

**IMMEDIATE  
ATTENTION**

EB/CAR/07/1

March 16, 2007

To: Members of the Committee on the Annual Report  
(Mr. Fried, Chairman; Mr. Guarnieri, Mr. Mozhin,  
Mr. Rice, Mr. Brown)

From: Michael DaCosta, Committee Secretary

Subject: **Meeting of the Committee on the Annual Report**

On behalf of the Chairman of the Committee, Mr. Fried

The first meeting of the Committee on the Annual Report will take place on  
**Tuesday, March 20, 2007 at 2:30 p.m. in the Board Committee Room (12-120B).**

The agenda for the meeting is a discussion of a note that explores some options aimed at making the Annual Report a more effective communication vehicle for the Board and the Fund.

Questions or comments on the discussion paper may be addressed to Mr. Rice (ext. 37409), Mr. Donaldson (ext. 37084), or Ms. Caminis (ext. 36551) in EXR.

Att: (1)

Other Distribution:  
Members of the Executive Board  
Department Heads



# INTERNATIONAL MONETARY FUND

## **Strengthening the Annual Report Discussion Paper for the Committee on the Annual Report**

March 16, 2007

### **Executive Summary**

The Annual Report is the Executive Board's report to the Board of Governors on the Fund's work program and policies, and the activities of the Board during the financial year; it also serves as a key source of information on the Fund's work for a more general audience. In recent years, with these two constituencies in mind, efforts have been made to improve the Report's design and content. This paper suggests that further improvements could make the report an even more effective communications vehicle for the Board and the Fund.

A reassessment of the Report would seem timely in the context of the review of the IMF's communications strategy and of institution-wide efforts to streamline and allocate resources more effectively, in line with the Medium-Term Strategy. Analysis indicates that the Report has not kept pace with the latest trends or best practices, particularly the shift by a number of international organizations toward greater reliance on electronic delivery.

This paper suggests that the Report can benefit by taking advantage of technology changes. Moreover, it proposes steps to reduce duplication and overlap with other Fund publications. It also suggests ways in which the Board's activities and messages can be conveyed in a more succinct and compelling manner.

If accepted, the reforms would result in a print version of the Report about one-fourth the length of the 2006 Annual Report. Nonetheless, the Report would remain a comprehensive document of record because much of the material previously included in the print version would be transferred to a CD-ROM to be included in the Report.

The changes would also result in significant cost savings. These savings could be used to increase the number of languages in which the Report is produced, thereby further broadening its reach, in line with the Board's acknowledgment (during its recent discussion of the Fund's communications strategy) of the need for more effective and better-targeted communication.

In short, the paper proposes reforms aimed at preserving the integrity of the Annual Report while enhancing its communications impact. Committee members' views are sought on these possible reforms.

## I. BACKGROUND

1. The Fund's obligations with respect to its Annual Report are spelled out in the Articles of Agreement and the By-Laws.

According to Article XII, Section 7(a), of its Articles of Agreement, "The Fund shall publish an annual report containing an audited statement of its accounts. . . ."

Section 10 of the By-Laws, Report of Executive Board, stipulates as follows:

"The Executive Board shall have prepared for presentation to the Board of Governors an annual report in which shall be discussed the policies and activities of the Fund and which shall make recommendations to the Board of Governors on the problems confronting the Fund. The Executive Board shall review, as part of the annual report, the functioning of the international monetary system, including the adequacy of global reserves, the conduct of the business of the General Department and of the Special Drawing Rights Department, as well as the performance of financial services by the Fund, including the administration of resources contributed by members." (*As amended on June 13, 1978.*)

2. In recent years Directors have expressed a desire for improvements to the Annual Report. In 2004, the Board established the Committee on the Annual Report (CAR) to review and make recommendations to the Executive Board on the Report in line with the provisions of the Articles of Agreement and the relevant By-Laws of the Fund.<sup>1</sup> In its initial discussions, the CAR advocated changes to the Report, including adding an overview, which was done starting in 2005. The CAR also discussed how to draft the Report in more accessible language and the possibility of eliminating some of the appendixes.

