

**IMMEDIATE
ATTENTION**

EB/CAR/07/2

April 9 , 2006

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**

A meeting of the Committee will be held on **Tuesday, April 17, 2007 at 2:30 pm in the Board Committee Room (12-120B)**.

The Agenda for the meeting will be a discussion of the **Draft Outline of the Annual Report**, which is attached.

As background material for the meeting, a note on follow-up to the March 20, 2007 meeting of the Committee and the Summary Record of that meeting are also attached.

Written comments on the draft outline are welcome, and may be sent to Ms. Caminis (ext. 36551) in EXR, copied to Mr. Rice (ext. 37409), Mr. Donaldson (ext. 37084), and EXREMAST.

Att: (3)

Other Distribution:
Members of the Executive Board

ANNUAL REPORT 2007

DRAFT OUTLINE

April 6, 2007

PRINT TABLE OF CONTENTS

FRONT MATTER

Message from the Managing Director and Chair of the Executive Board. *[The message could mention, among other things, the new approach to the Annual Report: shorter, more concise, yet covering the main activities of the Board and the Fund.]*

Letter of Transmittal to the Board of Governors

Executive Board on April 30, 2007

1. OVERVIEW

This chapter will describe global economic and financial developments during FY2007 and provide a summary of the Board's activities as they relate both to these developments and to the goals set out in the Medium-Term Strategy. There will be references to subsequent chapters in which these activities are described in greater detail as well as to documents on the CD-ROM.

The global economy (Text to be provided by RES and MCM; cross-references to summings-up on CD-ROM of Board discussions of WEO and GFSR.)

Highlights of the Board's work during FY2007 and progress under the MTS

- Modernizing the surveillance framework and introducing innovations in the implementation of surveillance.
- Reforming quotas and voice (Singapore highlight).
- Reviewing the finances of the Fund to place them on a sustainable footing.
- Emerging market countries—possible new liquidity instrument (RAL).
- Low-income countries—capacity building, application of debt-sustainability analysis for low-income countries post-debt relief.
- Overall governance of institution—emphasis on cost-effectiveness, streamlining, transparency.

Possible box: Summary of MTS; steps taken so far.

2. PROMOTING FINANCIAL STABILITY AND GROWTH THROUGH SURVEILLANCE

This chapter will describe the Fund's surveillance activities during the year, including innovations such as the multilateral consultations, and outline efforts to modernize and strengthen surveillance, including through greater coverage of the financial sector.

Implementing surveillance

- Global surveillance.
 - WEO, GFSR (reference to summings-up on CD-ROM)—analytical tools increasingly being applied to capture cross-country spillovers and draw policy lessons.
 - First multilateral consultations: new forum for multilateral discussions on an issue of collective concern—global imbalances.
 - Deepening coverage of commodities markets in multilateral surveillance.
- Regional surveillance expanded and strengthened.
 - Currency unions—CEMAC, ECCU, euro area, WAEMU (reference to summings-up on CD-ROM).
 - Staff analysis and technical assistance for additional regions, such as Central America and the Maghreb.
- Country surveillance more selective and focused.
 - [00] Article IV consultations completed during the year (reference to Table on CD-ROM); experimentation with streamlining.
 - Bringing new analytical tools to exchange rate issues (paper on CGER methodology; disseminating best practice more widely; reference staff and IEO reviews).

Modernizing the surveillance framework

- The Board found areas of agreement in the Review of the 1977 Surveillance Decision and is building common ground on other areas. The Board also examined methods for assessing the effectiveness of Fund surveillance, to be further discussed in early FY2008, and reviewed the IEO's evaluation of the IMF's advice on exchange rate policy, a key element of surveillance.
- Strengthening the framework for financial sector and capital markets surveillance (recommendations of Task Force on Integrating the Financial Sector into the Surveillance Work of the Fund; addition of financial sector component to Fund's Global Economy Model; AML/CFT; FSIs).

Possible box: Establishment of MCM and its work program

3. PROGRAM SUPPORT

This chapter will cover facilities for both emerging market and low-income countries, highlighting the Fund's ongoing reviews of programs to ensure their effectiveness, development of new instruments such as the PSI, and participation in debt relief efforts for low-income countries.

Financial assistance and program design

- General summary of regular and concessional financing activities.
- Fund continues to work on improving program design. Reference Review of Ex Post Assessments and Issues Relating to the Policy on Longer-Term Program Engagement.

