

**IMMEDIATE
ATTENTION**

EB/CAR/08/1

April 10, 2008

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

From: Michael DaCosta, Committee Secretary

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

A meeting of the Committee will be held on **Thursday, April 17, 2008 at 2:30 pm in the Board Committee Room (HQ1-12-120B).**

The agenda for the meeting will be a discussion of the **draft Outline of the 2008 Annual Report**, which is attached.

As background material for the meeting, an executive summary of the results of the Readership Survey conducted following the publication of the 2007 Annual Report is also attached.

Written comments on the draft outline are welcome and may be sent to Ms. Caminis, (ext. 36551), copied to Ms. Liuksila (ext. 38768) and Mr. Donaldson (ext. 37084) in EXR, and EXREPAST.

Att: (2)

Other Distribution:
Members of the Executive Board
Department Heads

ANNUAL REPORT 2008

DRAFT OUTLINE

April 9, 2008

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FRONT MATTER

Message from the Managing Director and Chair of the Executive Board (to be written by MD's office).

- MD assumes position on November 1, 2007. First six months in office: building on MTS, introduction of further reforms designed to refocus and modernize the Fund's structure and activities amid economic slowdown in some major industrial countries and financial market turbulence. Highlight landmark achievements on income model and budget and on Fund governance (quota and voice).
- Strategic directions in the medium term. Objectives to be accomplished before Annual Meetings and in coming years as IMF addresses the evolving challenges—especially financial globalization and innovation—facing it and the world economy. Travel/outreach to member countries.

Letter of Transmittal to the Board of Governors

1. OVERVIEW: REFOCUSING THE IMF

This chapter will describe the changes taking place in the way the Fund pursues its mandate and the Board's activities during FY2008. As the Fund adapts its policies and operations to changes in the world economy and financial markets and to a reduced budgetary envelope, it is focusing on its core mandate—providing policy advice and, when appropriate, financial and technical assistance to foster macroeconomic and financial stability; dealing with crises; and promoting sustainable growth that can lead to poverty reduction.

- Adoption and implementation of new Decision on Surveillance Over Exchange Rate Policies. (Cross-reference to Chapter 3.)
- Financial globalization has amplified the need for a global perspective in assessing and dealing with vulnerabilities, something the Fund is well equipped to do as an international organization with near-universal membership. In the Fund's surveillance work, increased emphasis on spillovers from the international economy/financial markets to national economies/financial sectors. Board has been developing policy proposals to deal with present financial crisis and draw lessons from it. (Cross-reference to Chapter 2.) The Fund is studying how developments and innovations in global financial markets affect the transmission channels of financial crises to emerging and developing countries and the potential implications for the Fund's future role in crisis prevention and resolution. Refocusing of bilateral surveillance, with strengthened analysis in Article IV consultations of financial sector and of

macro-financial linkages. Growing acknowledgment of need for the Fund to become a center of excellence on financial matters—market analysis and transparency, stress-testing models, crisis prevention, and Sovereign Wealth Funds. Strengthening analysis of vulnerabilities in advanced economies and collaboration with standard setters, central banks, and finance ministries in conjunction with the FSF and G-20. [Global Financial Stability Note prepared for March 2008 FSF meeting]. Research and seminars on financial globalization and policies to sustain financial stability. (Cross-reference to Chapter 3.)

- Launch of 2008 Triennial Surveillance Review, [expected to lead to Statement of Surveillance Priorities.] (Cross-reference to Chapter 3.)
- Emphasis on crisis prevention in emerging market countries, with new methodology for distinguishing between vulnerabilities and crisis risk, and on strengthening of debt management practices. Continued exploration of possible crisis prevention instruments, such as RAL. Some Directors have proposed a financial stability line for countries integrating into global capital markets and pursuing financial sector reforms. (Cross-reference to Chapter 4.)
- Clarification of Fund's evolving role in low-income countries and focus on areas where Fund has comparative advantage (e.g., macroeconomic and financial stability as basis for sustainable growth and poverty reduction); greater collaboration with World Bank; strengthened advice on public financial management in cases of scaled-up aid and on debt management; consideration of a new framework for providing more effective capacity-building and financial assistance to post-conflict and fragile countries; increased emphasis on advice on macroeconomic management amid high and rising food and oil prices in today's global economy. (Cross-reference to Chapter 4.)
- Capacity building—making TA and training more effective; prioritization of TA and training and greater integration with surveillance and lending; intensified external fund-raising efforts; possible adoption of mechanism of charges. (Cross-reference to Chapter 4.)
- Governance and organization of IMF—reform of quotas and voice to enhance Fund's governance and enable it to fulfill its mandate more effectively with reinforced international backing; progress toward changing IMF's income model, including limited gold sales and a broader investment mandate; ongoing efforts in the Board to cut expenditures and streamline operations; cuts in administrative expenditures to ensure the Fund is cost-effective without compromising its ability to deliver key outputs required by member countries; enhancing collaboration with World Bank and financial stability and standard setters; implementation of Board-approved recommendations made by the IEO. (Cross-reference to Chapter 5.)
- **Possible box:** Strategic directions.

2. DEVELOPMENTS IN THE GLOBAL ECONOMY AND FINANCIAL MARKETS

This chapter will cover global economic and financial developments in 2007–08. (Text to be provided by RES and MCM.)