3. In addition to the changes requested by the Committee and other Board members, improvements made to the Report in recent years have helped to make it a more effective communications tool. These include adding links in the text to the Fund's Web site so that readers can get more information if they wish; adding boxes spotlighting the Fund's work in selected countries; using photographs to show the "human face" of the Fund and its work; and introducing a fresher, more logical design that is easier for readers to navigate.

4. The changes made so far have focused on adding material and improving presentation. Efforts to achieve greater streamlining and more effective use of resources, in the spirit of the MTS and the revised Communications Strategy, would likely require bolder reforms. Indeed, there was already a call by some Executive Directors for bolder change in the early discussions in the CAR in 2005–06. A streamlined Report would be more user-

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<sup>1</sup> The full terms of reference of the Committee are as follows: "To review and make recommendations to the Executive Board on the format and content of the Fund's Annual Report in line with the provisions of the Articles of Agreement and the relevant By-Laws of the Fund, and consistent with the Fund's commitment to transparency, and its obligations to fulfill its role in the international monetary system. The Committee will aim to ensure that the Annual Report helps promote accountability for the Fund's policies and activities, meeting the highest standards in disseminating information on such policies and activities, the Fund's finances, and on the problems confronting the institution."

friendly and more effective as a vehicle of communication for the Board and the Fund, as well as closer in size and format to the annual reports of comparable institutions.

### ***Results of the readership survey***

5. Readership research commissioned by EXR provided valuable insight into the Report's audiences. Quantitative research was delivered in July 2005, followed by qualitative research in September 2005.

6. The research shows that while most readers find the Report useful and say it provides all the information they need, it is recognized that it is now at the limit of maximum acceptable length. Readers indicate that they would be willing to accept additional information in electronic format, with references or links provided in the print version.

### ***Comparison with other annual reports***

7. In its size and heavy reliance on print, the Fund's Report is currently out of line with recent trends and best practices in comparable organizations (for example, the World Bank, EBRD, and OECD)—see Table 1. The trend with annual reports in some organizations is to concentrate resources on the core text and to present appendixes in electronic format. (For example, the Fund's 2006 Report in English runs to 244 pages (including 120 pages of appendixes); the World Bank's entire printed report is 64 pages, with some 150 pages of appendixes in English available on a CD-ROM inserted in the back cover.) Other institutions post their annual reports on their Web sites, providing print copies only on request.

**Table 1. Annual Reports of Selected Comparable Organizations**

	Print		Electronic		
	Pages in main AR	Languages	PDF	HTML	CD-Rom
<b>IMF</b>	<b>244</b>	<b>C,E,F,G,S</b>	<b>Y</b>		
<b>World Bank</b>	64 <sup>1</sup>	A,BI,C,E,F,H,J,P,R,S	Y	Y	Y
<b>IFC</b>	78 <sup>1</sup>	A,C,E,F,J,P,R,S	Y		
<b>Asian DB</b>	116	E,J	Y	Y	Y
<b>EBRD</b>	108 <sup>2</sup>	E,F,G,R	Y		Y
<b>IADB</b>	164	E,F,P,S	Y		
<b>BIS</b>	238	E,F,G,I,S	Y		
<b>OECD</b>	128 <sup>3</sup>	E,F	Y		
<b>WTO</b>	122	E,F,S	Y		

<sup>1</sup> Financial statements available only in PDF and on CD-ROM.

<sup>2</sup> Financial statements available as separate printed volume.

<sup>3</sup> Financial statements available only in Word or PDF format.

***Further reform: limitations and scope***

8. As readership research indicates, the IMF's Annual Report has reached the limits of improvement in its current format. In the staff's view, further reform would require a more creative approach that might encompass

- strengthening the Fund's messages by concentrating on the chapters and front matter;
- making better use of technology by dividing the Report into complementary print and electronic formats;
- avoiding repetition and duplication of material; and
- reallocating resources from high-cost activities for which there is low demand (such as printing the unaudited translations of the financial statements) to potentially high-impact activities, such as printing the text of the Report in more languages than is currently done.

**II. FORMAT AND CONTENT OF THE ANNUAL REPORT—PROPOSAL FOR REFORM**

***Identifying audiences***

9. In considering format and content, two main audiences for the Annual Report can be identified:

(1) *The formal audience* is the Board of Governors, to whom the Board reports each year, and others requiring a comprehensive document of record such as finance ministries, treasury departments, and central banks.