Emerging market economies. Many emerging market countries have moved from programs to a surveillance relationship with the Fund. The IMF has focused on strengthening the diagnosis of vulnerabilities and the coverage of financial and capital markets. Work has continued on the design of a possible new liquidity instrument to support crisis prevention efforts by members active in capital markets.

- Early repayment of loans by several large emerging market economies.
- Precautionary Arrangements—Purposes and Performance.
- IMF Board Holds Seminar on Consideration of a New Liquidity Instrument for Market Access Countries; Further Consideration of a New Liquidity Instrument for Market Access Countries—Key Design Issues.

Possible table: Regular loans approved in FY2007

Possible figure: Regular loans outstanding

Low-income countries. The Fund now has a wider array of instruments to help its low-income members achieve macro stability and growth—debt relief, PRGF lending, Exogenous Shocks Facility, emergency assistance, PSIs, technical assistance—and thereby contribute to their progress in achieving the MDGs. (Reference publication of fourth Global Monitoring Report with a short summary of its main findings.)

- Update on HIPC Initiative and MDRI; HIPC Initiative—Issues Related to the Sunset Clause.
- Work has continued on improving the quality and rigor of debt-sustainability analyses. Application of Debt-Sustainability Framework for Low-Income Countries Post-Debt Relief.
- PSIs—description of instrument; summary of PSIs in place (Cape Verde, Nigeria, Tajikistan, and Uganda).

- Reference IEO report on IMF and external resource envelope for sub-Saharan Africa.

Possible box: Trade liberalization (Doha Development Agenda and Aid for Trade); Trade Integration Mechanism activated for Madagascar

Possible table: PRGF arrangements approved in FY2007

Possible figure: PRGF credit outstanding

4. BUILDING INSTITUTIONS AND CAPACITY

As country surveillance becomes more focused, the close relationship between surveillance and capacity building becomes more apparent. Work has continued to align capacity building more closely with overall Fund and country priorities. This chapter will describe technical assistance and training activities during FY2007 and refer to the opening of a new center and institute in an effort to better meet members' needs.

- Summary of TA activities during FY2007 (from OTM and departments); opening of third AFRITAC; evaluation of TA program.
- Summary of training activities (IMF Institute); new training institute in India (from INS).

Possible box: Examples of work done by regional TA centers

Possible figures: TA by region, FY2007; TA delivery by department, FY2007

5. GOVERNANCE, ORGANIZATION, AND FINANCES

This chapter will summarize work done during FY2007 on reforming quotas and voice; strengthening transparency, communications, and accountability; making the Fund a more cost-effective and efficient institution; and placing the Fund's finances on a more sustainable footing. It will also summarize financial developments over the year and the key financial indicators as of April 30, 2007, with a reference to the financial statements and other relevant appendixes on CD-ROM.

Quotas and voice

- Adoption by Board of Governors at Singapore Annual Meetings of Resolution on Quota and Voice Reform in the IMF, as proposed by Executive Board. Cross-reference to Resolution on CD-ROM.
- Second stage of quota and voice reform (new quota formula, amendment of the Articles of Agreement, increased staffing for ED offices with large constituencies).
- Initiation of Thirteenth General Review of Quotas.

Transparency, communications, and accountability

- Publication of second Transparency Annual Report.
- IEO role in evaluating Fund operations, increasing transparency and accountability, and strengthening the learning culture of the Fund. Short summary of Board discussions of IEO evaluations completed in FY2007, with reference to full summings-up on CD-ROM. IEO work program for next two years.
- Initiatives aimed at enhancing Fund's communications and outreach—review of Fund's external communications strategy, including consideration of publication of documents in languages other than English; outreach through REOs.

Possible box: IMF's role in the international financial architecture and collaboration with other international organizations, including World Bank (reference External Review Committee's report on Fund-Bank collaboration) and regional MDBs (heads of IFIs meetings, IFI Anti-Corruption Task Force); Financial Stability Forum; standard-setting bodies; OECD; UN system (ECOSOC); WTO.

Management and organization

- Administrative and capital budget (to be provided by OBP).
- Board's work on modernizing the Fund's risk-management framework.
- Streamlining Fund operations (reference to documents on CD-ROM).

