

**IMMEDIATE
ATTENTION**

EBD/07/52

May 8, 2007

To: Members of the Executive Board

From: The Secretary

Subject: **Annual Report 2007—Draft Outline**

The attached draft outline for the 2007 Annual Report was circulated for comments to members of the Committee on the Annual Report and other Executive Directors on April 27, 2007 (EB/CAR/07/3). The draft incorporates comments from Executive Directors at a meeting of the Committee held on April 17, 2007.

Since the circulation of the draft on April 27, no comments have been received from Executive Directors. It is now proposed that, in the absence of comments by the **close of business on Friday, May 11, 2007**, the attached outline be considered approved by the Executive Board.

Questions or comments on the draft outline may be addressed to Ms. Caminis (ext. 36551) in EXR, copied to Mr. Rice (ext. 37065), Mr. Donaldson (ext. 37084), and EXREMAST.

Att: (1)

Other Distribution:
Department Heads

ANNUAL REPORT 2007

REVISED DRAFT OUTLINE

May 7, 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

1. OVERVIEW

This chapter will describe global economic and financial developments in 2006–07 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.
- Program support—in the context of crisis prevention, possible new liquidity instrument (RAL) for emerging market countries; broadening of instruments available to low-income countries and application of debt-sustainability analysis post-debt relief.
- Capacity building—technical assistance and training.
- Reforming quotas and voice (Singapore 2006 and spring meetings 2007).
- Overall governance of institution—commitment to ensuring the Fund is cost-effective while not compromising its ability to deliver key outputs by enhancing efficiency, streamlining processes, strengthening risk management, improving collaboration with World Bank, and taking account of the recommendations of independent evaluations. Deepening of commitment to accountability and transparency.
- Reviewing the finances of the Fund to place them on a sustainable footing.

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.
 - Brief description of AREAER as instrument of global surveillance, with cross-reference to table on exchange rate arrangements in Appendix II on CD-ROM.
 - Increased focus on multilateral surveillance, including first multilateral consultation (MC)—new forum for multilateral discussions—on global imbalances, an issue of collective concern. At April 2007 Bank-Fund meetings, IMFC notes progress made by participants in first MC.
 - Deepening coverage of commodities markets.
- 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). Briefly mention experimentation with streamlining; experience to be reviewed by Board in FY2008.
 - Bringing new analytical tools to exchange rate issues (paper on CGER methodology; disseminating best practice more widely; reference staff and IEO reviews).
 - Brief mention of FSAPs carried out during FY2007 and ongoing efforts to sharpen focus of FSAP updates.
 - Data standards initiatives; data quality and availability; ROSCs (update material in 2006 Annual Report).

Modernizing the surveillance framework

- The Board found areas of agreement in the Review of the 1977 Surveillance Decision and is working to build common ground on other areas. The Board also examined methods for assessing the effectiveness of Fund surveillance, to be further discussed in early FY2008.

- IEO completed evaluation of the IMF's advice on exchange rate policy, a key element of surveillance, to be reviewed by Board in early FY2008.
- In the context of Article IV consultations, 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 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 box: Fund's financing facilities

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).
- IEO Evaluation Report, *The IMF and Aid to 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 table or figure: Sources of financing for TA

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 regarding basic votes, increase staffing for ED offices with large constituencies).
- Initiation of Thirteenth General Review of Quotas.

Transparency, communications, and accountability

- Publication of second Transparency Annual Report.
- 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 boxes:

- General description of IEO. IEO work program for next two years. Link to IEO's Web site.
- 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; international bodies such as the G-7, G-8, etc.

Management and organization

- References to sections of the IMF Handbook and other materials on CD-ROM describing organization of IMF.
- 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 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; SDR developments.
- Arrears to the IMF.
- External audit mechanism.

Possible table: Estimated income and shortfalls until 2008 (with reference to administrative budgets above).

Possible figure: Forward commitment capacity

BACK MATTER

IMF organization chart

Members of the Executive Board on April 30, 2007 (with cross-reference to Appendixes IV and V on CD-ROM)

Senior officers of the IMF

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 (Sept. 2006 and April 2007)

Chapter 2. Promoting financial stability and growth through surveillance

Implementing surveillance

- WEO, SURs 06/91 and 07/46
- GFSR, BUFFs 06/139 and 07/44
- IMF's International Monetary and Financial Committee Reviews Multilateral Consultation, PR 07/72
- Euro area, PIN 06/86
- CEMAC, PIN 06/90
- ECCU, PIN 07/13
- WAEMU, BUFF 07/54 (PIN will be included instead of BUFF if issued)
- Treatment of Exchange Rate Issues in Bilateral Surveillance—A Stocktaking, PIN 06/131

Modernizing the surveillance framework

- 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
- 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
- IMF Executive Board Discusses Design Issues for a New Liquidity Instrument for Market Access Countries, PIN 07/40

Low-income countries

- IMF Executive 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
- Acting Chair's Summing-up: IEO—the IMF and Aid to Sub-Saharan Africa, BUFF 07/32
- IMF Board Discusses Doha Development Agenda and Aid for Trade, PIN 06/105
- Box: Debt relief initiatives

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
- IMF Executive Board Recommends Quota and Related Governance Reforms, Press Release 06/189
- IMF Board of Governors Approves Quota and Related Governance Reforms, Press Release 06/205

Transparency, communications, and accountability

Box: Disseminating information: the IMF's publishing operations and Web site

Management and organization

- IMF Executive Board Modifies Procedures in De Minimis Cases of Misreporting, PIN 06/95
- Review of support services to identify opportunities for delivering outputs more efficiently.
- IMF Handbook/Organization of IMF, with descriptions of departments
- Final Report of the External Review Committee on Bank-Fund Collaboration

- IMF Managing Director Rodrigo de Rato and World Bank President Paul Wolfowitz Welcome Report on Enhancing IMF–World Bank Cooperation, Press Release 07/32
- 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
- Eminent Persons Group Outlines Long-Term Revenue Plan to Finance IMF Activities, Press Release 07/18
- 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 (Sept. 2006 and April 2007)
- IV. Executive Directors and voting power
- V. Changes in membership of the Executive Board
- VI. Financial Statements