(2) *A broader audience* has evolved as a result of the Fund's growing transparency and outreach efforts. This audience—which includes the media, think tanks, private sector groups, civil society, parliaments, and the general public—seeks information and guidance on the work of the Fund but may not be well served by the traditional Report because of the inaccessibility of some of the language and the mass of detail. A shorter, more readable document might better serve the needs of this broader, nonspecialist audience.

10. Streamlining the print version of the Report while inserting a CD-ROM inside the back cover would appear to serve both audiences better. The CD-ROM would contain the financial statements and other appendixes as well as additional material. Indeed, the capacity of a CD-ROM would allow it to carry *more* content than can be provided in the current printed Report. For constituencies lacking access to the appropriate technology, the material on the CD-ROM can be made available in print on request to the Fund.

***Avoiding overlap and introducing key themes***

11. Given that most Fund documents—including the Public Information Notices that contain the summings up of Board discussions—are now available on the Fund's Web site, there is less of a need than in the past to replicate these documents in the Annual Report. Duplication of material already available in other products should also be avoided—for example, the Board discussions of the WEO and the GFSR, which are published in those

reports. (See Appendix 1 for more examples of current overlap between the Annual Report and other Fund publications.)

12. At the same time, the duplicative material that is proposed to be cut from the text could—for reasons of completeness—be included on the CD-ROM. This might be the case, for example, for the summings up of Board discussions. In terms of content, therefore, very little would be “lost” from the Report; rather it would be presented in a different format (on CD-ROM rather than in print).

13. In the future, the CAR may wish to consider adding a new chapter on a specific theme or priority topic that would be decided by the Board each year. The addition of such a feature is likely to increase the appeal and impact of the Report.

***Possible streamlining for the printed text***

14. The printed Report might contain the following chapters (see Appendix 2 for more detail):

- Overview
- Key activities of the Board in FY2007
- Program support
- Building institutions and capacity
- Managing an effective institution

15. Coverage of Board discussions would be factual, with cross-references to the full summings up on the CD-ROM. The text of the Annual Report itself would be posted on the CD-ROM, with hyperlinks to other relevant documents on the CD-ROM, providing readers with different points of entry to these documents. Full-text materials that would be available on the proposed CD-ROM would include:

- The audited financial statements and other appendixes.
- Full summings up of Board discussions of the WEO and GFSR.
- PINs.
- Full reports of the Group of Eminent Persons and the External Review Committee on Bank-Fund Collaboration.
- Boxes and tables covering background material repeated from year to year.
- Information available in the IMF Handbook on the Fund’s human resources and organization.

16. Such streamlining could reduce the printed text to 64 pages (with an estimated 150 pages available on the CD-ROM). In light of the savings in costs and editorial time achieved by the streamlining of the Report, there may be consideration in future years of including a thematic chapter on a subject to be determined by the Board.

***Making the language more readable and accessible***

17. It is also proposed that the Board's main messages be presented in a more accessible way in the streamlined Report. Some of the language could be made simpler (the Board, of course, will continue to approve all text), and there could be more adept use of boxes illustrating the work of the Fund through concrete examples—the value of technical assistance in specific countries, for instance. At the same time, the full text of Board summings up and PINs would be available on the CD-ROM.

***Costs and savings***

18. Putting material on a CD-ROM instead of printing it will significantly reduce the costs of producing the Annual Report. Currently the production cycle for the Report creates a heavy workload throughout the Fund, but particularly in EXR and TGS, where it competes for resources with the WEO, the GFSR, and other materials produced in the months leading up to the Annual Meetings.

19. In addition, it is proposed that by not translating the appendixes (which is best practice in other organizations such as the World Bank)—which account for about half of the pages in the 2006 and earlier Reports—significant cost savings would be achieved. Savings will also be made in printing and distribution costs, which would more than offset the cost of producing and inserting a CD-ROM in the Report. Savings could be redeployed to produce translations of the Report in the languages most heavily used in Fund work, to respond to demand and in line with the recommendations of the Report of a Task Force on Publication of Fund Documents and Information in Languages Other Than English (for example, Arabic, Chinese, French, Japanese, Russian, and Spanish)—see Table 2.