Possible box: Management changes—appointments of Messrs. Lipsky, Portugal, Johnson, Caruana, Harnischfeger, Palmer. (References to sections of the IMF Handbook and other materials on CD-ROM describing organization of IMF.)

Possible table: Administrative budgets, FY2005–08

Financial operations and policies (to be provided by FIN)

- Income, charges, remuneration, and burden sharing; work on new income model (reference Eminent Persons' report); activation of investment account.
- Arrears to the IMF.
- External audit mechanism.

Possible figure: Forward commitment capacity

BACK MATTER

IMF organization chart

Senior officers

Acronyms and abbreviations

CD-ROM TABLE OF CONTENTS

CD-ROM will include full text of print report (in PDF format), with additional material as listed below. Text will have links to relevant PINs, reports, etc., that are on CD-ROM.

Chapter 1. Overview

- Board calendar for FY2007
- Reports of the MD to the IMFC on the IMF's Policy Agenda (September 2006 and April 2007)

Chapter 2. Promoting financial stability and growth through surveillance

Implementing surveillance

- SURs and PINs for Board discussions of WEO and GFSR and currency unions
- Treatment of Exchange Rate Issues in Bilateral Surveillance—A Stocktaking, PIN/06/131

Modernizing the surveillance framework

- Review of the 1977 Surveillance Decision, SUR/07/24
- IMF Executive Board Reviews the Quality and Consistency of Assessment Reports for Anti-Money Laundering and Combating the Financing of Terrorism and the Effectiveness of Coordination, PIN/06/72
- Box: ROSCs and Data Standards Initiatives
- Table: Article IV consultations completed during FY2007

Chapter 3. Program support

Financial assistance and program design

- IMF Executive Board Concludes Review of Ex Post Assessments, PIN 06/96

Emerging market economies

- IMF Executive Board Discusses Precautionary Arrangements—Purposes and Performance, PIN/06/94
- IMF Board Holds Seminar on Consideration of a New Liquidity Instrument for Market Access Countries, PIN/06/104
- Further Consideration of a New Liquidity Instrument for Market Access Countries—Key Design Issues, PIN/07/40

Low-income countries

- IMF Board Discusses Issues Related to the Sunset Clause of the Initiative for Heavily Indebted Poor Countries, PIN/06/107
- IMF Executive Board Discusses the Application of the Debt-Sustainability Framework for Low-Income Countries Post-Debt Relief, PIN/06/136
- IMF Board Discusses Doha Development Agenda and Aid for Trade, PIN/06/105

- Box: Debt relief initiatives
- Table: Financial facilities

Chapter 4. Building institutions and capacity

- Tables:
 - TA program areas, FY2005–07
 - TA resources and delivery, FY2003–07
 - RTAC activities and programs
 - TA evaluation program, FY2007–08
 - IMF Institute training programs, FY2003–07
 - IMF Institute regional training programs

Chapter 5. Governance, organization, and finances

Quotas and voice

- Resolution on Quota and Voice Reform
- Proposed Amendment of the Articles of Agreement Regarding Basic Votes—Preliminary Considerations, BUFF/07/10
- Board Decision on Additional Resources for ED offices with Large Constituencies

Transparency, communications, and accountability

- Acting Chair's Summing-up: IEO—the IMF and Aid to Sub-Saharan Africa, BUFF/07/32
- Box: Disseminating information: the IMF's publishing operations and Web site

Management and organization

- The Acting Chair's Summing Up: Implementing Streamlining, BUFF/06/173
- IMF Executive Board Modifies Procedures in De Minimis Cases of Misreporting, PIN/06/95
- IMF Handbook/Organization of IMF, with descriptions of departments
- Tables:
 - 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

Financial operations and policies

- Final Report of the Committee to Study Sustainable Long-term Financing of the IMF
- Final Report of the External Review Committee on Bank-Fund Collaboration

- Boxes:
 - 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

Appendixes

- I. International reserves
- II. Financial operations and transactions
- III. Press communiqués of the IMFC and the Development Committee (September 2006 and April 2007)
- IV. Executive Directors and voting power
- V. Changes in membership of the Executive Board
- VI. Financial Statements

INTERNATIONAL MONETARY FUND
COMMITTEE ON THE ANNUAL REPORT

**Background Note on Follow Up to the March 20, 2007 Meeting of the Committee and
Draft Outline of the 2007 Annual Report**