Slowdown in advanced economies and turmoil in financial markets leading to a loss in investor confidence; asymmetric exchange rate adjustments; inflation pressures rising worldwide, with sharply higher food and energy prices. Risks to global financial stability expected to remain elevated during 2008. (Reference summings-up on CD-ROM of Board discussions of WEO and GFSR.)

3. FOSTERING MACROECONOMIC AND FINANCIAL STABILITY AND GROWTH THROUGH SURVEILLANCE

Surveillance is at the core of the Fund's mandate. This chapter will describe the Fund's surveillance activities during the year as it continues the process of modernizing and strengthening the surveillance framework. More emphasis on the Fund's multilateral and cross-country perspectives in bilateral surveillance and analysis of linkages between the real economy and the financial sector. In the context of recent financial market turmoil, deepening analysis of financial sector in Article IV consultations and the challenges posed by financial integration.

Country surveillance. In line with strategic directions, a more global perspective and cross-country experience brought to bear on policy dilemmas of individual countries, especially emerging markets. Greater integration of WEO and GFSR findings into bilateral surveillance, particularly as regards emerging financial sector trends. Increased emphasis on macro-financial linkages and spillovers between national economies and international economy. Surveillance Committee is a focal point of this effort.

- [00] Article IV consultations completed during FY2008 (reference Table on CD-ROM). Strengthened financial sector analysis (see below). Shorter and prompter staff reports.
- The Fund is making surveillance more effective through rigorous and evenhanded implementation of the updated surveillance framework. Adoption of new Decision on Surveillance over Exchange Rate Policies in June 2007 and application to Article IV consultations have led to increased scrutiny of members' contributions to stable system of exchange rates and of possible misalignments. Application and development of CGER methodology in connection with the 2007 Surveillance Decision. Brief description of AREAER, with reference to table on exchange rate arrangements (Appendix II) on CD-ROM. [Board held informal seminar on classification of exchange rate arrangements toward the end of FY2008.] Implementation of Board-endorsed recommendations in IEO evaluation of IMF's advice on exchange rate policies (reference PIN on CD-ROM; cross-reference to Chapter 5).
- Vulnerability exercise established in 2001 provides regular cross-country assessments of vulnerabilities and crisis risks in emerging market economies. Methodology revamped in FY2008 to separate underlying vulnerabilities and crisis risks. The Spring 2008 Vulnerability Exercise focused on the impact of global turmoil on emerging market economies and the risk that asset price booms could end in sharp corrections. The exercise will be extended to mature markets.

Multilateral surveillance. To assist and inform policymakers and public, greater continuity being brought to multilateral surveillance with, e.g., quarterly updates of WEO and GFSR.

Deeper analysis of macro-financial linkages, exchange rates, and spillovers, especially from advanced economies and markets. Enhanced cooperation with FSF, G-20, standard setters, central banks, and finance ministries, etc., in promoting international policy responses.

- WEO (reference summings-up on CD-ROM).
- GFSR (reference summings-up on CD-ROM).
- Review of experience with Multilateral Consultation on global imbalances and monitoring by Board of implementation of policy plans by participating countries (reference PIN and staff paper on CD-ROM).

Regional surveillance expanded and strengthened.

- Currency unions—CEMAC, ECCU, euro area (reference summings-up on CD-ROM).
- Regional FSAPs for CEMAC and WAEMU (cross-reference to section on financial sector surveillance).
- Fund now publishes REOs for all regions of the world twice a year. First European REO published in FY2008. (Reference PRs on REOs on CD-ROM; include Web addresses for REOs.)
- Other outreach, including regional workshops, seminars, etc., e.g., with Central America (medium-term expenditure frameworks, October 2007; 6th annual regional conference, June 2007). In November 2007, WHD organized conference on economic and financial linkages in the Western Hemisphere. Regional seminar on globalization and taxation, involving ministers of finance and senior officials from 13 African countries, held in February 2008 in Nigeria. [Seminar on financial sector development in CEMAC planned for early FY2009.]
- **Possible boxes:**
 General description of multilateral, regional, and country surveillance
 2007 Surveillance Decision
 Financial/fiscal linkages
 Board seminar in February 2008 on globalization, financial markets, and fiscal policy (reference PIN and staff paper on CD-ROM).

Financial sector surveillance

- FSAPs continue to be an important surveillance tool. [00] FSAPs carried out during FY2008. Will continue to carry out selectively. Increased collaboration with the World Bank in the area of financial sector issues in the context of the Joint Bank-Fund Management Action Plan.
- Strengthening analysis of vulnerabilities in advanced economies and collaboration with standard setters, central banks, and finance ministries in conjunction with the FSF and G-20. [Global Financial Stability Note prepared for March 2008 FSF meeting.]