20. On the other hand, it is recognized that the Fund is facing budgetary constraints and these cost savings could, alternatively, be viewed as a possible contribution to overall revenue.

21. In short, because of the large volume of material that will be available on CD-ROM (as set out in more detail in Appendix 2) the Annual Report will remain the comprehensive document of record it has always been. At the same time, the proposed change to a shorter printed product will enable the Board to extend the reach of the Report and to make it a more effective tool for communicating with both its official readership and the Fund's other stakeholders.

22. To assess the success of the measures proposed in this paper, a readership survey could be conducted shortly after distribution of the 2007 Annual Report. The findings of this survey would be provided to the Committee on the Annual Report in sufficient time to serve as a basis for planning the 2008 Annual Report.

**III. QUESTIONS FOR THE COMMITTEE TO CONSIDER**

23. Do members agree with the following?



- That there are two main audiences for the Report—the formal one and a broader audience of nonspecialists—and that the latter would be better served by a shorter, more readable print publication, while the accompanying CD-ROM would allow the Report to remain a comprehensive document of record for its official audience.
- That the savings achieved on printing and distribution by shortening the print version of the Report be used to translate and distribute the Report in more languages.
- That Public Information Notices, summings up of the Board WEO and GFSR discussions, and the appendixes, including the audited financial statements, be published on the CD-ROM.
- That there should be less duplication in the Report of other materials published by the Fund, in print and/or on the Web.
- That the basic approach to the contents of the Annual Report as set out in Appendix 2 is appropriate.

**Table 1. Annual Report of the Executive Board—Costs and savings**  
(Estimates based on AR2006)

**Costs of the existing Report (AR2006)**

	Copies	Staff hours			External staff (editorial costs)	Production costs		Total direct costs
		EXR	TGSIM <sup>1</sup>	TGSLs		Printing <sup>2</sup>	Postage <sup>3</sup>	
<i>Reports (244pp approx.)</i>								
English	10,000	1,760	244	—	4,000	61,900	25,776	91,676
Chinese	5,000			942		15,500	—	15,500
French	2,000			1,309		34,980	2,679	37,659
German	1,000			500		20,000	1,300	21,300
Spanish	2,000			1,309		29,230	2,553	31,783
Totals	20,000			4,060		Total	Total	197,918

**Costs of shorter printed Report in English (64pp), with CD-ROM**

	Copies	Staff hours			External staff (editorial costs)	Production costs		Total direct costs
		EXR	TGSIM <sup>1</sup>	TGSLs		Printing <sup>2</sup>	Postage <sup>3</sup>	
English	8,000	1,000	140	—	3,000	21,000	7,800	31,800

**Costs of shorter printed Reports in LOE (64pp), with CD-Rom**

	Copies	Staff hours			External staff (editorial costs)	Production costs		Total direct costs
		EXR	TGSIM <sup>1</sup>	TGSLs		Printing <sup>2</sup>	Postage <sup>3</sup>	
Arabic	1,000			350		6,150	975	7,125
Chinese	5,000			350		5,000	—	5,000
French	2,000			350		12,300	1,950	14,250
German	1,000			350		6,150	975	7,125
Japanese	1,000			350		6,150	975	7,125
Russian	1,000			350		6,150	975	7,125
Spanish	2,000			350		12,300	1,950	14,250
<b>TOTALS (print, including English)</b>	<b>21,000</b>			<b>2,450</b>				<b>93,800</b>
<b>CD-ROM</b> (full Report & typeset appendixes, English only, in PDF)	21,000	600	10	—		21,000	—	21,000
<b>TOTALS (including CD-ROM)</b>						Total	Total	<b>114,800</b>

1/ Time spent on layout and production only; does not include design, photography, or chartmaking.

2/ Print costs for the Chinese version represent a buy-back arrangement with the China Financial Publishing House.

3/ Estimated partial expenditure representing only the foreign component of initial distribution. Other postage costs are covered outside the Publications Budget.