At the March 20, 2007 meeting of the Committee on the Annual Report (CAR), Committee members and other Executive Directors broadly endorsed proposals to revamp and streamline the Fund's Annual Report.¹ The proposals include (i) a shorter and more reader-friendly text; (ii) making greater use of technology to place financial statements, appendixes, and referenced material on a CD-ROM—in line with best practice in other international organizations;² and (iii) reducing duplication and overlap between the Annual Report and other Fund reports and publications. It was also broadly agreed that cost savings from streamlining would be used to translate the Report into more languages.³

A key challenge in the streamlining exercise is that the Report cover comprehensively major developments and challenges, while being accessible to a broad readership. To ensure accessibility and in keeping with suggestions from Committee members and other Executive Directors, the entire Report (text plus appendixes and referenced materials) will be available on CD-ROM and on the Fund's web site (see Annex for further details). In addition, a print version of the entire Report will be available upon request for those constituencies that lack access to the appropriate technology.⁴

An appropriate communications strategy for the revamped Report will be devised. Elements of such a strategy would include giving the Report increased prominence on the Fund's website and emphasizing its availability in more languages. An article on the new report will be placed in the IMF Survey. In addition, the Report will be promoted in EXR's "New & Noteworthy" newsletter (and in the accompanying e-mail text), which reaches 130,000 readers globally. Executive Directors may also wish to consider the possibility of selected press briefings on the Annual Report in Washington as well as in some of their constituencies.

To ascertain whether the new Annual Report format meets the needs of the Fund's stakeholders as well as to ensure timely feedback and continued improvements, EXR plans to

¹ The proposals were outlined in (EB/CAR/07/1; March 16, 2007)

² Article XII, Section 7(a) of the Fund's Articles provides that "the Fund shall publish an annual report containing an audited statement of its accounts", however, there is no requirement that the audited statement be in print format.

³ A Summary Record of the Committee meeting is attached.

⁴ As regards Annual Reports that predate the web site's creation (i.e., those for the period 1946–95), EXR will explore the logistics and costs of scanning these. If scanning is feasible, PDF files of these Reports will be posted on the Fund's Web site.

engage a consultant to conduct a comprehensive readership survey following the issuance of the 2007 Report. The survey will be carried out in time for the Committee to consider the findings ahead of the next Annual Report cycle.

In response to comments and questions from Committee members and other Executive Directors that are not addressed above, the attached Draft Outline of the Annual Report reflects the following:

- A separate chapter on surveillance.
- Inclusion of material on the implementation of the MTS in the Overview, with cross-references to other chapters.
- A change in the title of Chapter 5 to *Governance, Organization, and Finances*.
- The absence of a chapter on a special theme or topic, although this possibility could be taken up in the discussion of future reports, as warranted and in light of developments.

Note on Proposed CD-ROM Version of the 2007 Annual Report

The full text of the Annual Report as well as appendixes and additional relevant material not included in the print version of the Report will be placed on a CD-ROM. The disk will be inserted in a pocket affixed to the inside back cover of the Report.⁵ The CD-ROM will also be available on request as a separate, comprehensive, and self-contained product.

Information on the content and use of the CD-ROM will be provided prominently in the front of the print version of the Report. Documents on the CD-ROM will be referenced in the relevant portions of the text of the printed Report.

When loaded into a computer, the CD-ROM will open automatically to a contents page with hyperlinks to the chapters of the printed Report and to the documents associated with each chapter. The documents on the CD-ROM will be grouped so that they correspond to the relevant chapters in the printed text. The printed text of the Report and the CD-ROM will follow a similar structure so that readers can easily refer to the documents in context.

Documents on the CD-ROM will be in PDF format, converted from Adobe InDesign, Word, or Excel files. Data in tables and the data underlying charts can also be made available on the CD-ROM in Excel. Hyperlinks will be added to the PDF version of the Report to take the reader directly to the source or to other relevant files on the CD-ROM.

⁵ The attached Draft Outline of the Annual Report contains a full list of the proposed contents of both the print Report and the CD-ROM.

**SUMMARY RECORD
THE COMMITTEE ON THE ANNUAL REPORT
MEETING 07/1**

March 20, 2007—2:30 p.m.

Members present: Messrs. Fried (Chairman), Guerra, and Mozhin.