- Staff working group established to study how developments and innovations in global financial markets may affect the transmission channels of financial crises to emerging and developing countries and the potential implications for the Fund's future role in crisis prevention and resolution. [Board discussed findings of working group after Spring Meetings. Paper prepared by working group analyzes new issues the Fund could face and appropriate responses, including work already under way to strengthen crisis preparedness, financial stability surveillance, program design, the Fund's instruments, and coordination with the official and private sectors.]
- Five working groups set up to analyze risk-management practices related to structured finance products; treatment of structured products by rating agencies; principles of prudential oversight of regulated entities; valuation, accounting, and disclosure of structured products; and liquidity management.
- The Board discussed issues related to Sovereign Wealth Funds and agreed that the Fund should facilitate the development of best practices for them. The Fund will engage in a dialogue with members and SWFs to develop a set of voluntary best practices to enhance understanding and transparency of SWFs. Launch in November 2007 of annual roundtables of sovereign asset and reserve managers.
- Work on AML/CFT issues will focus on assessment of countries that are systemically important or that present acute risk, including emerging and middle-income economies whose financial systems have outpaced their AML/CFT capacity. Fund will seek to mobilize external financing for AML/CFT work.
- Financial soundness indicators—experience with coordinated compilation exercise and next steps (reference PIN on CD-ROM).
- [Review of OFC assessment and proposal for possible merger with FSAP; see Chapter 4 for AML/CFT work.]
- **Possible boxes:**

Summary of MCM Working Group Policy Recommendations

Conferences and seminars on financial globalization and financial stability sponsored by IMF jointly with member countries (e.g., US Federal Reserve of Chicago), other international organizations (BIS/FSF), and leading think tanks (e.g., Brookings Institution). [In collaboration with the World Economy and Finance Research Programme of the UK Economic and Social Research Council, conference on international macro-finance held at IMF headquarters in April 2008.] IMF seminar in September 2007: the Risk of a US Hard Landing and Implications for the Global Economy and Financial Markets.

Fiscal and data transparency

- Expansion of World Bank–IMF databases of external debt statistics (reference PR on CD-ROM and cross-reference to Chapter 4).
- In past decade, efforts to improve fiscal transparency via ROSCs, which culminated in using lessons learned to revise the *Code of Good Practices on Fiscal Transparency*. In May 2007, the Executive Board approved the revised *Code*

(reference PR on CD-ROM). With first-round of work in place, fiscal ROSCs have been scaled back and limited to remaining cases and to periodic updates.

- Coordinated direct investment survey.
- **Possible box:** Initiatives on financial sector data.

The Triennial Surveillance Review will provide an opportunity to discuss strategic issues related to refocusing surveillance. [At Board briefing in April 2008 based on Issues Note, Executive Directors began discussing design of TSR. Will concentrate on strategic issues in surveillance, including focus, quality of analysis in key areas—macro-financial linkages and a multilateral perspective in bilateral surveillance—candor and consistency in assessing external stability, and effectiveness of surveillance communication. Envisaged Statement of Surveillance Priorities should help focus surveillance across the Fund, underpin policy dialogue with members, and enhance accountability.]

4. PROGRAM SUPPORT AND CAPACITY BUILDING

This chapter will describe the evolving modalities of the Fund's engagement with both emerging market and low-income countries, highlighting the Fund's ongoing review of its facilities and programs and TA and training to ensure their continued effectiveness.

Financial assistance and policy advice

Several members have transitioned from a financial to a surveillance relationship with the Fund over the past few years, reflecting their improved macroeconomic conditions and ready access to private capital following five years of exceptional broad-based global growth and buoyant financial market conditions. The need for Fund financing has been modest for middle-income member countries, which have traditionally been the major borrowers in the credit tranches, and approvals of Stand-By and Extended Arrangements have declined. Low-income countries have also benefited from improved macroeconomic policies, the favorable global environment, and strong demand for commodities. Although demand for PRGF financing remains strong, fewer PRGF arrangements were approved in 2007 than in previous years, reflecting, in part, use of the Policy Support Instrument.

- Emerging market economies
 - The emerging market economies' demand for traditional Fund programs has decreased in recent years and, as a group, these economies have become a source of strength for the global economy. Summary of financing approved in FY2008. Early repayment of obligations to Fund—Iraq, FYR Macedonia.
 - Many emerging market economies have built sizable reserves for self-insurance purposes and have shown resilience in the face of recent financial market turbulence. However, continued market turbulence could increase risks for those dependent on short-term capital inflows to finance large current account deficits and rapid domestic credit growth. Fund strengthened the diagnosis of vulnerabilities and addressed the challenges posed by large capital inflows. The Fund's new approach distinguishes between vulnerabilities and crisis risk, which facilitates the identification of underlying weaknesses in a benign environment when crisis risk is low. More flexible exchange rates and the issuance of debt in local currency have reduced two

sources of vulnerability. The Board has focused on strengthening debt-management practices in these economies, and several major emerging markets, with the Fund's engagement, have implemented policies to strengthen economic fundamentals.

- Continued exploration of possible crisis prevention instruments, such as RAL. (Cross-reference to Chapter 3.)
- Low-income countries
 - Fund concentrating on core areas of expertise—macroeconomic policies and institutions that support the stability necessary for sustained growth and poverty reduction and achievement of the MDGs—and doing less on non-core structural issues. It is building on cross-country experience and perspectives while providing policy advice tailored to country needs, financial and policy support through programs, and capacity-building assistance (see below). Fund is also providing policy advice on macroeconomic management of rising food and oil prices. Fund's work on low-income countries to be coordinated through a new LIC Committee.
 - The Fund's financial support continues to be important in itself and in catalyzing support from other donors. PRGF arrangements approved in FY2008. ENDA approved for Bangladesh and Dominica; EPCA approved for Côte d'Ivoire and Guinea-Bissau.
 - Executive Board discussed HIPC Initiative and MDRI—status of implementation and financing of the Fund's concessional assistance and debt relief to low-income member countries—and modified the HIPC Initiative (reference PINs on CD-ROM). [00] countries reached decision point in FY2008 (see box on Liberia); [00] reached completion point (reference tables on CD-ROM showing total debt relief as of April 30, 2008).
 - The Fund also provides non-financial program support to low-income countries through Policy Support Instruments (PSIs); list of PSIs approved to date. As some of the low-income countries grow and mature, the Fund's role is likely to shift to an emphasis on issues such as the policy response to capital inflows, commodity price booms and busts, financial market development, and debt sustainability. [The Board will examine the Fund's role in low-income countries early in FY2009.]
 - Intensification of efforts to broaden use of Debt Sustainability Framework; reaching out, in collaboration with the World Bank, to lenders to raise awareness of risks, enhance information sharing, and support efforts to foster sustainable lending practices. (Reference PIN on CD-ROM.) Fund established dedicated Web pages to make information on country-specific debt sustainability analyses and concessionality issues more accessible to donors and creditors (cross-reference to Chapter 3, PR on CD-ROM). Fund is providing TA to borrowers to help them use DSF and design medium-term debt strategies (see below). Fund staff worked closely with the OECD's export credit group to define the sustainable lending principles agreed in