#### **IV. NEXT STEPS**

24. Once Committee members have expressed their views on the proposals made in this paper and agreement has been reached, EXR and SEC will come back to the Committee with the draft outline of the Annual Report 2007 at an early date.

25. EXR and SEC will also send proposals for new clearance procedures in line with the Fund's streamlining initiative to the CAR at an early stage. Clearance procedures for the Report lie within the responsibilities of the CAR.

## Appendix 1

### Annual Report: Overlap with other Fund publications

<b>1. Overview</b>	
The world economy	World Economic Outlook
Global economic risks	World Economic Outlook
<b>3. Promoting financial stability and growth through surveillance</b>	
WEO Board discussions	World Economic Outlook
GFSR Board discussions	Global Financial Stability Report
<b>6. Managing an effective institution</b>	
IEO reports on role of IMF in determination of the external resource envelope in sub-Saharan Africa and IMF advice on exchange rate policy	IEO reports
Organization (description of individual departments)	IMF Handbook
Box: How the IMF Is Run	IMF Handbook, What Is the IMF?
<b>Appendixes</b>	
II.13 De facto classification of exchange rate regimes and monetary policy framework	Annual Report on Exchange Arrangements and Exchange Restrictions
III Principal policy decisions of the Executive Board	Selected Decisions

## Appendix 2

### Annual Report 2007: Possible content

The content of the Annual Report would be divided between the printed version and the CD-ROM, as indicated below. The printed version would also contain boxes, tables, and figures not listed here. The Outline of the 2007 Annual Report will be presented to the CAR in March and this will contain a detailed proposal for both print and CD-ROM content.

The printed version will give a brief factual account of Board discussions, with references to summings up indicating where they can be found on the CD-ROM and the Fund's Web site.

Printed version	CD-ROM
<b>Front matter</b> Message from the MD and Chair of the Executive Board (will cover progress under the MTS and the findings of the Eminent Persons Committee and the Malan committee) Letter of Transmittal to the Board of Governors Executive Board on April 30, 2007	Full reports of the Eminent Persons Committee and the Malan committee
<b>1. Overview</b> The global economy and financial stability (cross-references to Board discussions of WEO and GFSR summings-up) Highlights of the Board's activities in the financial year, with particular emphasis on the MTS (e.g., quotas and voice; strengthening surveillance and deepening financial sector coverage; review of IMF's income base; new lending instrument)	Board calendar and work program for FY2007 Summings up/PINs for all Board discussions during the year, including WEO, GFSR, regional surveillance Selected press releases: - 06/267 Statement by MD on the Work Program of the Executive Board (11/30/06) - 06/138 Statement by MD on the Work Program of the Executive Board (6/7/06) Full IEO reports
<b>2. Key activities of the Board in FY2007</b> Ongoing surveillance (global, regional, country) Montenegro membership Opening of new AFRITAC, training institute in India Changes to organization and senior management IEO reports	Box: ROSCs and Data Standards Initiatives Table: Article IV consultations completed during FY2007
<b>3. Program support</b> Emerging market economies Low-income countries	Tables: Financial facilities; Debt relief initiatives

<b>4. Building institutions and capacity</b> Technical assistance Training	Table: IMF Institute regional training programs
<b>5. Managing an effective institution</b> Governance (including quotas and voice) Financial operations and policies Administrative and capital budget External audit mechanism Risk management Streamlining Fund operations The Fund's External Communications Strategy	Boxes: How the IMF is run; Executive Board standing committees; IMF's financing mechanism; Financial transactions plan; Financing of the MDRI; Safeguards assessment policy  Tables: Subsidy contributions for ESF; Delivery of MDRI debt relief; Subsidy contributions for emergency relief; Distribution of professional and managerial staff by nationality; IMF staff salary structure; Distribution of staff by gender; Distribution of staff by developing and industrial countries; Disseminating information: the IMF's publishing operations and Web site
<b>Back matter</b> IMF organization chart Executive Directors Senior officers Acronyms and abbreviations	Organization of IMF, with descriptions of departments (pp. 118-123 of 2006 AR)
	<b>Appendixes</b> International reserves Financial operations and transactions Press communiqués of the IMFC and the Development Committee Executive Directors and voting power Changes in membership of the Executive Board Financial statements