures

1. On several occasions in the past the Fund staff have been asked to cooperate with investigations by, or to provide information to, auditing arms of members' executive or legislative branches, in the preparation of reports on the Fund and its activities. Sometimes these investigations and requests for information have been made in the context of requests pending before the legislature to authorize the Executive Director for that member to support a decision of the Executive Board when this support was subject to prior legislative authorization. In other cases, they were prompted by the desire of those branches to reach their own conclusions concerning the effectiveness of certain Fund policies or of the safeguards of the member's contribution to the Fund.

2. Management and staff have accommodated such requests when they were made by an Executive Director, on the understanding that the officials of the agency would have the same access to documents and information and would be subject to the same rules on confidentiality as if they were attached to the Executive Director's office. Usually, cooperation has been carried out through meetings of Fund staff with officials of the investigative agency accompanied by staff of the relevant Executive Director's office. At those meetings Fund staff have answered questions and provided all necessary explanations concerning the subject of the enquiry. On some occasions staff have provided written answers to questionnaires. Copies of Executive Board documents when relevant to the enquiry have been provided through the Executive Director's office on the understanding that their confidentiality will be respected.¹

3. It is the view of management that cooperation with members' authorities should continue as it is, consistent with the principles of transparency and accountability. However, since these requests are becoming more frequent and comprehensive and may involve substantial staff time, there is a need to establish a framework of formal procedures to accommodate them under appropriate safeguards, and with adequate involvement of the

¹ The United States General Accounting Office has issued the following reports on IMF activities for which Fund staff provided information and answered questions:

- Observations on the IMF's Financial Operations, NSIAD/AIMD-99-252, 9/30/99.
- International Monetary Fund: Approach Used to Establish and Monitor Conditions for Financial Assistance, GGD/NSIAD-99-168, 6/22/99.
- International Monetary Fund: Trade Policies of IMF Borrowers, NSIAD/GGD-99-174, 6/22/99.
- Developing Countries: Status of the HIPC Debt Relief, NSIAD-98-229, 9/30/98.

Executive Board. If the proposed procedures are approved by the Executive Board, management will issue guidelines to the staff on how staff is to cooperate with requests from such investigative agencies.

4. Accordingly, the following procedures are proposed for approval by the Executive Board:

(a) All requests from official investigating agencies will be notified to the Executive Board; the notification will describe the terms of reference of the enquiry and all other aspects considered to be relevant in this connection;

(b) Management and staff will be prepared to meet a request if it is channeled through an Executive Director's office and provides:

(i) a precise description of the terms of reference of the enquiry; and

(ii) written assurances that:

- confidential information provided in the course of the enquiry will not be disclosed;
- management and staff will be given an opportunity to review any report resulting from the enquiry before its ~~finalization~~ **circulation outside the agency** to ascertain that no confidential information is being disclosed in the report, the factual information is correct, and the views expressed by management and staff are appropriately reflected in the report; and
- in cases of differences of views, those of management and staff will be included in the report in an acceptable manner.

(c) **In principle** only documents and information available to the Executive Board will be made available to the agency. **Additional documents and information (other than those relating to the Fund's internal advisory procedures) may be made available by management upon request by the agency, in which case the Executive Board will be notified, and the documents or information will be available to it on the same terms and conditions as to the agency.**

(d) The Executive Board will be informed of requests which are denied **under (b) or (c) above**. ~~because, in the judgment of management, they do not meet the conditions set forth in (b) above.~~ In such cases, management or the relevant Executive Director may consult with the Executive Board.

(e) All published reports resulting from such investigations will be circulated to the Executive Board for information, together with an assessment of the staff resources used by the Fund in the enquiry.

(f) If, in the judgment of management, an investigative agency did not respect the written assurances provided in accordance with (b)(ii), it shall so inform the Executive Board and propose any remedial action it considers necessary.