January 2008. The principles commit OECD export credit agencies to observe IMF and World Bank concessionality requirements in LICs where they exist and to take into account the results of debt sustainability analyses for other LICs.

- Fund strengthened collaboration with the World Bank with the implementation of the Joint Management Action Plan and pilot projects. Initiative for enhanced collaboration on financial sector reform, public financial management, and natural resource management in pilot African countries (Cross-reference to Chapter 5.)
- Executive Board discussed Fund's role in PRS process and collaboration with donors (reference PIN on CD-ROM).
- Executive Board discussed operational implications of aid inflows for IMF advice and program design in LICs (reference PIN on CD-ROM).
- Implementation plan following IEO evaluation report on the IMF and aid to sub-Saharan Africa (cross-reference to Chapter 5); meetings of African Consultative Group (IMF Governors and IMF management). MD trip to sub-Saharan Africa; Executive Directors' Africa Study Trip.
- Doha Round and aid for trade; improving monitoring and delivery of aid for trade (reference PIN on CD-ROM).
- **Possible boxes:**
 - Liberia (cross-reference to box in Chapter 5 for more details on clearance of arrears to the Fund)
 - Short summary of main findings of *Global Monitoring Report 2008, MDGs and the Environment—Agenda for Inclusive Sustainable Development*.
 - Operational implications for the Fund of aid scaling up
- **Possible tables:**
 - Fund's financing facilities
 - Regular loans, PRGF arrangements, EPCA, and ENDA approved in FY2008
- **Possible figures:** Regular and concessional loans outstanding

Program design

- Review of access policy in credit tranches and under the EFF and PRGF, and exceptional access policy (reference PIN on CD-ROM). Board considered that the policy remained broadly appropriate, although a number of Executive Directors saw the need for increasing access limits. Issue will be revisited before Annual Meetings.
- Board discussed IEO report on IMF structural conditionality (cross-reference to Chapter 5).
- Board considered new approach for fragile states under a two-phase Economic Recovery Assistance Program. In both phases, the ERAP would place more

emphasis on collaboration to support the rebuilding of capacity to formulate and implement comprehensive macroeconomic policy frameworks. In the second phase, the Fund would provide balance of payments support. Graduated medium-term approach and more active involvement of Board in pre-financial assistance stage expected to strengthen signaling effect of ERAP and catalyze external financing. ERAP would be expected to lead to PRGF arrangement. Board has asked staff to prepare a follow-up paper.

Building institutions and capacity

The Fund's TA and training are critical instruments for helping member countries implement good policies. Surveillance and Fund lending, in turn, help identify and prioritize the TA and training needed by member countries to meet their economic objectives. In some areas, such as the development of sound fiscal and monetary institutions, the Fund may be the best—or the only—source of advice and training for members. However, in an environment of resource constraints, the Fund will need to find a way to prioritize and to adopt a more demand-driven approach.

- **Strengthening effectiveness and efficiency of TA and training**
 - Reforms focused on enhancing integration of TA with surveillance and lending activities; strengthening prioritization of TA, including through charging and coordination with recipients and other TA providers and regional strategy notes; bringing Fund work in line with best international practice, particularly on costing and results-focused project management, to set the stage for stronger partnership with the Fund's donors and allow the Fund to scale up regional work and establish trust funds in areas of comparative advantage and where TA is most needed (e.g., fragile states); introduction of performance indicators.
 - Greater collaboration with other agencies—e.g., Fund arranged International Tax Dialogue conference, Taxation of Small and Medium-Size Enterprises (September 2007), jointly with World Bank, OECD, IDB, and CIAT.
 - Growing role of RTACs in capacity building (reference box on RTACs on CD-ROM).
 - Greater dissemination of TA information to leverage effectiveness of Fund efforts. Introduction of the PFM blog.
 - IMF Institute strengthening curriculum and enhancing evaluation mechanisms to ensure that training delivery continues to be well aligned with the Fund's medium-term strategy. Fund will shift shorter courses from headquarters to cofinanced locations abroad, introduce charges for courses at headquarters, and seek additional external funding to help recover costs.
- **TA activities in FY2008 (from OTM and departments).**
 - New initiatives under way to build capacity for public debt and fiscal risk management in response to rapidly rising demand for TA on managing fiscal risks from PPPs, including from low-income countries. Joint Bank-Fund technical working group is developing methodological framework for

medium-term strategies for low-income countries' public debt, building on the DSF. Pilot missions in selected low-income countries; for middle-income countries, technical cooperation related to improving debt management systems within the context of a broader asset-liability management framework.