Staff Members present: Messrs. Rice (EXR), Brown (PDR), and Mr. Da Costa (Secretary).

Also present: Ms. Mañalac, Ms. Riad and Ms. Sucharitakul, and Messrs. Al Nassar, Brinkmann, Dumont, He, Jackoby, Kashiwagi, Kravalis, Kudiwu, Larsen, Mirakhor, Mohanty, Moser, Parodi, Pereyra, Yakusha, and Tesfamichael. IMF staff: Mr. Donaldson and Ms. Caminis (EXR).

I. INTRODUCTION

The Committee on the Annual Report (CAR) met on March 20, 2007 to consider proposals to reform the Annual Report. The proposals had been circulated to Executive Directors in the form of a Discussion Note (EB/CAR/07/1).

II. STRENGTHENING THE ANNUAL REPORT

At the outset, the Chairman welcomed Committee members and other Executive Directors. He introduced Mr. Rice, Deputy Director of EXR, which has responsibility for producing the Annual Report, and Mr. Brown, Assistant Director in PDR, which contributes to the preparation of the Report.

The Chairman indicated that the Discussion Note sets out some options aimed at making the Annual Report a more effective communication vehicle for the Board and the Fund. He underscored that the discussion was timely in the context of the ongoing Board consideration of the Fund's communications strategy, as well as the Medium-Term Strategy with its renewed emphasis on outreach.

The proposals to strengthen the Annual Report include:

- Making the print version of the Report shorter and more reader-friendly in order to make it accessible to a broader audience.
- Taking advantage of technology, especially CD-ROMs and the internet—which has become best practice in other organizations.
- Realizing significant cost savings, some of which can be used to translate the Report into more languages.
- Reducing duplication and overlap between the Annual Report and other Fund reports and publications.

The proposals were well received by Committee members and other Executive Directors. They generally welcomed the concept of a shorter, streamlined Annual Report text in several languages, complemented by a CD-ROM in English that would include appendixes and referenced material. They also endorsed channeling potential savings from streamlining into translations of the Report (and/or other Fund publications) into additional languages, but emphasized that translations should be demand driven, timely, and of good quality. It was noted that such savings are likely to be relatively modest in relation to potential demand.

Directors urged that care be taken to ensure that streamlining does not affect the overall clarity, coverage, and integrity of the Report, nor the fulfillment of its legal function vis-à-vis the Board of Governors. In seeking to meet the needs of two audiences for the Report—the Board of Governors and the interested public—it is essential that both audiences view the revamped Report as a step forward in communications. On accessibility of the Report, speakers agreed that it would be important to make a print version of the CD-ROM available upon request for those members or constituencies that lack access to the appropriate technology. At the same time, printing of hard copies ought to be selective and monitorable to ensure vigilance regarding costs. Updating more regularly the mailing list for Annual Report recipients and for the Fund's publications more generally could generate additional savings. Also, it was suggested that an electronic copy of the entire Report (text, appendixes, and referenced material) be available to readers.

Committee members and other Executive Directors expressed reservations about introducing a thematic chapter in the Annual Report at this time, especially in view of the streamlining efforts, the resource constraints, and the likely difficulty in agreeing on a specific topic. Some speakers suggested that such a chapter could be considered on an ad hoc basis in the future. Caution was also expressed by some speakers about including the texts of the Crockett and the Malan Reports on the CD-ROM, since the reports were commissioned by management, and their recommendations had not been endorsed by the Board.

Mr. Rice confirmed that the proposals for strengthening the Annual Report were in line with the recommendations of the Task Forces on the Publication of Fund Documents and Information in Languages Other Than English, including that translations into those languages should be used as a strategic tool, based on demand, timeliness, and cost effectiveness. As part of the process of updating and shortening existing mailing lists, an audit of Fund publications' recipients is underway.

In his closing remarks, the Chairman welcomed what he regarded as a healthy endorsement of the proposed general direction for the Annual Report, as well as the many helpful comments and questions. He indicated that he intended to ask EXR to launch a new comprehensive readership survey following the issuance of the 2007 Report, to obtain information on reactions to the Report as part of a process of continuous improvement.

On the next steps in the work program of the Committee, the Chairman indicated that he would aim to schedule another meeting at an early opportunity to discuss an outline of the Annual Report.

The meeting concluded at 3.44 p.m.