

**IMMEDIATE
ATTENTION**

SM/07/18

January 16, 2007

To: Members of the Executive Board

From: The Secretary

Subject: **Review of Procedures on Cooperation with Investigations of Fund
Activities by Auditing Institutions of Members**

Attached for consideration by the Executive Director is a paper on review of procedures on cooperation with investigations on Fund activities by auditing institutions of members. 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, January 31, 2007**. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

It is intended that this paper will be published on the Fund's external website. If no objections are received by noon on Wednesday, January 31, 2007, the paper will be posted.

Questions may be referred to Mr. Ghosh (ext. 36288) and Mr. Joshi (ext. 34467) in PDR.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Review of Procedures on Cooperation with Investigations on Fund Activities by
Auditing Institutions of Members**

Prepared by the Policy Development and Review Department

(In consultation with other Departments)

Approved by Mark Allen

January 12, 2007

A. Background

1. In February 2001, the Executive Board adopted a decision (Decision No. 12424–(01/13))¹ regarding procedures for cooperation with investigations on the Fund and/or its activities by auditing institutions of members. In January 2004, the Executive Board reviewed the procedures without making any changes to them (Decision No. 13172–(04/6)). The 2004 review called for the procedures to be again reviewed by the Board no later than January 31, 2007.

2. Under the procedures adopted by Decision No. 12424–(01/13), the Fund will be prepared to meet a request to cooperate with investigating agencies of members for the preparation of reports on the Fund and its activities, provided that a request is channeled through an Executive Director's office and includes (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 circulation outside the agency to ascertain that no confidential information is disclosed in the report and that the factual information is correct; and the views of management and staff will be included in the report in an acceptable manner. Before any cooperation under the procedures commences, the Executive Board must be notified of the request for cooperation. In July 2001, to guide staff in the implementation of the procedures, operational guidelines were issued.

¹ *Selected Decisions*, Thirtieth Issue, pages 566–568.

B. Experience

3. Since the last review (SM/04/7, 1/12/2004), two investigations have occurred, both undertaken by the United States Government Accountability Office (GAO): (1) *International Remittances: Different Estimation Methodologies Produce Different Results* (GAO-06-210, March 2006); and (2) *A Review of U.N. Activities in Burma/Myanmar* (expected to be completed in April 2007). In both cases, the request was channeled through the Executive Director's Office, contained precise terms of reference, and the necessary written assurances were given.

4. In both cases, after careful reviews of the studies' terms of reference, staff determined, with management approval, that these requests were not investigations of the Fund or its activities falling under the scope of Decision No. 12424—(01/13). Therefore, the Executive Board was not informed of the requests. While the two cases do not fall within the scope of the procedures, the staff has applied the procedural safeguards set out in the staff operating guidelines to both requests.

5. In line with the procedural safeguards, staff met with GAO officials and provided answers to questions on both studies in their respective areas of competence. Both reports have required only limited staff time. There was no formal response by the Fund to the *Remittances* report as it included no reference to Fund policy, and discussions with staff revolved around methodology issues regarding the collection of remittances data. In the Myanmar study, the request related to confidential Board documents that were not publicly available (e.g., Article IV consultation staff reports). The Executive Director for the United States was accordingly notified, and assurances received that any Fund document that is designated confidential would be accorded the same level of protection as it would be given within the Fund. In addition, assurances were also received that staff views about confidential documents would also be treated as confidential. The Myanmar study has not been completed yet, but no formal response is anticipated as the terms of reference indicate that the GAO "will not assess or evaluate any aspect of IMF performance regarding Burma."

C. Conclusions

6. The procedures adopted by the Board continue to work well. The resource costs since the last review in January 2004 have been manageable, as requests for cooperation on investigations have been peripherally related to the Fund or to Fund policy. It is therefore proposed that the review of procedures required by Decision No. 13172—(04/6) be completed without changes to the procedures and that the procedures be reevaluated in the context of a proposed further review in five years.

Proposed Decision

The following draft decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

The Executive Board has reviewed the procedures on cooperation with investigations on the Fund and/or its activities by auditing institutions of members contained in Decision

No. 12424-(01/13), adopted February 5, 2001 and finds that they continue to be appropriate.

The procedures shall be reviewed again no later than January 31, 2012.