- Regional dialogues on developing sound debt and equity markets in emerging market countries through appropriate regulation of pension systems, asset-backed securities markets, derivatives markets and infrastructure, and corporate bond markets.
- Work on AML/CFT issues—see Chapter 3.
- **Possible box:** Public enterprises and fiscal risk—Lessons from the pilot II country studies
- **Possible tables:**
Donor financing for TA
IMF TA resources and delivery, FY06–FY08
- **Possible figure:** TA delivery by region and Fund departments, FY2008
- **Training activities in FY2008** (from IMF Institute and departments).
 - High-level seminar in Tunisia on finance in Africa, organized by IMF Institute and Joint Africa Institute, March 2008.

5. GOVERNANCE, ORGANIZATION, AND FINANCES

The Board took steps to enhance the Fund's governance with major advances in quota and voice reform in FY2008. Other reforms are under way to ensure that the Fund is run as efficiently as possible so that it can continue to assist its members in line with its mandate despite tightened budget constraints. Efforts continued to place the Fund's finances on a sound footing, including real spending cuts, progress on the new income model, and formulation of an action plan to strengthen Bank-Fund collaboration. Chapter will reference financial statements and other relevant appendixes on CD-ROM.

Quotas and voice

- The Board endorsed a package of reforms including a new formula, a second round of quota increases based on this formula, and amendments to Articles of Agreement (1) increasing basic votes and preserving their relative importance in the future and (2) providing for a second alternate Executive Director for the two African chairs. The Board also agreed that further realignments of members' quota shares will be recommended in the context of future general quota reviews, beginning with the Fourteenth General Review of Quotas. (Reference PR on CD-ROM.)

Adequacy of Fund resources

- Completion of the Thirteenth General Review of Quotas, which concluded that Fund resources were adequate (reference PR on CD-ROM.)

Financial operations and policies (to be provided by FIN)

- Income, charges, remuneration, and burden sharing. Review of Fund's charges and maturities. Board discussion of how to set the basic rate of charge on the Fund's financing facilities under a new income model.
 - **Possible box:** Explanation of SDR
- Broad consensus reached on new income model based on recommendations of Committee of Eminent Persons. Board approved decision to recommend to Governors the adoption of an amendment to the Fund's Articles of Agreement to broaden Fund's investment authority. Board also endorsed sale of some of Fund's gold to create an endowment.
- Renewal of borrowing arrangements, GAB and NAB (reference PR on CD-ROM).
- [Board decided to resume reimbursement of the GRA for the administrative expenses of the PRGF-ESF Trust.]
- Arrears to the IMF.
 - **Possible box:** Clearance of Liberia's arrears to the Fund (from FIN)
 - **Possible table:** Arrears to the IMF of countries with obligations overdue by six months or more.

Management and organization

- Administrative and capital budget (to be provided by OBP); targeted reductions in costs. Board approved budgetary envelope that will deliver \$100 million annual savings in real terms. Ongoing efforts in Board to streamline operations and cut expenditures.
 - **Possible table:** Administrative budgets, FY2006–09
- Downsizing exercise to achieve savings described in budget section: key principles and features. Size of staff reductions and close of overseas offices to concentrate resources in program countries and in countries of systemic importance[; possibility of host-country contributions for offices in non-program countries]. Description of organization of IMF and personnel policies, including Fund-wide Diversity Strategy, with references to IMF Handbook and other materials on CD-ROM. Management changes during FY2008.
- Greater efficiency sought through increased collaboration with other bodies, such as World Bank.
 - **Possible box:** Joint Bank-Fund Management Action Plan to enhance Bank-Fund collaboration, following up on Malan report. Closer coordination in the areas of public financial management, the financial sector, and, in a number of African countries, natural resource management. (Cross-reference to Chapter 4.) Initiation of annual country-level work program discussions on low- and middle-income countries. Country and functional teams are piloting new ways to use IT to promote more effective interaction. (Reference to PR on CD-ROM.)

Communication and transparency

- Review of Fund's communications strategy (reference PIN on CD-ROM). Initiatives aimed at strengthening Fund's communications and outreach with government officials, parliamentarians, media, think tanks, CSOs, and general public to build understanding and support for Fund's efforts to promote international economic and financial stability and help countries address the challenges of globalization. Revamp of IMF Web site; introduction of blogs; production of more materials in languages other than English; increased dialogue with parliamentarians and CSOs. (Reference to box "Disseminating Information" on CD-ROM.)
- Publication of third Transparency Annual Report (reference PR on CD-ROM).
 - **Possible box:** Main trends in the implementation of the Fund's transparency policy

Accountability

IEO

- Accountability of Fund reinforced by IEO evaluations of activities. General description of IEO and IEO work program, with link to IEO Web site. Publication of IEO's annual report. Board discussion of IEO's report on Fund's structural conditionality. The Board welcomed the IEO's finding that the composition of structural conditionality has shifted toward Fund core areas and called for greater streamlining and focus, strong justification for non-core conditions, and better articulation of links between program goals and conditionality. Implementation of Board-endorsed IEO recommendations stemming from IEO evaluation of IMF exchange rate policy advice (cross-reference to Chapter 3 and to PIN on CD-ROM.) Implementation plan following IEO evaluation report on the IMF and aid to sub-Saharan Africa (cross-reference to Chapter 4 and to PIN on CD-ROM). [IEO evaluation of Fund's corporate governance.]
- During FY2008, Fund intensified efforts to implement Board-endorsed IEO recommendations. Board welcomed first Periodic Monitoring Report on Board-endorsed IEO recommendations.

Risk management

- Strengthening of risk management. Advisory Committee on Risk Management presented update to Board.
- [Launch of whistle-blower policy; adoption of more formalized incident-reporting process.]

Audit mechanisms

- External Audit Committee
- External audit firm

- Office of Internal Audit and Inspection

BACK MATTER

IMF organization chart

Members of the Executive Board on April 30, 2008 (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 English, French, and Spanish (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: Refocusing the IMF

- Reports of the MD to the IMFC on the IMF's Policy Agenda (Oct. 2007 and April 2008)
- MD Statement on Strategic Directions in the Medium-Term Budget
- Board calendar for FY2008
- IMF Work Program Focuses on Key Aspects of Reform Agenda, PR 07/122
- IMF Interim Work Program Builds on Reform Progress, Focuses on Global Financial Stability, PR 07/295
- MD Statement on the Interim Work Program of the Executive Board, available via the Internet: <http://www.imf.org/external/np/pp/2007/eng/121407.pdf>

Chapter 2. Developments in the global economy and financial markets

- WEO, summings-up of Board discussions, September 2007 and March 2008
- GFSR, summings-up of Board discussions, September 2007 and March 2008

Chapter 3. Fostering macroeconomic and financial stability and growth through surveillance

Country

- IMF Executive Board Adopts New Decision on Bilateral Surveillance Over Members' Policies, PIN 07/69
- Bilateral Surveillance Over Members' Policies—Executive Board Decision, June 15, 2007, available via the Internet: <http://www.imf.org/external/np/sec/pn/2007/pn0769.htm#decision>
- IMF Executive Board Holds Seminar on Globalization, Financial Markets, and Fiscal Policy, PIN 08/28; staff paper on subject available via Internet: www.imf.org/external/np/pp/2007/eng/111607a.pdf.
- IMF Executive Board Holds Seminar on the Fiscal Implications of Climate Change, PIN 08/44
- Table: Article IV consultations completed during FY2008

Global

- IMF Executive Board Discusses Multilateral Consultation on Global Imbalances, PIN 07/97

- Staff Report on the Multilateral Consultation on Global Imbalances with China, the Euro Area, Japan, Saudi Arabia, and the United States, available via the Internet: <http://www.imf.org/external/np/pp/2007/eng/062907.pdf>
- Transcript of joint IMF-Brookings Institution seminar, “Global Downturn? The World Economy in 2008,” available via the Internet: <http://www.imf.org/external/np/tr/2008/tr080131.htm>

Regional

- CEMAC, PIN 07/81
- ECCU, PIN 08/12
- Euro area, PIN 07/89
- IMF Regional Economic Outlook for Europe Sees Need for Financial Sector, Fiscal, and Structural Reforms to Tackle Financial Turbulence and Sustain Growth, PR 07/252
- IMF Sees Continued Strong Growth, but also Heightened Policy Challenges for Latin America and the Caribbean in 2008, PR 07/249
- IMF’s Regional Economic Outlook for the Middle East and Central Asia Sees Continued Positive Near-Term Economic Outlook, but the Region Faces Challenges to Sustain Ongoing Transformation and Reduce Unemployment, PR 07/241
- Sub-Saharan Africa: Regional Economic Outlook, PR 07/237

Financial sector surveillance

- IMF Executive Board Discusses a Work Agenda on Sovereign Wealth Funds, PIN 08/41
- IMF Executive Board Concludes Financial Soundness Indicators—Experience with Coordinated Compilation Exercise and Next Steps, PIN 07/135
- [Offshore Financial Centers: A Report on the Assessment Program and a Proposed Merger with the FSAP]

Fiscal and data transparency

- IMF and World Bank Expand Databases on External Debt Statistics, PR 08/37
- IMF Launches Revised Fiscal Transparency Code and Manual, PR 07/95

Chapter 4. Program support and capacity building

Financial assistance and policy advice

- IMF Executive Board Discusses HIPC Initiative and MDRI: Status of Implementation and the Financing of the Fund’s Concessional Assistance and Debt Relief to Low-Income Member Countries, PIN 07/122
- IMF Executive Board Modifies HIPC Initiative, PIN 08/03

- Table: ESF subsidy contribution pledges
- Table: Subsidy contribution pledges for Emergency Assistance
- Table: Countries covered by the MDRI
- Tables:
 - Implementation of the MDRI
 - Implementation of HIPC
- IMF Executive Board Discusses Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward, PIN 07/60
- IMF Executive Board Discusses the Fund's Role in the PRS Process and Its Collaboration with Donors, PIN 07/130
- IMF Executive Board Discusses Operational Implications of Aid Inflows for IMF Policy Advice and Program Design in Low-Income Countries, PIN 07/83
- IMF Executive Board Discusses Aid for Trade, PIN 08/14
- Joint IMF-World Bank staff paper: "Aid for Trade—Harnessing Globalization for Economic Development; available via the Internet: <http://www.imf.org/external/np/pp/2007/eng/080107.pdf>
- Progress Toward Nutrition, Health, Education, and Other Development Goals Off Track, Global Monitoring Report Finds, PR 08/75

Program design

- IMF Executive Board Concludes Review of Access Policy in the Credit Tranches and Under the EFF and the PRGF, and Exceptional Access Policy, PIN 08/30
- IMF Executive Board Discusses the Fund's Engagement in Fragile States and Post-Conflict Countries—A Review of Experience, PIN 08/43

Building institutions and capacity

- Staff paper on Public Enterprises and Fiscal Risk—Lessons from Pilot II Country Studies
- Tables:
 - RTACs
 - TA delivery by RTAC, FY2006-08
 - TA evaluation program, FY2008-10
 - IMF Institute training programs, FY2006-08
 - IMF Institute regional training programs

Chapter 5. Governance, organization, and finances

Quotas and voice

- IMF Executive Board Recommends Reforms to Overhaul Quota and Voice—Key Elements of a Potential Package of Reforms, PR 08/64
- [Quotas and Voice—Report of the Executive Board to the Board of Governors and Draft Resolution]

Adequacy of Fund resources

- IMF Executive Board Recommends to Governors Conclusion of Thirteenth General Quota Review, PR 08/02
- IMF Board of Governors Approves Conclusion of Quota Review, PR 08/13
- Box: IMF's financing mechanism

Financial operations and policies

- IMF Managing Director Strauss-Kahn Applauds Executive Board's Landmark Agreement on Fund's New Income and Expenditure Framework, PR 08/74
- [Review of Charges and Maturities—Setting the Basic Rate of Charge Under a New Income Model]
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- Box: Safeguards Assessment Policy

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- Enhancing Bank-Fund Collaboration—Joint Management Action Plan, PR 07/235
- Terms of Appointment of Dominique Strauss-Kahn as Managing Director of the IMF, PR 07/245, available via the Internet:
<http://www.imf.org/external/np/sec/pr/2007/pr07245.htm>
- IMF Handbook/Organization of IMF, with descriptions of departments
- Tables:
 - Distribution of professional and managerial staff by nationality
 - Distribution of staff by gender
 - Distribution of staff by developing and industrial countries
 - IMF staff salary structure

Communication and transparency

- IMF Executive Board Discusses the IMF's Communications Strategy, PIN 07/74
- IMF Releases Third Annual Report on the Implementation of the Transparency Policy, PR 08/18

- Key Trends in Implementation of the Fund's Transparency Policy, available via the Internet: <http://www.imf.org/external/np/pp/eng/2008/013108.pdf>
- Box: Disseminating information: the IMF's publishing operations and Web site

Accountability

- IMF Executive Board Discusses Implementation Plan Following IEO Evaluation of the IMF's Exchange Rate Policy Advice, 1999–2005, PIN 07/119
- Implementation Plan Following IEO Evaluation of the IMF and Aid to Sub-Saharan Africa, PIN 07/93
- Chair's Summing-Up—IEO Evaluation of Structural Conditionality in IMF-Supported Programs, BUFF/07/171; PIN??
- Periodic Monitoring Report on the Status of Board-Endorsed IEO Recommendations and Management Implementation Plans, PIN 08/25

Appendixes

- I. International reserves
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ANNUAL REPORT OF THE EXECUTIVE BOARD OF THE IMF 2007

EXECUTIVE SUMMARY OF MAIN RESULTS FROM TELEPHONE RESEARCH

March 19, 2008

BACKGROUND

In 2007 significant changes were made to the content and organization of the Annual Report of the Executive Board. In particular, the written report (Print and PDF) was significantly shortened and reorganized, while a CD ROM containing additional material and Appendixes was included. The Report was also translated into three additional languages—Arabic, Japanese and Russian—the original five languages being English, Chinese, French, German, and Spanish.

The Fund commissioned a piece of telephone research in order to explore reactions to the new content and format, and the value of the additional language translations. Conducted on a modest budget, this research was intended to be indicative, rather than statistically reliable, and consisted of 100 mainly structured telephone interviews conducted with a quota sample of known recipients in Arabic, English, French, German, Russian and Spanish. Two self-completion Chinese interviews, arranged locally, were also included in the results. The Japanese version of the Report was not available early enough to be included in this research, which was conducted in February 2008. Some methodological and sample considerations may be found in the Appendix to this document.

EXECUTIVE SUMMARY OF MAIN FINDINGS

1. Engagement with IMF

Although over 1,100 contact attempts were made to achieve the 100 telephone interviews, actual ‘refusal’ rate was (at worst) only 22 percent, which in market research terms is exceptionally good. This indicates an unusual degree of positive engagement between traceable Report recipients and the IMF. (Many recipients, however, were untraceable—see Appendix.)

2. Influential recipients

The Report goes largely to senior people, therefore likely to be influential—39 percent are department heads or above (even greater in government and central banks), 27 percent are senior economists, 17 percent are senior journalists or writers.

3. 2007 Annual Report useful

Overall, this 2007 Report was considered at least ‘very’ useful by nearly half of recipients (47 percent), the bulk of the remainder finding it ‘fairly’ useful (43 percent). Only 10 percent were less enthused.

4. Changes very favourably received

The changes to the Report were received very favourably indeed, with 44 percent of those who had seen previous reports (92 percent of the sample) considering it a great improvement on previous reports, and a further 40 percent a little improvement.

5. A shorter report with a CD ROM proves helpful

Specifically, shortening the Report and adding a CD ROM was considered helpful by 68 percent (and a 'great' help by 44 percent). Few (9 percent) considered this a hindrance. A third (33 percent) had already accessed the CD ROM, and a further 31 percent were planning to. The CD ROM does also appear to have been used to access one or more chapters of the Report by about two thirds of those who had accessed it, possibly out of their office. Otherwise the most popular CD ROM content was the Financial Statements and other Appendixes.

6. But many may still request printed Financial Statements (if aware of the option)

A large majority (72 percent) were not aware that they could request a printed copy of the Financial Statements. Nearly half (46 percent) thought this would be useful, but 30 percent thought it sufficient these were on the CD ROM. More of the Government/Central Bank and Business recipients thought the printed copies would be useful (around 60 percent), so this is where most of the demand will come from—if they become aware of them

7. Improved written style and structure

The changed written style and new structure were both exceptionally well received. 50 percent actually claimed they had noticed the change to the written style, while 97 percent considering the written style 'accessible' (42 percent 'very' accessible). The structure and messages of the Report were considered easier to follow than before by 46 percent of those who could express a view (or 40 percent of the sample), the remainder feeling they were as easy as before, except for a mere 1 percent more difficult. In any case, an overwhelming 95 percent felt the structure and messages were easy to follow.

8. Clearer presentation of Fund Governance

Specifically, Fund Governance was presented more clearly than before. Within the 72 percent of the sample who felt able to express a view (i.e., had seen previous reports and/or had an interest in Fund Governance) 38 percent felt this was more clearly presented than before, while 62 percent felt it was presented as clearly as before. This represents a significant net improvement, as people had the prompted choice to answer 'less clearly than before'. In any case, 76 percent felt that Fund Governance was clearly presented, while only 8 percent thought it was not. Some did not have a view as this was not something which greatly interested them.

9. **Language on CD ROM – a small problem**

The English-only aspect of the CD ROM content appears to be some kind of problem in 39 percent of cases among non-English language recipients—in about half of these cases through the recipients themselves, and half among their colleagues. This is mainly a small problem, rather than a large problem, but a problem nonetheless. Consideration might therefore be given to translating CD ROM content.

10. **Additional languages very successful**

Regarding the additional languages, we were only able to gather the views of Arabic and Russian speakers, as there were no Japanese interviews, for the reason given above. But the results are extremely encouraging. All of these Arabic/Russian language respondents considered the translation helpful, with 73 percent claiming ‘very’ or ‘extremely’ helpful. Indeed, 70 percent claimed they had read more of the Report as a result of the translation—about a quarter (26 percent) a ‘lot’ more than before. Even more encouraging was the fact that in over half of cases (52 percent) it was claimed the translation had resulted in ‘a lot’ greater spread of the information contained in the Report, with all of the remainder claiming there had been ‘a little’ greater spread (they could have chosen ‘no’ greater spread).

11. **Other findings**

- Two thirds of language other than English recipients, if they could only have one language, would choose their own. The remainder split equally between those who do not care and those who prefer English.
- 62 percent tend to refer to the Annual Report throughout the year, and not just in the period when it first comes out – particularly among the Education and Media recipients.
- The Annual Report appears to be ‘above average’ of IMF Publications in respect of its importance – but in many cases WEO is more important. The research did not force comparisons.
- The most popular main chapters of the Report vary significantly by market sector, but the Overview, Chapter 2 Growth Through Surveillance, and the Message from the MD are important in all sectors; Government/Central Bank people have a particular interest in Chapter 5 Governance, Organization, Finances (which most others have relatively little interest in – particularly Media people); the most ‘useful’ chapter is the Overview.
- Only a third appear to have accessed the Report on line (and very few respondents were rejected because they had only accessed it on line—hence, rare behaviour), particularly weighted towards Education and Media sectors, to get information earlier and for extracting information to embed in some way or another.

APPENDIX

Sample and Methodology

100 mainly structured interviews were administered via CATI to recipients of the 2007 Annual Report. In addition, two faxed self-completed questionnaires were received from China and included in the analysis.

Quotas were set for language and IMF Publication Market Sector. The IMF Publication Market Sector quota was set to reflect roughly what is found on the distribution database. The language quota was set to allow a fair balance between enough languages other than English (LOE) respondents for analysis, while retaining some of the dominance of English reflected in the database. LOE is deliberately over-represented. Set and Achieved were:

Language	Quota Set	Quota Achieved
Arabic	15	5
English	25	29
French	15	19
German	15	10
Russian	15	19
Spanish	15	18
(Chinese)	(--)	(2)

Sector

Government/Central bank	20	20
Education	30	29
Business	20	19
Media	20	22
Int'l./NGO/Misc.	10	10

State of Database

A major problem for the research was the difficulty of tracing live recipients from the distribution lists. The following is an analysis of the 1124 contacts attempted:

	(In percent)
Not traceable	53
Language issues	3
No Annual Report received	4
Uses Web, not print	1
Quota full	8
Refused/not kept appt	22
Interview completed	9

As may be seen, in over half the cases, it was not possible to trace a live recipient of the Report. This was after rejecting obvious libraries and depository libraries from the database. The bulk of these were caused by not being able to find either or both of a name and a correct telephone number. It would be helpful to the IMF if it were to be made a condition of receipt of future Reports that recipients provide personal-named contact details, including a full telephone number and email address. This may save significantly on printing and distribution costs. At the very least it will contribute towards better targeted 'marketing' mailings from the IMF.